

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

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Six Months Ended June 30, 2021 and 2020**

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

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Fubon Life Insurance Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of June 30, 2021, December 31, 2020 and June 30, 2020, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020, changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021, December 31, 2020 and June 30, 2020, its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Accounting Standards 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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



1. The valuation of financial instruments

Please refer to Note 4(G) for the related accounting policy regarding the valuation of financial instruments, Note 5 for accounting assumptions and estimation uncertainty of the valuation of financial instruments, Note 6(AD) for details on the information about fair value and fair value hierarchy.

Risk and description of the key audit matter:

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

Procedures performed:

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

2. The valuation of investment property

Please refer to Note 4(K) for the related accounting policy regarding the valuation of investment property, Note 5 for accounting assumptions and estimation uncertainty of the valuation of investment property, Note 6(G) for details on the information about the valuation of investment property.

Risk and description of the key audit matter:

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

Procedures performed:

- Obtained an understanding of professional appraisal firms’ procedures for measuring fair value of investment properties in order to assess whether the professional appraisal firms selected appropriate valuation methods and check whether the firms adopted reasonable key assumptions;



- Confirmed the fair value measurement and disclosures of investment property were in accordance with IFRSs and Regulations Governing Preparation of Financial Reports by Insurance Enterprises;
- Assessed the appropriateness of the fair value of investment property measured by the management based on our understanding of public market information and review report issued by our engaged external appraisal firms.

3. The assessment of insurance liability

Please refer to Note 4(S) for the related accounting policy regarding the assessment of insurance liability, Note 5 for accounting assumptions and estimation uncertainty of insurance liability, Note 6(W) for details on the information about the assessment of insurance liability.

Risk and description of the key audit matter:

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

Procedures performed:

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

Other Matter

Fubon Life Insurance Co., Ltd. has prepared its parent-company-only financial statement as of and for the six months ended June 30, 2021 and 2020, on which we have issued an unmodified opinion.



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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
August 13, 2021

Notes to Readers

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

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

Consolidated Balance Sheets

June 30, 2021, December 31, and June 30, 2020

(Expressed In Thousands of New Taiwan Dollars)

Assets	June 30, 2021		December 31, 2020		June 30, 2020			June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
11000 Cash and cash equivalents (Notes 6(A))	\$ 237,549,250	4	297,203,814	6	190,183,727	4	21000 Accounts payable (Note 6(O))	\$ 68,260,137	1	44,435,510	1	50,388,464	1
12000 Receivables, net (Note 6(B))	49,751,318	1	44,687,936	1	66,129,232	1	21700 Current tax liabilities	10,386,414	-	6,523,774	-	3,152,713	-
12600 Current tax assets	5,907,487	-	6,756,266	-	6,427,652	-	23100 Short-term liabilities (Note 6(P))	-	-	-	-	248,838	-
14110 Financial assets measured at fair value through profit or loss (Note 6(B))	1,439,220,992	26	1,213,883,099	23	1,175,532,053	24	23200 Financial liabilities measured at fair value through profit or loss (Note 6(B))	3,247,441	-	2,760,635	-	1,245,851	-
14190 Financial assets measured at fair value through other comprehensive income (Note 6(B))	596,912,147	11	690,255,016	13	635,344,570	13	23300 Financial liabilities for hedging (Note 6(B))	868,509	-	31,398	-	443,373	-
14130 Financial assets for hedging (Note 6(B))	1,428,341	-	4,601,627	-	1,764,960	-	23500 Bonds payable (Note 6(Q))	64,789,307	1	64,803,584	1	63,027,561	2
14145 Financial assets measured at amortized cost (Note 6(B))	2,068,539,616	37	1,917,670,755	36	1,861,051,732	37	23800 Lease liabilities (Note 6(R))	15,988,608	-	16,740,481	-	16,815,805	-
14150 Investments accounted for using equity method, net (Note 6(D))	17,581,411	-	15,073,704	-	13,888,628	-	24000 Insurance liabilities (Note 6(W))	4,271,078,657	77	4,166,120,717	78	4,041,404,649	81
14180 Other financial assets, net (Note 6(B))	4,112,264	-	4,058,188	-	6,998,802	-	24800 Reserve for insurance with nature of financial instrument (Note 6(X))	3,494,124	-	3,448,657	-	3,612,345	-
14200 Investment property (Note 6(G))	299,380,015	6	298,502,661	6	266,898,645	5	24900 Reserve for foreign exchange valuation (Note 6(Y))	7,084,737	-	8,481,833	-	11,412,630	-
14300 Loans (Note 6(B))	272,278,884	5	281,250,241	5	280,451,966	6	27000 Liabilities reserve (Note 6(S))	13,190,514	-	13,523,911	-	12,986,989	-
15000 Reinsurance assets (Note 6(I))	3,060,899	-	2,909,835	-	2,592,808	-	28000 Deferred tax liabilities	17,355,644	-	22,360,011	1	16,508,625	-
16000 Property and equipment (Note 6(J))	19,746,103	-	20,057,233	-	19,649,526	-	25000 Other liabilities	19,289,126	1	17,196,929	1	22,089,411	1
16700 Right-of-use assets (Note 6(K))	2,835,185	-	2,225,184	-	2,550,452	-	26000 Liabilities on insurance product, separated account (Note 6(N))	466,078,711	9	452,878,316	9	374,886,352	8
17000 Intangible assets (Note 6(L))	5,746,437	-	6,172,921	-	5,449,785	-	Total liabilities	4,961,111,929	89	4,819,305,756	91	4,618,223,606	93
17800 Deferred tax assets, net	27,323,498	1	25,196,645	-	24,261,862	1	Equity attributable to owners of parent						
18000 Other assets (Note 6(M))	28,819,512	1	27,718,320	1	27,433,344	1	31100 Ordinary shares (Note 6(T))	110,831,140	2	110,831,140	2	110,831,140	2
18900 Assets on insurance product, separated account (Note 6(N))	468,030,214	8	459,219,800	9	382,046,619	8	Capital surplus (Note 6(T)):						
							32100 Capital surplus, additional paid-in capital	7,052,235	-	7,052,235	-	7,052,235	-
							32400 Capital surplus, employee share options	134,778	-	134,778	-	134,778	-
							32600 Capital surplus, others	23,784,275	-	22,708,739	-	22,385,203	-
							Total capital surplus	30,971,288	-	29,895,752	-	29,572,216	-
							Retained earnings (Note 6(T)):						
							33100 Legal reserve	48,795,855	1	48,795,855	1	48,795,855	1
							33200 Special reserve	93,839,889	2	93,839,889	2	93,577,464	2
							33300 Unappropriated retained earnings	115,628,496	2	52,964,259	1	21,983,996	1
							Total retained earnings	258,264,240	5	195,600,003	4	164,357,315	4
							34000 Other equity interest (Note 6(T))	176,091,485	4	148,209,597	3	33,683,512	1
							Total Equity attributable to owners of parent	576,158,153	11	484,536,492	9	338,444,183	7
							36000 Non-controlling interests (Note 6(E)&(T))	10,953,491	-	13,600,997	-	11,988,574	-
							Total equity	587,111,644	11	498,137,489	9	350,432,757	7
Total assets	\$ 5,548,223,573	100	5,317,443,245	100	4,968,656,363	100	Total liabilities and equity	\$ 5,548,223,573	100	5,317,443,245	100	4,968,656,363	100

(See accompany notes to the consolidated financial statements)

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

Consolidated Statements of Comprehensive Income
For the six months ended June 30, 2021 and 2020
(Expressed In Thousands of New Taiwan Dollars)

	For the three months ended June 30,				For the six months ended June 30,			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating Revenues:								
41110 Written premium	\$ 114,154,139	61	146,378,367	72	236,177,850	58	289,954,129	75
51100 Less: Reinsurance expense	688,052	-	668,581	-	1,260,400	-	1,204,915	-
51310 Net change in unearned premiums reserve	108,801	-	(153)	-	155,902	-	(39,173)	-
Retained earned premium (Note 6(AA))	113,357,286	61	145,709,939	72	234,761,548	58	288,788,387	75
41300 Reinsurance commission received	15,699	-	15,411	-	31,164	-	28,891	-
41400 Total fee income	1,074,015	1	601,059	-	2,205,445	1	1,266,222	-
Net income (loss) from investments								
41510 Interest income	23,564,272	13	25,597,918	12	47,942,219	12	50,662,237	13
41521 Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Note 6(B))	82,205,383	44	114,954,953	56	132,990,529	33	3,575,634	1
41526 Net gains (losses) from derecognition of financial assets measured at amortized cost (Note 6(B))	129,304	-	960,890	-	10,039,090	2	7,266,914	2
41527 Realized gains (losses) from financial assets measured at fair value through other comprehensive income	1,125,810	1	6,460,457	3	16,026,178	4	9,008,965	2
41540 Share of gain (loss) of associates and joint ventures accounted for using equity method	1,971,520	1	263,367	-	2,539,824	1	331,222	-
41550 Foreign exchange gains (losses), investments	(29,123,328)	(16)	(28,049,697)	(14)	(19,346,476)	(5)	(20,541,733)	(5)
41560 Net change in reserve for foreign exchange valuation (Note 6(Y))	3,050,148	2	3,427,762	2	1,397,096	-	1,860,380	-
41570 Gains (losses) on investment property	1,634,706	1	(636,808)	-	2,609,674	1	(378,919)	-
41585 (Reversal of) expected credit impairment loss on investments (Note 6(B))	113,829	-	191,093	-	20,862	-	(154,132)	-
41590 Other net income (loss) from investments	(139,246)	-	(708,469)	-	427,619	-	(722,765)	-
41600 Profits (losses) reclassified to other comprehensive income using overlay approach (Note 6(B))	(24,989,934)	(14)	(84,659,368)	(41)	(56,341,598)	(14)	38,829,003	10
41800 Other operating income	327,671	-	195,729	-	570,829	-	463,487	-
41900 Income on insurance product, separated account (Note 6(N))	10,744,255	6	20,014,008	10	29,101,175	7	8,755,137	2
Total operating revenue	185,061,390	100	204,338,244	100	404,975,178	100	389,038,930	100
Operating Costs:								
51200 Insurance claim payment	73,515,932	40	87,168,640	43	149,098,190	37	163,272,494	42
41200 Less: Claims recovered from reinsurers	552,748	-	448,065	-	1,047,439	-	846,794	-
Retained claim payment (Note 6(AA))	72,963,184	40	86,720,575	43	148,050,751	37	162,425,700	42
51300 Net change in insurance liability	62,080,140	34	78,916,397	39	132,253,986	33	168,388,672	43
51380 Net change in reserve for insurance with nature of financial instrument	56,944	-	23,090	-	114,515	-	61,444	-
51400 Acquisition expense	9,250	-	7,175	-	18,114	-	17,778	-
51500 Commission expense	4,282,922	2	4,803,675	2	9,346,691	2	11,950,615	3
51700 Finance costs	654,990	-	681,667	-	1,310,177	-	1,366,859	-
51800 Other operating costs	318,726	-	278,593	-	724,494	-	546,490	-
51900 Disbursements on insurance product, separated account (Note 6(N))	10,744,255	6	20,014,008	10	29,101,175	7	8,755,137	2
Total operating costs	151,110,411	82	191,445,180	94	320,919,903	79	353,512,695	90
Operating expenses:								
58100 General expenses	2,708,401	1	3,073,106	1	5,553,108	1	6,391,624	2
58200 Administrative expenses	1,834,073	1	1,652,044	1	3,522,479	1	3,154,086	1
58300 Staff training expenses	12,231	-	8,350	-	23,785	-	20,005	-
58400 (Reversal of) expected credit impairment loss on non-investments	597	-	(3,099)	-	(633)	-	(5,024)	-
Total Operating Expenses	4,555,302	2	4,730,401	2	9,098,739	2	9,560,691	3
Net Operating Income	29,395,677	16	8,162,663	4	74,956,536	19	25,965,544	7
59000 Total non-operating income and expenses (Note 6(AB))	254,488	-	286,627	-	447,210	-	444,129	-
Profit from continuing operations before income tax	29,650,165	16	8,449,290	4	75,403,746	19	26,409,673	7
63000 Income tax expense (Note 6(U))	(2,816,968)	2	(1,163,960)	1	(8,702,383)	2	(2,827,555)	1
Net profit	\$ 26,833,197	14	7,285,330	3	66,701,363	17	23,582,118	6
Other comprehensive income:								
83100 Items that may not be reclassified subsequently to profit or loss								
83110 Remeasurement of defined benefit plans	\$ (1,135)	-	(778)	-	(11,156)	-	(6,850)	-
83120 Revaluation of real estate property	106,165	-	-	-	106,165	-	-	-
83190 Valuation gains (losses) on equity instruments measured at fair value through other comprehensive income	(5,072,460)	(3)	2,261,386	1	(1,312,416)	-	(7,745,422)	(2)
83130 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	13,396	-	4,190	-	(8,595)	-	(16,328)	-
83180 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	691,584	-	801,187	-	387,976	-	2,149,147	-
	(4,262,450)	(3)	3,065,985	1	(838,026)	-	(5,619,453)	(2)
83200 Items may be reclassified subsequently to profit or loss								
83210 Exchange differences on translation, before tax	(1,965,362)	(1)	(1,120,874)	-	(3,521,765)	(1)	(4,105,766)	(1)
83290 Valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	6,919,317	4	21,123,065	10	(34,290,805)	(9)	25,978,259	7
83230 Gains (losses) on hedging instrument	(86,064)	-	30,252	-	(335,029)	-	691,773	-
83240 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	117,616	-	(102,855)	-	163,967	-	(154,284)	-
83295 Other comprehensive profits (losses) reclassified using overlay approach	24,989,934	14	84,659,368	42	56,341,598	14	(38,829,003)	(10)
83280 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(2,451,967)	(1)	(8,275,332)	(4)	4,756,927	1	(228,943)	-
	27,523,474	16	96,313,624	48	23,114,893	5	(16,647,964)	(4)
83000 Other comprehensive income (after tax)	23,261,024	13	99,379,609	49	22,276,867	5	(22,267,417)	(6)
85000 Comprehensive income	\$ 50,094,221	27	106,664,939	52	88,978,230	22	1,314,701	-
Net profit attributable to:								
86100 Owners of parent	\$ 26,478,037	14	7,272,951	3	65,563,227	17	23,375,089	6
86200 Non-controlling interests	355,160	-	12,379	-	1,138,136	-	207,029	-
	\$ 26,833,197	14	7,285,330	3	66,701,363	17	23,582,118	6
Comprehensive income attributable to:								
87100 Owners of parent	\$ 49,779,523	27	105,649,885	52	90,167,107	22	957,120	-
87200 Non-controlling interests	314,698	-	1,015,054	-	(1,188,877)	-	357,581	-
	\$ 50,094,221	27	106,664,939	52	88,978,230	22	1,314,701	-
97500 Basic earnings per share (expressed in dollars) (Note 6(V))	\$ 2.39		0.66		5.92		2.11	

(See accompany notes to the consolidated financial statements)

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

Consolidated Statements of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												Non-controlling interests	Total equity	
	Retained earnings					Other equity items									
	Ordinary Shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unrealized revaluation surplus	Other comprehensive profit (loss) reclassified using overlay approach	Total			Total equity attributable to owners of parent
Balance at January 1, 2020	\$ 110,831,140	29,572,737	44,254,018	77,585,281	20,534,020	142,373,319	(7,762,888)	19,694,697	364,752	128,498	42,314,159	54,739,218	337,516,414	11,630,993	349,147,407
Net income	-	-	-	-	23,375,089	23,375,089	-	-	-	-	-	-	23,375,089	207,029	23,582,118
Other comprehensive income	-	-	-	-	(3,222)	(3,222)	(3,129,489)	14,419,014	553,419	-	(34,257,691)	(22,414,747)	(22,417,969)	150,552	(22,267,417)
Total comprehensive income	-	-	-	-	23,371,867	23,371,867	(3,129,489)	14,419,014	553,419	-	(34,257,691)	(22,414,747)	957,120	357,581	1,314,701
Appropriation and distribution:															
Recovered special reserve – negative net amount of other equity interest	-	-	-	(8,285,634)	8,285,634	-	-	-	-	-	-	-	-	-	-
Recovered special reserve – other	-	-	-	(4,574)	4,574	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	4,541,837	-	(4,541,837)	-	-	-	-	-	-	-	-	-	-
Special reserve from profit after tax	-	-	-	2,270,919	(2,270,919)	-	-	-	-	-	-	-	-	-	-
Special reserve – transferred from recovered contingency risk reserve	-	-	-	415,068	(415,068)	-	-	-	-	-	-	-	-	-	-
Special reserve – savings from hedging cost	-	-	-	5,035,333	(5,035,333)	-	-	-	-	-	-	-	-	-	-
Special reserve – gains or losses on disposal of unexpired debt instruments	-	-	-	7,912,279	(7,912,279)	-	-	-	-	-	-	-	-	-	-
Special reserve – special provisions	-	-	-	9,398,726	(9,398,726)	-	-	-	-	-	-	-	-	-	-
Special reserve – gains from the fluctuation of subsequent fair value measurement of investment property	-	-	-	(749,934)	749,934	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Changes in investments in associates and joint ventures accounted for using equity method	-	(521)	-	-	-	-	-	-	-	-	-	-	(521)	-	(521)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,359,041)	(1,359,041)	-	1,359,041	-	-	-	1,359,041	-	-	-
Disposal of special reserve transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies	-	-	-	-	(28,830)	(28,830)	-	-	-	-	-	-	(28,830)	-	(28,830)
Balance at June 30, 2020	\$ 110,831,140	29,572,216	48,795,855	93,577,464	21,983,996	164,357,315	(10,892,377)	35,472,752	918,171	128,498	8,056,468	33,683,512	338,444,183	11,988,574	350,432,757
Balance, January 1, 2021	\$ 110,831,140	29,895,752	48,795,855	93,839,889	52,964,259	195,600,003	(8,129,194)	45,996,910	756,242	128,498	109,457,141	148,209,597	484,536,492	13,600,997	498,137,489
Net income	-	-	-	-	65,563,227	65,563,227	-	-	-	-	-	-	65,563,227	1,138,136	66,701,363
Other comprehensive income	-	-	-	-	(5,248)	(5,248)	(2,365,066)	(27,939,175)	(268,023)	93,323	55,088,069	24,609,128	24,603,880	(2,327,013)	22,276,867
Total comprehensive income	-	-	-	-	65,557,979	65,557,979	(2,365,066)	(27,939,175)	(268,023)	93,323	55,088,069	24,609,128	90,167,107	(1,188,877)	88,978,230
Other changes in capital surplus:															
Changes in investments in associates and joint ventures accounted for using equity method	-	2,584	-	-	-	-	-	-	-	-	-	-	2,584	-	2,584
Changes in ownership interests in subsidiaries	-	1,072,952	-	-	(10,997)	(10,997)	(319,745)	436,344	-	-	273,416	390,015	1,451,970	(1,458,876)	(6,906)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(2,882,745)	(2,882,745)	-	2,882,745	-	-	-	2,882,745	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	247	247
Balance at June 30, 2021	\$ 110,831,140	30,971,288	48,795,855	93,839,889	115,628,496	258,264,240	(10,814,005)	21,376,824	488,219	221,821	164,818,626	176,091,485	576,158,153	10,953,491	587,111,644

(See accompany notes to the consolidated financial statements)

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

Consolidated Statements of Cash Flows
For the six months ended June 30, 2021 and 2020
(Expressed In Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 75,403,746	26,409,673
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	626,686	675,983
Amortization expense	163,964	154,630
Net (gain) loss on financial assets or liabilities measured at fair value through profit or loss	(101,242,162)	20,078,794
Net gain on financial assets or liabilities measured at fair value through other comprehensive income	(15,583,411)	(8,052,756)
Net gain on derecognition of financial assets measured at amortized cost	(10,039,090)	(7,266,914)
Interest expense	1,335,365	1,407,872
Interest income	(47,942,219)	(50,662,237)
Dividend income	(10,712,100)	(13,402,819)
Net change in insurance liabilities	132,409,888	168,349,499
Net change in reserve for insurance with nature of financial instrument	45,467	20,609
Net change in reserve for foreign exchange valuation	(1,397,096)	(1,860,380)
(Reversal of) expected credit loss of investment	(20,862)	154,132
Reversal of expected credit loss of non-investment	(633)	(5,007)
Share of profit of associates and joint ventures accounted for using equity method	(2,539,824)	(331,222)
Loss (Gain) reclassified to other comprehensive income by using overlay approach	56,341,598	(38,829,003)
Losses on disposal of property and equipment	9,076	3,487
Property and equipment transferred to revenues	(19,791)	(10,846)
Unrealized foreign exchange loss	1,452,161	8,144,275
Loss on fair value adjustment of investment property	548,974	3,310,446
Other items	93,021	(4,444)
Total adjustments to reconcile profit (loss)	3,529,012	81,874,099
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in accounts receivable	(5,076,967)	(18,281,978)
Decrease (Increase) in financial assets or liabilities measured at fair value through profit or loss	(121,361,784)	8,530,317
Decrease (Increase) in financial assets measured at fair value through other comprehensive income	82,609,095	(98,439,493)
Increase in financial assets measured at amortized cost	(166,271,256)	(78,546,190)
Decrease (Increase) in other financial assets	(728,885)	1,001,798
Decrease (Increase) in reinsurance assets	(195,890)	276,962
Increase in other assets	(1,926,818)	(429,936)
Total changes in operating assets	(212,952,505)	(185,888,520)
Changes in operating liabilities:		
Increase (Decrease) in other payable	24,585,625	(33,967)
Decrease in provisions	(91,105)	(499,460)
Increase (Decrease) in other liabilities	2,092,196	(793,022)
Total changes in operating liabilities	26,586,716	(1,326,449)
Total adjustments	(182,836,777)	(105,340,870)
Cash outflow generated from operations	(107,433,031)	(78,931,197)
Interest received	43,343,674	41,179,594
Dividends received	9,837,892	11,724,844
Interest paid	(1,532,348)	(1,573,245)
Income taxes paid	(5,855,156)	(1,866,379)
Net Cash flows used in operating activities	(61,638,969)	(29,466,383)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(150,000)	(1,355,527)
Acquisition of property and equipment	(144,664)	(168,055)
Proceeds from disposal of property and equipment	47	2,185
Decrease (Increase) in refundable deposits	172	(35,108)
Acquisition of intangible assets	(15,532)	(31,260)
Decrease (Increase) in loans	6,419,040	(10,400,330)
Acquisition of investment properties	(2,457,309)	(29,367,722)
Other investing activities	(5)	-
Net cash flows from (used in) investing activities	3,651,749	(41,355,817)
Cash flows from (used in) financing activities:		
Increase in short-term debts	-	248,838
Proceeds from issuing bonds	1,362,802	370,770
Repayments of bonds	(827,343)	(1,239,150)
Payments of lease liabilities	(1,665,098)	(1,303,812)
Other financing activities	247	-
Net cash flows used in financing activities	(1,129,392)	(1,923,354)
Effect of exchange rate changes on cash and cash equivalents	(537,952)	(1,365,798)
Net decrease in cash and cash equivalents	(59,654,564)	(74,111,352)
Cash and cash equivalents at beginning of period	297,203,814	264,295,079
Cash and cash equivalents at end of period	\$ 237,549,250	190,183,727

(See accompany notes to the consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND BUSINESS ACTIVITY

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

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

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

The consolidated financial statements as of June 30, 2021, December 31, 2020 and June 30, 2020 comprise the Company and its subsidiaries (together referred to as the “Group”). Please refer to Note 4(C) for further information. The parent and ultimate parent company of the Group is Fubon Financial Holding.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issuance by the Board of Directors on August 13, 2021.

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

3. Application of New and Revised International Financial Reporting Standards:

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

The details of impact on the Group’s adoption of the new amendments beginning January 1, 2021 are as follows:

- (i) Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” (the Phase 2 amendments)

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate.

When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument, and consequently, the hedge relationship can be continued without any interruption.

The details of the accounting policies are disclosed in Notes 4(G)(f). See also Notes 6(AE) for related disclosures about risks managements.

- (ii) Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

A one-year extension to the practical expedient is available to lessees when accounting for COVID-19-related rent concessions reduce the lease payments originally due on or before June 30, 2022. The related accounting policy is explained in Note 4(N).

The Group has elected to apply the practical expedient for superfcies that meets the requirements set out above applicable from beginning January 1, 2021, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the three and six months ended June 30, 2021 were \$0 thousand and \$1,003 thousand, respectively.

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

(iii) Other amendments

The following new amendments, effective January 1, 2021, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

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

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
IFRS 17 “Insurance Contracts”	<p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> ● Recognition: an entity recognizes a group of insurance contracts that it issues from the earliest of : <ul style="list-style-type: none"> - the beginning of the coverage period of the group of contracts; - the date when the first payment from a policyholder in the group because due; and - for a group of onerous contracts, when the group becomes onerous, if facts and circumstances indicate that there is such a group. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue. 	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	<p>The fundamental principles introduced when the Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:</p> <ul style="list-style-type: none"> ● reduce costs by simplifying some requirements in the Standard; ● make financial performance easier to explain; and ● ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. 	January 1, 2023

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	<p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p>	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	<p>The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.</p>	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are set out as below. Unless otherwise stated, the significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(A) Statement of compliance

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

(B) Basis of preparation

The consolidated financial statements comprise consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in shareholders’ equity, consolidated statements of cash flows, and related notes.

The consolidated financial statements have been prepared on a historical cost basis, except for the financial instruments and investment property which are measured at fair value. The financial statements are presented in New Taiwan Dollar, the functional currency of the Company, and rounded to the nearest thousand, except where otherwise indicated.

(C) Basis of consolidation

In accordance with the “International financial reporting guidelines recognized by FSC”, 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 Group prepares its consolidated 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.

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

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

Changes in a parent's ownership interest that do not result in a loss of control are accounted for as equity transactions.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and attribute it to the owners of the parent.

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

Investor Company	Subsidiary	Business Type	Stockholder's equity (Holding %)		
			June 30, 2021	December 31, 2020	June 30, 2020
The Company	Fubon Life Insurance (Vietnam) Co., Ltd.	Life insurance	100 %	100 %	100 %
The Company	Fubon Life Insurance (Hong Kong) Co., Ltd.	Life insurance	100 %	100 %	100 %
The Company	Fubon Hyundai Life Insurance Co., Ltd.	Life insurance	77.40 %	62.06 %	62.06 %
The Company	Carter Lane (Guernsey) Ltd.	Real estate investment and management	100 %	100 %	100 %
The Company	Bow Bells House (Jersey) Ltd.	Real estate investment and management	100 %	100 %	100 %
The Company	Fubon MTL Property (Jersey) Ltd.	Real estate investment and management	100 %	100 %	100 %
The Company	Fubon Ellipse (Belgium) S.A.	Real estate investment and management	100 %	100 %	100 %
The Company	Fubon Eurotower (Luxembourg) S. à r.l.	Real estate investment and management	100 %	100 %	100 %

(D) Foreign exchange

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated to the functional currency at the exchange rate at the date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated to the exchange rate at the date of the transaction.

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

Foreign translation differences arising from settlement or retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- Equity instruments measured at fair value through other comprehensive income;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent that the hedges are effective.

(b) Foreign operations

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

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

(E) Principles of classifying assets and liabilities as current and non-current

The Group primarily engages in the life insurance business. In the insurance industry, there is no clear standard distinction between the operating period and cycle as it depends on the nature of the insurance contracts and the different durations for which insurance claims are processed; therefore, the Group does not classify assets and liabilities as current or noncurrent.

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

(F) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to cash at the known amounts and subject to insignificant risk of value changes. Time deposits that fit the definition above and are used by the Group in the management of its short-term commitments are comprised in cash equivalents.

(G) Financial instruments

All financial assets possessed by the Group are recognized and derecognized using trade date accounting.

(a) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at original cost, plus/minus accumulated amortization using the effective interest method, and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

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

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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 unrealized gains (losses) on financial assets measured at fair value through other comprehensive income. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

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

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

All financial assets not classified as amortized cost or FVOCI described as above 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 Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset measured at FVTPL is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Net gains and losses (including dividend and interest income) are recognized in profit or loss.

(4) Loans and receivables

Loans include premium loans, life insurance loans, secured loans and unsecured loans. Premium loans refer to cash advances granted to the insured to settle unpaid premiums in accordance with the insurance contract. Life insurance loans are loans secured by insurance policies issued by the Group. Secured loans include loans collateralized by property and real estate and special project loans approved by the competent authority.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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Loans and receivables are initially recognized at fair value, plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method, less any impairment loss .

(5) Impairment of financial assets

The Group adopts the following recognition principles that comply with "expected credit loss" (ECL) application of IFRS 9.

At each reporting date, the Group assesses whether the credit risk of financial instruments has significantly increased since initial recognition. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. Lifetime ECL measurement of allowance for impairment of the financial asset applies if the credit risk at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

1) General approach to expected credit loss:

The Group applies the general approach for expected credit losses to debt instruments and loans classified as financial assets measured at amortized costs or at FVOCI and related receivables. At each reporting date, the Group assesses whether credit risk has significantly increased since initial recognition to recognize the allowance for impairment. Allowance for impairment measured at FVOCI should be adjusted for profit and loss and recognized in other comprehensive income, but should not decrease carrying amounts of financial assets on consolidated balance sheets.

2) Simplified approach to expected credit loss:

The Group applies simplified approach to lease receivables and to accounts receivables under IFRS 15. Recognition and measurement of the allowance for impairment of these financial assets are based on lifetime ECL. With reference to past experience, receivables that do not belong to what described above and loans with investment-linked insurance provided as pledged assets have extremely low loss ratios so the Group adopted the simplified approach.

3) Loss allowance for loans and receivables should also be complied with the regulations under the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises". The least standard of the loss allowance should be measured by the higher of expected credit loss described above and of ECL that are complied with the regulations.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(7) Reclassification of financial assets

According to IFRS 9, financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(8) Overlay approach

The Group has applied IFRS 9 since 2018. To reduce the impact caused by different effective dates of IFRS 9 and the forthcoming IFRS 17, the Group simultaneously adopted overlay approach under IFRS 4 to present profit or loss of designated financial assets.

(b) Financial liabilities

(1) Short term debts

Bonds issued under repurchase agreement in financing activities are recorded to short-term debts-notes and bonds issued under repurchase agreement at trading date. When the notes and bonds are repurchased, the difference between the repurchase price and original sale price is recognized as interest expenses.

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

Financial liabilities including held-for-trading, derivative and designated upon initial recognition are classified as financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at FVTPL are recognized at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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Financial liabilities measured at fair value through profit or loss and those designated as such at initial recognition are recognized as "financial liabilities measured at fair value through profit or loss" in the consolidated balance sheets. The changes in fair value are recognized as "gains or losses on financial assets or liabilities measured at fair value through profit or loss" in the consolidated statements of comprehensive income. However, the amount of change in the fair value of the financial liability 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, except that the treatment would create or enlarge accounting mismatch or it is a financial guarantee contract, and in this case, the Group will present all gains or losses on that liability in profit or loss.

(3) Bonds payable

The initial recognition of financial liabilities measured at amortized cost is valued at fair value after deducting transaction costs. After initial recognition, bonds payable is measured at the effective interest method and the interest is recognized in profit or loss as the adjustment of "finance costs" during the outstanding period of bonds.

(4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled, or expires. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(c) Determination of fair value

Please refer to Note 6 for the fair value of financial instruments and information of fair value hierarchy.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheets when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(e) Derivative financial instruments and hedge accounting

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates part of its hedging instruments as fair value hedges, cash flow hedges, or hedges of net investments in a foreign operations.

At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, and the nature of the risk being hedged and how the Group's will assess whether the hedging relationship meets the hedge effectiveness requirements.

- Fair value hedges

The gain or loss on the qualifying hedging instrument shall be recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in other comprehensive income.

If the hedged item is a debt instrument that is measured at fair value through other comprehensive income, the hedging gains or losses on the hedged item shall be recognized in profit or loss. However, if the hedged item is an equity instrument designated at FVOCI, the hedging gains or losses shall remain in other comprehensive income. Where hedging gains or losses are recognized in profit or loss, they are recognized in the same lines as the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. If the hedged item is measured at amortized cost, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss.

- 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 under "other equity — gains (losses) on hedging instruments". 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. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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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, and is presented in the same accounting item with the hedged item recognized in the consolidated statement of comprehensive income. 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.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

- Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in 'other equity —gains (losses) on hedging instruments'. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument accumulated in other equity are reclassified to profit or loss on the disposal of the foreign operation.

Specific policies applicable for hedges directly affected by IBOR reform

- (1) Prospective assessments

For the purpose of evaluating whether the economic relationship between the hedged item and the hedging instrument exists, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform.

- (2) The 'highly probable' assessments for forecast transactions

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(3) End of application

The Group will cease to apply the above assessments when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

(f) Interest Rate Benchmark Reform—Phase 2 (policy applicable from January 1, 2021)

(1) Modifications of financial instruments

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

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

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

(2) Hedge accounting

1) Changes to the hedged item and/or hedging instrument

When a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

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The Group amends the description of the hedging instrument only if the following conditions are met:

- The Group makes a change required by interest rate benchmark reform using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the original hedging instrument is not derecognized; and
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument.

The Group will amend the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

2) Non-contractually specified risk component

If the Group reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it designates the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

3) Cash flow hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

(H) Securities lending

The Group lends securities through the Taiwan Stock Exchange. For fixed-rate and competitive auction transactions, the securities lending fee shall be calculated on a daily and trade-by-trade basis. The total securities lending fee is an accumulative total of the daily closing price multiplied by the outstanding balance of loaned securities and the securities lending fee rate. The securities lending fee is paid by the securities firms at the time of returning loaned securities.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(I) Investment in associates

An associate is an entity in which the Group has significant influence over its financial and operating policies but has 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 Group has significant influence over the investees until the date that the Group loses the significant influence. The accounting policies of the investees and the Group shall be reconciled before the amount is presented in the financial statements. The Group recognizes any changes, of its proportionate share in an associate within capital surplus, when the associate's equity changes due to reasons other than profit and loss or comprehensive income, and such change does not affect the Group's ownership percentage of the associate.

Unrealized gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated investors' interest in the associate.

When the Group's share of losses of the associates equals or exceeds its interest in the associates, the Group discontinues recognizing its share of further losses. The Group only recognizes additional losses and relevant liabilities to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee.

Since the goodwill that forms part of the carrying amount of investment in associates or joint venture is not separately recognized, it is not tested for impairment by applying the requirements for impairment testing goodwill in IAS 36. The Group has to determine whether there is any objective evidence that its 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 Group estimates:

- (a) its 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
- (b) 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.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(J) Joint venture

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Group and other ventures to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from the ventures. The Group uses equity method to account for the jointly controlled entity.

Please refer to Note 4(I) for the assessment of impairment of the Group.

(K) Investment property

Investment property held by the Group is either to earn rental income or for capital appreciation or both owned either by the owner or by the lessee through possession of right-of-use assets, rather than for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purpose. Investment property is measured at cost on initial recognition, including transaction costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Costs of self-constructed investment property include the 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 its intended use. Investment property is subsequently measured at fair value, with any change in fair value shall be recognized in profit or loss. Except the property that meet the criteria to be 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”, investment property is accounted for in accordance with IAS 40 “Investment property”. If the fair value cannot be reliably determined, it should be measured at cost less accumulated depreciation and impairment. When fair value can be reliably determined, the valuation should be measured at fair value.

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

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

(L) Reinsurance assets

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

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Reinsurance assets, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies are periodically assessed for impairment. A reinsurance asset is impaired if, and only if there is objective evidence that the Group may not receive all amounts due them 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 recoverable amounts that the Group will receive from the reinsurer can be measured reliably. If the reinsurance asset is impaired, its carrying amount is reduced accordingly and is recognized as impairment loss.

In addition, for classification of reinsurance contracts, the Group assesses not only transfer of significant insurance risk, but also whether it has transferred underwriting risk, (probability of material loss) and timing risk (variation of occurrence timing of cash flows) to reinsurers. If reinsurance contracts only cede significant insurance risks (excluding the underwriter risk and timing risk), the reinsurance contract is accounted for using deposit accounting. Under this deposit accounting, the insurance premium minus the Group's retained reinsurance premium (or fee) is recognized as a deposit asset or liability.

Changes in amount of the deposit component are charged to profit or loss. Interests arising from the deposit component for the contracts which does not transfer any risk or transfers 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.

(M) Property, plant and equipment

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes any cost directly attributable to the asset and, before January 1, 2019, the initial estimated of the cost of dismantlement, removal or restoration.

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

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

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Significant renewals and improvements meeting the recognition criteria are treated as capital expenditures, on-going repairs and maintenance are expensed as incurred.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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Land is not depreciated. Other assets are depreciated on a straight line basis over the estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

- | | |
|--|------------|
| (a) Buildings | 5-50 years |
| (b) Transportation and communication equipment | 3-5 years |
| (c) Computer and other equipment | 3-15 years |

The residual values and useful lives of depreciable fixed assets are reviewed at each reporting date and adjusted if appropriate. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined on the difference between the net disposal proceeds, if any, and carrying amount of the item, and is recognized in profit or loss. If expectations of depreciation method, useful life and residual value differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property accordingly. 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 of real estate property” and accumulated in “Other equity interest— Unrealized revaluation surplus.” Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in other comprehensive income and reduces the revaluation surplus within equity.

(N) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses 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 Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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- 3) the Group has the right to direct the use of the asset when it has 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 Group has the right to direct the use of an asset if either:
- the Group has the right to operate the asset; or
 - the Group 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 Group allocates 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

The Group applies fair value model to right-of-use assets that meet the condition of investment property and classifies these assets 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 Group's incremental borrowing rate.

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

- fixed payments less any receivable lease incentives;
- 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;
- exercise price for purchase options; and

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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- penalty for lease termination.

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;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; and
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option.

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

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

Any amortization of right-of-use assets and interest expense of lease liabilities during construction period should be recognized as costs of building.

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

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the Covid-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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

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(iii) As a lessor

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

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. For operating leases, the Group uses the straight-line basis to recognize the lease payments received as rental income over the lease term.

Variable lease payment unconnected to an index or to a ratio is recognized as revenue when the leasing adjustment is confirmed.

(O) 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.

When the Group acquires intangible assets with finite useful lives, the carrying amount is measured at the cost less accumulated amortization and any impairment loss, and is amortized on a straight-line basis over their useful lives. The Group evaluates intangible assets on every reporting date and reviews indicator of impairment or changes on the estimated future economic benefits. Intangible assets and goodwill with indefinite useful life are not amortized, but assessed for impairment when they are reviewed annually or when there is an indication of impairment of an asset, and the carrying amount is determined using cost less accumulated impairment loss. In terms of investments accounted for using 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.

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

Most of the Group's identifiable intangible assets, excluding goodwill, are with finite lives and they are amortized using straight line basis ever since they are available for use. The amortization is recognized in profit and loss. The finite lives are as follows:

Items	Finite lives
Computer software	3-10 years
Business license	32 years
Others	5-20 years

(P) Impairment – Non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(Q) Statutory deposits

In accordance with the ROC Insurance Law, Fubon Life Insurance deposits with the Central Bank of China an amount equal to 15% of its issued capital as guarantee for its insurance business. Fubon Life Insurance made these deposits in the form of government bonds which were approved by the Ministry of Finance.

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

In accordance with the regulations of Vietnam, an insurance company shall deposit operation guarantee to a local bank at an amount equal to 2% of its paid-in capital and accrue interest income thereon at negotiated interest rate. This guarantee deposit can only be utilized when the liquidity is insufficient and is not refundable until the insurance company discontinues its operation and its liquidation is completed.

(R) Separate account insurance product

The Group is 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 policyholder. The assets in this separate account are measured at market value on valuation date. Net asset value is determined in accordance with related government regulations and TIFRS.

Regardless of whether the assets and liabilities arise from insurance contracts or investment contracts, such assets and liabilities are recorded as “Assets on insurance product, separate account” and “Liabilities on insurance product, separate account”, respectively.

The income and disbursements recorded in the separate account for the insurance product are the total income and expense amount of insurance product which conform to the definition of the insurance contract under IFRS 4 endorsed by the FSC and are recorded as “Income on insurance product, separate account” and “Disbursements on insurance product, separate account”, respectively. Therefore, the net amount of premium of insurance product which is classified as insurance contract minus the preliminary charge and account management fee is recognized as income. The difference between the proceeds from the disposal and the original cost of financial assets or the change in the fair value thereof is recognized in profit or loss.

The financial assets and liabilities arising from the insurance products, separate account which are classified as investment contracts, are evaluated based on IFRS 9. Therefore, the amount collected or paid is recognized as financial liabilities and assets in separate account, instead of revenue or expense, respectively. The difference between the proceeds from the disposal and the original cost of investment contracts or the change in the fair value thereof is charged to “Reserve-Investment contract”, instead of profit or loss.

The Group shall set up separate accounts for labor retirement insurance business and record the value of its investments. It shall also set up separate subledgers for related assets, liabilities, income and expenses and manage these accounts separately from other assets of life insurance business. The initiation, record and accounting treatments of the separate accounts shall follow the rules of local governing institutions of the Group.

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

(S) Insurance liability

(a) The Company

The reserve for both the insurance contracts and the investment contracts with or without discretionary participation feature of the Company is determined reserves for insurance contracts in accordance with the Regulations Governing the Provision of Various Reserve. The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the Financial Supervisory Commission. Except for the reserve for short-term group insurance which shall be calculated on the actual premiums or the premiums conforming to the rule prescribed in Gin Guan Bao Tsai No.10704504821, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

(1) Unearned Premiums Reserve

Unearned premium reserves for effective insurance contracts with a term below 1 year and injury insurance contracts with a term over 1 year are calculated based on the gross premiums of the insurance contracts which do not matured yet on the balance sheet date.

(2) Claim reserve

Claim reserve is provided based on the incurred but not reported claims and reported but unpaid claims. For reported but unpaid cases, the claim reserves are provided based on the actual claim case by case. For incurred but not reported cases, the reserves are provided as follows:

1) Health insurance and life insurance with a term below 1 year:

The reserve is provided based on historical claim experiences and expenses along with the insurance types via the method conforming to actuarial principles (e.g.: Loss Development Triangle Method).

2) Injury insurance

The reserve is provided based on historical claim experiences and expenses via the method conforming to actuarial principles (e.g.: Loss Development Triangle Method).

(3) Liability reserve

The provision for future policy benefits is calculated on the basis of life table and assumed interest rate of each policy in accordance with both the modified method of Article 12 of the Regulations Governing the Provision of Various Reserves and the calculation prescribed by the competent authority.

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

Starting 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.

Starting 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%. The company is allowed to recognize the aforementioned balance to liability reserve. Furthermore, based on Article 19 of the “Regulations Governing the Provision of Various Reserves”, the Company is allowed to recognize those written off Catastrophic risk reserve in “Life Insurance Liability Reserves-Catastrophic Risk Reserve.”

When the Company chooses to adopt the fair value model for investment property, the fair value measurement for insurance liability should also be adopted as well. If fair value of insurance liability exceeds carrying amount, the liability reserve should be provided by the difference and adjust retained earnings. The company in accordance with Article 9 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, insurance liability shall be subsequently measured based on the fair value measurement criteria designated by the FSC every year. When the measured fair value of insurance liability is greater than its carrying amount, an improvement plan shall be proposed. Where the improvement plan includes the amount of additional reserve to be set aside, the amount of increase in reserve shall be added to the policy reserve and deducted from retained earnings.

(4) Special reserve

1) The special reserve provided for retention business with a term within 1 year is divided into 2 categories, which are catastrophic risk reserve and contingency risk reserve. The methods for providing these reserves are as follows:

a) Catastrophic risk reserve

A catastrophic risk reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophic claim exceeding \$30 million, the excess amount is offset against catastrophic risk reserve. For catastrophic risk 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 above-mentioned new provision of catastrophic risk reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

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

b) Contingency risk reserve

If the net amount of actual claim minus the related catastrophic risk reserve is lower than the amount of expected claim, a contingency risk reserve is 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 catastrophic risk reserve of each insurance is higher than the expected claim amount, the difference is debited to contingency risk reserve. If the contingency risk reserve of the insurance is for offsetting, the Company can offset the reserve from other insurance policy. However, the amount and type of insurance shall be reported to the competent authority for inspection. If the total accumulated amount of the contingency risk reserve is over 30% of the matured retention premium of the year for Fubon Life Insurance, the excess is treated under reclaim rule. The balance for write-down or reclaim, net of income tax, is offset against the contingency risk reserve under equity in accordance with IAS 12.

The above-mentioned new provision of contingency risk reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

- 2) The pre-tax (pre-bonus) income of participating life insurance policies sold by the Company is assessed separately at the end of the year, in accordance with the Rule Governing Management of the Financial and Operational Aspects of a Participating Life Insurance Policy. 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.

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

- 3) In accordance with subsequent measurement of investment properties from cost model to fair value model, the Group should recognize special reserve under liabilities by the net amount of the effects of the first-time adoption of investment properties subsequently measured at fair value model deducting incremental amounts of liability reserve. Additionally, commencing from January 1, 2013, the excess amount of the enhancement of liability reserve, calculated in accordance with November 27, 2012 Gin Guan Bao Tsai Order No. 10102515285, could transfer to “liability reserve – Insurance contract liability measured at fair value” in accordance with November 30, 2012 Gin Guan Bao Tsai Order No. 10102515281. For remaining outstanding reserve, it is accounted for under special reserve of stockholders’ equity, either recognized by 80% of which at first year or recovered by 5 years with the restriction up to \$10 billion dollars each year.

(5) Premium deficiency reserve

For life insurance, health insurance, and annuities contracts with a coverage period exceeding one year, and issued commencing from January 1, 2001, 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 injury insurance 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.

(6) 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 carrying amount 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 carrying amount is less than the estimated present value of future cash flow of the insurance contracts, then the difference is recognized as current loss.

- (b) 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.

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

(T) Reserve for insurance 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.

(U) Reserve for foreign exchange valuation

Commencing from March 1, 2012, part of the catastrophic risk reserve and contingency risk reserve covering all types of insurance is transferred to serve as the initial balance of reserve for foreign exchange valuation. Subsequent provision or write off of this reserve is made in conformity with the “ Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises”. Additional provision for special reserve in stockholders’ equity is made for the saved hedging cost annually. If the earnings of the year are insufficient to allow provision of special reserve, then it can be made in the subsequent years when there are sufficient earnings. The related special reserve is only used for capital increase or offset against accumulated deficit. In conformity with Article 9 of the “Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises”, if life insurance enterprises have earnings after tax in the current year, 10% of which shall be set aside as a special reserve.

(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 Group defines significant insurance risk as the event which might lead to additional significant payment.

An insurance contract with financial instruments features means that the contract is able to transfer significant financial risk. Financial risk is the risk resulting 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 the variables do not belong to any specific side of 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 Group at inception, although they will transfer insurance risk at a later time. In those cases, the contract is not considered as an insurance contract until the risk transfer happens.

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

Insurance contracts and insurance contracts with financial instruments features can be further classified as to whether they are insurance with discretionary participation feature or not. Except for guaranteed benefits, a discretionary participation feature is a contractual right to receive an additional payment. This right also has the following features as shown below:

- (a) Likely to be a significant portion of the total contractual benefits;
- (b) The additional payments or timing of distribution belong to the Group's discretionary participation and
- (c) The additional payments are contractually based on:
 - (1) The performance of a specified pool of contracts or a specified type of contract;
 - (2) Return on investment of specific asset portfolio, or
 - (3) The profit or loss of the Group, fund or other entity.

An embedded derivative is accounted for separately from the host contract when it is not closely related to the host contract, and the contract is measured at fair value through profit or loss. If the embedded derivative conforms to definition of an insurance contract and when the entire contract is measured at fair value through profit or loss, the Group need not recognize it separately.

(W) Revenue recognition

(a) The Company

(1) Premium income and policy acquisition cost

For insurance contracts and financial products with discretionary participation feature, 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 separate account insurance product and which are classified as financial products without discretionary participation feature, are recognized as "provision for insurance contracts with financial product features". The insurance acquisition costs are offset against "provision for insurance contracts with financial product features" when the insurance contracts become effective.

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

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”.

- (2) Accounting for service charge on investment-linked insurance contracts classified as financial products without discretionary participation feature.

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 administrative charge, investment administrative charge, rescinding charge and others. These charges are recognized as revenue upon collection. When the Company receives certain service charge which makes them obligated to provide future service (e.g., front-end load), this service charge is initially treated as a deferred revenue and is recognized as revenue with the fulfillment of the obligations.

- (b) Subsidiary: Fubon Life Insurance (Vietnam) Co., Ltd.

The recognition of income and expenses for the insurance industry is in accordance with the relevant accounting standards published by the local government. Premium income from direct insurance business typically follows common insurance practice. When the insurance premium is received and the receipt is issued, the income should be recognized for the fiscal year. Relevant expenditure, such as commission expense and underwriting expense, should be recognized under the accrual basis of accounting.

- (c) Subsidiary: Fubon Life Insurance (Hong Kong) Co., Ltd.

Premium income from direct insurance business typically follows common insurance practice. The first installment premium is recognized at the moment that receipt of premium and completion of underwriting procedures have both occurred. Renewal premiums are recognized on receivable basis. Expenses for acquiring policy, such as commission expense, are recognized as current expenses along with the recognition of premiums.

- (d) Subsidiary: Fubon Hyundai Life Insurance Co., Ltd.

Premium income from direct insurance business typically follows common insurance practice. The first installment premium is recognized at the moment that receipt of premium and completion of underwriting procedures have both occurred. Renewal premiums are recognized once received. Deferred recognition of policy acquisition cost is required according to the rules of local competent authority.

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

(X) Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Overseas subsidiaries have implemented defined benefit plans which are subject to local laws to make contributions on a regular basis and recognize as an employee benefit expense in the current period.

(b) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. The discount rate should be reflected the estimated timing of benefit payments, and it also shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

(c) Other long-term employee benefits

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

(d) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

(e) Short term employee benefits

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

(Y) Income Taxes

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

(a) Current income taxes

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

The 5% income taxes for undistributed earnings calculated in accordance with the Income Tax Act is recognized as income tax expense the year in which the distribution proposal is approved in the shareholders' meeting.

(b) Deferred Tax

Deferred taxes assets and liabilities are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognized as the temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits.

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

Temporary difference mainly occurs in the Group due to the valuation of financial instruments (including financial derivative instruments), for recognizing and delaying transfer of funds to the pension fund and other post-employment benefits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of good will or other assets and liabilities (other than a business combination) in a transaction that neither affects the taxable profit nor accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary difference, and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which those deductible temporary difference can be utilized.

Deferred tax liabilities are recognized for taxable temporary difference associated with investment in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in foreseeable future.

(c) Consolidated Tax Return

The Group and its parent company, under Article 49 Financial Holding Company Art, elect the financial holding company to be the tax payer and jointly declare and report consolidated profit-seeking enterprise income tax in accordance with the Income Tax Act.

(Z) Earnings per share

Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of common shares outstanding during the period. The number of shares issued due to capitalization of retained earnings or capital surplus is retroactively adjusted.

(AA) Segment information

An operating segment is the component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Discrete financial information is available from operating segment.

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

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

The preparation of the consolidated financial statements 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 in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 “Interim Financial Reporting” endorsed and announced by the FSC. Actual results may differ from these estimates. The management will continue to monitor the accounting assessing estimates and assumptions and recognize the change in accounting estimates in the period of the change and affected future periods.

Classification of financial assets involves significant judgments and has significant influence on amounts recognized in the consolidated financial statements. The management is required to apply judgments when classifying financial assets, and different classification will have effect on methods of accounting calculation and the Group’s financial position and operating results.

The information below is related to major sources of underlying assumption and estimation uncertainty of future forecast, the assumption and estimation uncertainty may have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

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

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

(B) Fair value of financial instruments

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

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

(C) Fair value of investment property

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

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

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

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

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

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

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

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

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

6. DETAILS OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand	\$ 32,631	34,016	36,080
Demand deposits and check deposits	86,745,476	78,223,810	91,801,096
Time deposits	63,932,650	99,758,389	42,179,945
Cash equivalents	<u>86,838,493</u>	<u>119,187,599</u>	<u>56,166,606</u>
	<u>\$ 237,549,250</u>	<u>297,203,814</u>	<u>190,183,727</u>

(B) Financial assets and liabilities

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

(1) Receivables:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable	\$ 28,841	91,858	47,092
Interest receivable	28,718,977	29,521,651	29,326,423
Other accounts receivable	21,056,768	15,138,011	36,643,433
Overdue receivable	246,962	197,052	398,305
Less: Loss allowance	<u>(300,230)</u>	<u>(260,636)</u>	<u>(286,021)</u>
	<u>\$ 49,751,318</u>	<u>44,687,936</u>	<u>66,129,232</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 260,636	464,049
Recognition of impairment losses (Reversal of impairment loss)	44,757	(173,700)
Less: Amounts written off	(710)	-
Written-off bad debts recovered	-	359
Effect of changes in foreign exchange rates and other	<u>(4,453)</u>	<u>(4,687)</u>
Ending Balance	<u>\$ 300,230</u>	<u>286,021</u>

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

The aging analyses of accounts receivable were determined as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Current / Past due within 3 months	\$ 49,832,521	44,756,601	66,010,617
Past due within 3-6 months	20,126	12,875	66,389
Past due within 6-12 months	22,620	15,694	104,610
Past due for over 12 months	<u>176,281</u>	<u>163,402</u>	<u>233,637</u>
Total	<u>\$ 50,051,548</u>	<u>44,948,572</u>	<u>66,415,253</u>

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 431,691	2,023,317	1,050,292
Foreign exchange swaps	17,031,982	24,391,850	9,798,918
Option contracts	573,101	604,211	-
Others	30,832	-	-
Non-derivative financial assets			
Stocks	694,012,713	602,341,791	481,264,472
Corporate bonds	1,134,897	1,156,253	1,154,471
Financial bonds	36,977,366	35,409,601	29,093,734
Beneficiary certificates	616,507,800	521,143,609	552,995,870
Asset securitization products	2,310,593	2,404,985	2,366,812
Structured products	55,618,601	21,517,814	92,158,560
Others	<u>14,591,416</u>	<u>2,889,668</u>	<u>5,648,924</u>
Total	<u>\$ 1,439,220,992</u>	<u>1,213,883,099</u>	<u>1,175,532,053</u>
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 1,847,182	2,029,800	1,232,290
Foreign exchange swaps	<u>1,400,259</u>	<u>730,835</u>	<u>13,561</u>
Total	<u>\$ 3,247,441</u>	<u>2,760,635</u>	<u>1,245,851</u>

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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The financial assets related to the investing activities of the issued insurance contracts to which the Group designates to apply the overlay approach are listed as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Financial assets measured at fair value through profit or loss:			
Stocks	\$ 694,012,713	602,341,791	481,264,472
Corporate bonds	1,134,897	1,156,253	1,154,471
Financial bonds	36,977,366	35,409,601	29,093,734
Beneficiary certificates	614,527,164	520,358,231	552,995,870
Asset securitization products	2,310,593	2,404,985	2,366,812
Structured products	55,618,601	21,517,814	92,158,560
Others	<u>1,210,402</u>	<u>1,722,413</u>	<u>1,109,796</u>
Total	<u>\$ 1,405,791,736</u>	<u>1,184,911,088</u>	<u>1,160,143,715</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains (losses) reported in profit or loss for applying IFRS 9	\$ 62,952,852	98,450,586	124,130,236	(1,269,987)
Less: Gains reported in profit or loss if applied IAS 39	(37,962,918)	(13,791,218)	(67,788,638)	(37,559,016)
Gains (losses) on reclassified under the overlay approach	<u>\$ 24,989,934</u>	<u>84,659,368</u>	<u>56,341,598</u>	<u>(38,829,003)</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains before adjustments	<u>\$ 82,205,383</u>	<u>114,954,953</u>	<u>132,990,529</u>	<u>3,575,634</u>
Gains after adjustments	<u>\$ 57,215,449</u>	<u>30,295,585</u>	<u>76,648,931</u>	<u>42,404,637</u>

There are no financial assets which newly meet the criterion having previously not met that criterion for the overlay approach for the six months ended June 30, 2021 and 2020.

The Group did not de-designate any financial asset for the six months ended June 30, 2021 and 2020.

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

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Debt instruments measured at fair value through other comprehensive income:			
Government bonds	\$ 247,640,218	278,827,383	192,304,945
Corporate bonds	198,097,862	209,832,742	221,586,337
Financial bonds	89,064,944	130,676,564	137,936,576
Asset securitization products	27,156,712	26,439,889	26,276,489
Loans	342,387	793,897	2,797,467
Others	<u>7,997,234</u>	<u>13,519,929</u>	<u>9,308,097</u>
Subtotal	<u>570,299,357</u>	<u>660,090,404</u>	<u>590,209,911</u>
Equity instruments measured at fair value through other comprehensive income:			
Stocks	36,695,930	47,244,960	62,091,764
Less: Statutory deposits	<u>(10,083,140)</u>	<u>(17,080,348)</u>	<u>(16,957,105)</u>
Total	<u>\$ 596,912,147</u>	<u>690,255,016</u>	<u>635,344,570</u>

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

The Group has assessed that the above-mentioned securities were held within a business model whose objective was achieved by both collecting the contractual cash flows and by selling securities. Therefore, they have been classified as debt instruments measured at fair value through other comprehensive income.

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

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

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Derecognized during the period	\$ 8,600	-	8,600	-
Held at the end of the period	427,973	847,742	434,167	956,200
Total	<u>\$ 436,573</u>	<u>847,742</u>	<u>442,767</u>	<u>956,200</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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The Group has sold stocks designated to be measured at fair value through other comprehensive income as a result of managing and rearranging portfolio. Details are as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fair value at disposal	\$ <u>5,755,089</u>	<u>4,056,684</u>	<u>9,291,969</u>	<u>5,431,985</u>
Cumulative losses on disposal (after tax)	\$ <u>(1,199,092)</u>	<u>(1,234,508)</u>	<u>(2,883,470)</u>	<u>(1,359,041)</u>

- 3) Please refer to Note 6(AE) for further information of credit risk and market risk.
- 4) For more information regarding the government bonds provided as collateral for operation guarantee, please refer to Note 8 “Pledged Assets”.
- 5) The Group assesses the impairment of financial assets on June 30, 2021 and 2020. Please refer to Note 6(AE) for the movement in the loss allowance of debt instruments measured at FVOCI.

(4) Financial instruments used for hedging:

The details are as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Fair Value hedge:			
Financial assets for hedging:			
Forward exchange contracts	\$ -	747	-
Foreign exchange swaps	795,332	3,633,736	595,458
Cross currency swap	932	-	-
Financial liabilities for hedging:			
Foreign exchange swaps	(701,741)	(31,398)	(443,373)
Cross currency swap	(166,768)	-	-
Cash flow hedge:			
Financial assets for hedging:			
Interest rate swaps	632,077	967,144	1,169,502
Total	\$ <u>559,832</u>	<u>4,570,229</u>	<u>1,321,587</u>

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

(5) Financial assets measured at amortized cost

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Government bonds	\$ 275,164,225	267,589,721	213,538,203
Corporate bonds	1,044,476,060	954,722,264	917,845,957
Financial bonds	657,000,275	624,471,250	656,640,798
Asset securitization products	35,371,431	29,911,934	30,363,736
Structured products	55,933,900	33,504,700	35,320,744
Negotiable certificates of deposit	8,343,953	8,515,022	8,623,274
Less: Statutory deposits	<u>(6,471,573)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,069,818,271</u>	<u>1,918,714,891</u>	<u>1,862,332,712</u>
Less: Loss allowance	<u>(1,278,655)</u>	<u>(1,044,136)</u>	<u>(1,280,980)</u>
Total	<u>\$ 2,068,539,616</u>	<u>1,917,670,755</u>	<u>1,861,051,732</u>

- 1) The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- 2) Please refer to Note 6(AE) for further information of credit risk.
- 3) For more information regarding the government bonds and corporate bonds provided as pledged assets for transactions, please refer to Note 8 “Pledged Assets”.
- 4) The Group assesses the impairment of financial asset on June 30, 2021 and 2020. Please refer to Note 6(AE) for the movements in the loss allowance of financial assets measured at amortized cost.
- 5) The gains/losses on disposal of financial assets measured at amortized cost and the carrying amount at the date of derecognition are as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Carrying amount at the date of derecognition	<u>\$ 13,656,239</u>	<u>9,113,801</u>	<u>91,104,536</u>	<u>52,930,069</u>
Gains on disposal	<u>\$ 111,902</u>	<u>960,890</u>	<u>10,021,688</u>	<u>7,266,914</u>

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

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

(6) Other financial assets:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Deposit reservation for settlement	\$ -	23,196	22,391
Cash in bank	5,507,274	5,431,095	8,375,602
Less: Statutory deposits	<u>(1,393,228)</u>	<u>(1,393,499)</u>	<u>(1,394,363)</u>
Subtotal	<u>4,114,046</u>	<u>4,060,792</u>	<u>7,003,630</u>
Less: Loss allowance	<u>(1,782)</u>	<u>(2,604)</u>	<u>(4,828)</u>
Total	<u>\$ 4,112,264</u>	<u>4,058,188</u>	<u>6,998,802</u>

- 1) For more information regarding the saving deposit provided as pledged assets, please refer to Note 8 “Pledged Assets”.
- 2) The statutory deposits mainly include time deposits provided as pledged assets and were reclassified to refundable deposits. Please refer to Note 8 “Pledged Assets” for further information.
- 3) Please refer to Note 6(AE) for the movement in the loss allowance of other financial assets for the six months ended June 30, 2021 and 2020.

(7) Loans:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Life insurance loans	\$ 71,684,699	71,858,425	71,079,514
Premium loans	12,929,106	12,728,029	12,589,033
Secured loans	183,575,720	192,643,463	191,999,314
Unsecured loans	6,487,012	6,569,941	7,355,760
Overdue receivables	-	-	20,544
Less: Loss allowance	<u>(2,397,653)</u>	<u>(2,549,617)</u>	<u>(2,592,199)</u>
	<u>\$ 272,278,884</u>	<u>281,250,241</u>	<u>280,451,966</u>

The reconciliations in loss allowance of loans for the six months ended June 30, 2021 and 2020, please refer to Note 6(AE).

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Cash and cash equivalents	\$ 24,747,400	18,032,801	16,428,500
Stocks	15,345,431	24,302,712	25,116,934
Financial bonds	12,675,648	12,106,463	12,643,096
Corporate bonds	142,049,691	136,060,873	136,460,032
Government bonds	676,110	485,090	-
Total	<u>\$ 195,494,280</u>	<u>190,987,939</u>	<u>190,648,562</u>

The limits of discretionary investment management agreements are as follows:

(Unit: thousands dollar)

NTD	<u>11,000,000</u>	<u>11,000,000</u>	<u>11,000,000</u>
USD	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,200,000</u>
KRW	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>

- (c) The details of the impairment losses recognized and/or reversed of investment

The Group details of the expected credit loss recognized and/or reversed in accordance with IFRS 9 are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
(Recognition) or reversal of impairment loss:				
Receivable (excluding interest receivable from loans)	\$ (756)	214,354	(1,452)	168,459
Financial assets measured at fair value through other comprehensive income	60,466	13,889	110,110	(13,179)
Financial assets measured at amortized cost	(7,869)	(52,365)	(235,450)	(319,990)
Other financial asset, net	758	819	798	(1,456)
Loans and their interest receivable	61,230	14,396	146,856	12,034
Total	<u>\$ 113,829</u>	<u>191,093</u>	<u>20,862</u>	<u>(154,132)</u>

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

(C) Derivatives and hedging accounting

(a) Derivatives

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

	June 30, 2021		December 31, 2020		June 30, 2020	
	Book Value	Nominal amount	Book Value	Nominal amount	Book Value	Nominal amount
Financial assets (liabilities)						
Forward exchange contracts	\$ (1,415,491)	242,026,297	(5,736)	386,442,682	(181,998)	293,051,303
Foreign exchange swaps	15,725,314	1,078,043,315	27,263,353	1,022,197,286	9,937,442	1,131,350,735
Cross currency swaps	(165,836)	10,785,039	-	-	-	-
Option contracts	573,101	1,256,240	604,211	1,280,956	-	-
Interest rate swaps	632,077	18,147,795	967,144	22,227,566	1,169,502	22,759,961
Others	30,832	139,349	-	-	-	-
Total	\$ 15,379,997	1,350,398,035	28,828,972	1,432,148,490	10,924,946	1,447,161,999

(2) Derivatives are accounted for as follows:

	June 30, 2021						
	Forward Exchange Contracts	Foreign Exchange Swaps	Cross Currency Contracts	Option Contracts	Interest Rate Swaps	Others	Total
Financial assets measured at fair value through profit or loss	\$ 431,691	17,031,982	-	573,101	-	30,832	18,067,606
Financial liabilities measured at fair value through profit or loss	(1,847,182)	(1,400,259)	-	-	-	-	(3,247,441)
Financial assets for hedging	-	795,332	932	-	632,077	-	1,428,341
Financial liabilities for hedging	-	(701,741)	(166,768)	-	-	-	(868,509)
Total	\$ (1,415,491)	15,725,314	(165,836)	573,101	632,077	30,832	15,379,997

	December 31, 2020				
	Forward Exchange Contracts	Foreign Exchange Swaps	Option Contracts	Interest Rate Swaps	Total
Financial assets measured at fair value through profit or loss	\$ 2,023,317	24,391,850	604,211	-	27,019,378
Financial liabilities measured at fair value through profit or loss	(2,029,800)	(730,835)	-	-	(2,760,635)
Financial assets for hedging	747	3,633,736	-	967,144	4,601,627
Financial liabilities for hedging	-	(31,398)	-	-	(31,398)
Total	\$ (5,736)	27,263,353	604,211	967,144	28,828,972

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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	June 30, 2020				Total
	Forward Exchange Contracts	Foreign Exchange Swaps	Option Contracts	Interest Rate Swaps	
Financial assets measured at fair value through profit or loss	\$ 1,050,292	9,798,918	-	-	10,849,210
Financial liabilities measured at fair value through profit or loss	(1,232,290)	(13,561)	-	-	(1,245,851)
Financial assets for hedging	-	595,458	-	1,169,502	1,764,960
Financial liabilities for hedging	-	(443,373)	-	-	(443,373)
Total	\$ (181,998)	9,937,442	-	1,169,502	10,924,946

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group does not possess derivatives through discretionary investment management agreement.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
\$	<u>6,930,582</u>	<u>13,645,080</u>	<u>(12,959,844)</u>	<u>(6,309,597)</u>

(b) Hedge accounting

(1) Fair value hedge

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

(2) Cash flow hedge

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

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(3) Hedges of net investments in foreign operations

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

The amount, timing and uncertainty of future cash flows:

	Maturity				
	<u>< 1 month</u>	<u>1~3 months</u>	<u>3 months ~ 1 year</u>	<u>1~5 years</u>	<u>>5 years</u>
June 30, 2021					
Fair value hedge					
Foreign exchange swaps					
Nominal amount	\$ 501,988	12,136,092	1,301,687	-	-
Average exchange rate (TWD/USD)	27.39	27.42	27.67	-	-
Nominal amount	5,377,194	26,576,284	29,702,069	6,435,494	-
Average exchange rate (WON/USD)	\$ 1,146.56	1,143.64	1,121.13	1,108.80	-
Cross currency swaps					
Nominal amount	\$ -	-	-	10,785,039	-
Average exchange rate (WON/USD)	-	-	-	1,120.63	-
Cash flow hedge					
Interest rate swaps					
Nominal amount	\$ -	-	-	18,147,795	-
Average fixed interest rate	-	-	-	1.74 %	-

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	Maturity				
	<u>< 1 month</u>	<u>1~3 months</u>	<u>3 months ~ 1 year</u>	<u>1~5 years</u>	<u>>5 years</u>
December 31, 2020					
Fair value hedge					
Forward exchange contracts					
Nominal amount	\$ -	57,239	-	-	-
Average exchange rate (WON/USD)	-	1,096.78	-	-	-
Nominal amount	\$ -	57,239	-	-	-
Average exchange rate (NTD/USD)	-	27.70	-	-	-
Foreign exchange swaps					
Nominal amount	\$ 4,040,091	28,869,138	38,103,598	497,814	-
Average exchange rate (WON/USD)	1,166.96	1,125.97	1,160.13	1,129.79	-
Nominal amount	\$ -	9,599,036	-	-	-
Average exchange rate (NTD/USD)	-	27.71	-	-	-
Cash flow hedge					
Interest rate swaps					
Nominal amount	\$ -	500,000	-	21,727,566	-
Average fixed interest rate	-	1.47 %	-	1.71 %	-

	Maturity				
	<u>< 1 month</u>	<u>1~3 months</u>	<u>3 months ~ 1 year</u>	<u>1~5 years</u>	<u>>5 years</u>
June 30, 2020					
Fair value hedge					
Foreign exchange swaps					
Nominal amount	\$ 443,988	7,736,676	-	-	-
Average exchange rate (WON/TWD)	40.67	41.21	-	-	-
Nominal amount	\$ 6,500,026	24,817,401	19,665,633	-	-
Average exchange rate (WON/USD)	1,202.09	1,207.06	1,199.11	-	-
Cash flow hedge					
Interest rate swaps					
Nominal amount	\$ -	-	500,000	22,259,961	-
Average fixed interest rate	-	-	1.47 %	1.71 %	-

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

The hedging instruments used in hedging strategies are as follows:

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item in Balance Sheet that includes the hedging instruments	The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2021 Q2
		Assets	Liabilities		
June 30, 2021					
Fair value hedge					
Exchange rate risk					
– Forward exchange contracts	\$ -	-	-	Not applicable	(14,563)
– Foreign exchange swaps	82,030,808	795,332	701,741	Financial assets/liabilities for hedging	(2,514,955)
– Cross currency swaps	10,785,039	932	166,768	Financial assets/liabilities for hedging	(169,153)
Cash flow hedge					
Interest rate risk					
– Interest rate swaps	\$ 18,147,795	632,077	-	Financial assets for hedging	(2,916)
	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item in Balance Sheet that includes the hedging instrument	The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2020
		Assets	Liabilities		
December 31, 2020					
Fair value hedge					
Exchange rate risk					
– Forward exchange contracts	\$ 114,478	747	-	Not applicable	8,486
– Foreign exchange swaps	81,109,677	3,633,736	31,398	Financial assets/liabilities for hedging	3,440,454
Cash flow hedge					
Interest rate risk					
– Interest rate swaps	\$ 22,227,566	967,144	-	Financial assets for hedging	(899,717)

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

	Nominal amount of hedging instruments	Carrying amount of hedging instruments		The line item in Balance Sheet that includes the hedging instrument	The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2020 Q2
		Assets	Liabilities		
June 30, 2020					
Fair value hedge					
Exchange rate risk					
– Foreign exchange swaps	\$ 59,163,724	595,458	443,373	Financial assets/ liabilities for hedging	(2,510,286)
Cash flow hedge					
Interest rate risk					
– Interest rate swaps	\$ 22,759,961	1,169,502	-	Financial assets for hedging	(883,943)

The information of designated hedged items are as follows:

Fair value hedge:

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item		The change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for	Accumulated amount of fair value adjustments that are still recognized on balance sheet but discontinues adjusting gains and losses on hedged items	Hedge ineffectiveness recognized in	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	2021 Q2		profit or loss	
June 30, 2021								
Hedged items								
Financial assets measured at fair value through profit or loss - stocks	\$ 21,004,217	-	577,549	-	824,395	None	259,564	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	1,557,545	-	38,209	-	36,670	None	18,894	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized costs - bonds and deposits	59,389,220	-	1,875,145	-	1,984,091	None	(131,973)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

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

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item		The change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2020	Accumulated amount of fair value adjustments that are still recognized on balance sheet but discontinued adjusting gains and losses on hedged items	Hedge ineffectiveness recognized in profit or loss	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
December 31, 2020								
Hedged items								
Financial assets measured at fair value through profit or loss - stocks	\$ 17,460,282	-	(507,673)	-	(292,328)	None	339,743	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	628,781	-	(35,059)	-	(33,035)	None	(3,690)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized costs - bonds and deposits	49,912,311	-	(3,393,550)	-	(3,210,898)	None	(423,374)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
June 30, 2020								
Hedged items								
Financial assets measured at fair value through profit or loss - stocks	\$ 9,987,796	-	370,438	-	586,920	None	208,866	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	650,937	-	19,969	-	22,012	None	(2,670)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss
Financial assets measured at amortized costs - bonds and deposits	47,917,510	-	1,729,101	-	1,836,677	None	(270,873)	Gains (losses) on financial assets or liabilities measured at fair value through profit or loss

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

Cash flow hedge

	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2021 Q2	Cash flow hedge reserve	The amount remained in the cash flow hedge reserve from discontinued hedge accounting	The change in value of the hedging instrument that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	The amount reclassified from the cash flow hedge reserve to profit or loss	The line item in the statement of comprehensive income that includes the reclassification adjustment
June 30, 2021								
Hedged items								
Floating-rate bonds	\$ 48,141	631,726	Not applicable	(463,780)	(38)	Financial costs	128,751	Interest revenue
December 31, 2020								
Hedged items								
Floating-rate bonds	\$ (1,001,932)	966,755	Not applicable	276,392	(427)	Financial costs	212,970	Interest revenue
June 30, 2020								
Hedged items								
Floating-rate bonds	\$ (991,290)	1,169,166	Not applicable	623,574	(481)	Financial costs	68,199	Interest revenue

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

	Cash flow hedge reserve		Foreign currency translation reserve from net investment in foreign operation	
	For the six months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Opening balance	\$ 966,755	477,393	(19,503)	(19,503)
Total amount recognized in other comprehensive income:				
Cash flow hedge - interest rate risk				
The change in value of hedging instruments that were recognized in other comprehensive income		(463,780)	623,574	-
The amount reclassified from cash flow hedge reserve to profit or loss		128,751	68,199	-
Ending balance	<u>\$ 631,726</u>	<u>1,169,166</u>	<u>(19,503)</u>	<u>(19,503)</u>

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

(D) Investments accounted for using equity method

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Associates	\$ 17,191,199	14,654,852	13,598,179
Joint ventures	390,212	418,852	290,449
	<u>\$ 17,581,411</u>	<u>15,073,704</u>	<u>13,888,628</u>

(a) Associates

Relevant information of associates of the Group is as follows:

Name of Associate	Book Value			Ownership interest and voting right percentage		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
CITIC Capital Holdings Limited	\$ 9,963,085	8,608,594	8,188,571	Percentage of ownership interests: 18.00%	Percentage of ownership interests: 18.00%	Percentage of ownership interests: 18.00%
Sinergy 1st Co., Ltd	149,797	-	-	Percentage of voting rights: 30.00 %	Percentage of voting rights: - %	Percentage of voting rights: - %
Fubon Financial Holdings Venture Capital Co., Ltd.	3,912,192	2,841,569	2,651,281	25.00 %	25.00 %	25.00 %
Star River Energy Co., Ltd.	279,152	266,860	255,926	20.00 %	20.00 %	20.00 %
Star Shining Energy Co., Ltd.	1,555,188	1,535,630	921,518	30.00 %	30.00 %	30.00 %
Whole Max Green Power Co., Ltd.	335,428	343,317	344,818	30.00 %	30.00 %	30.00 %
ZA Life Limited	996,357	1,058,882	1,236,065	35.00 %	35.00 %	35.00 %
	<u>\$ 17,191,199</u>	<u>14,654,852</u>	<u>13,598,179</u>			

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Attributable to the Group:				
Profit after tax from continuing operations	\$ 2,006,483	348,866	2,573,106	384,690
Other comprehensive loss income	121,686	(104,655)	146,232	(165,809)
Comprehensive income	<u>\$ 2,128,169</u>	<u>244,211</u>	<u>2,719,338</u>	<u>218,881</u>

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

For the three months ended June 30, 2021 and 2020, the share of profit (loss) of associates accounted for using equity method amounting to \$3,917 thousand and \$(53,311) thousand, and for the six months ended June 30, 2021 and 2020, the share of profit (loss) of associates accounted for using equity method amounting to \$823 thousand and \$(50,213) thousand, respectively were recognized based on the financial report of the investee companies that have not been audited. As of June 30, 2021 and 2020, the relevant investment amounted to \$3,315,922 thousand and \$2,758,327 thousand, respectively.

(b) Joint venture interest:

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Proportion of ownership interest	<u>40 %</u>	<u>40 %</u>	<u>40 %</u>
Assets	<u>\$ 10,277,353</u>	<u>10,102,468</u>	<u>10,769,576</u>
Liabilities	<u>\$ 9,251,822</u>	<u>9,055,339</u>	<u>10,043,453</u>
Net assets of the Group (carrying amount of joint venture)	<u>\$ 390,212</u>	<u>418,852</u>	<u>290,449</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 1,064,905</u>	<u>882,587</u>	<u>2,237,292</u>	<u>2,563,597</u>
Profit or loss after tax from continuing operations	\$ (87,405)	(213,748)	(83,204)	(133,671)
Other comprehensive loss income	23,315	25,111	22,849	(12,008)
Comprehensive income	<u>\$ (64,090)</u>	<u>(188,637)</u>	<u>(60,355)</u>	<u>(145,679)</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Attributable to the Group:				
Profit or loss after tax from continuing operations	\$ (34,963)	(85,499)	(33,282)	(53,468)
Other comprehensive loss income	9,326	10,045	9,140	(4,803)
Comprehensive income	<u>\$ (25,637)</u>	<u>(75,454)</u>	<u>(24,142)</u>	<u>(58,271)</u>

(c) Guarantee

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

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

(E) Material non-controlling interests of subsidiaries

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

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>		
		<u>June 30,</u> <u>2021</u>	<u>December</u> <u>31,2020</u>	<u>June 30,</u> <u>2020</u>
Fubon Hyundai Life Insurance Co., Ltd.	Korea	<u>22.60 %</u>	<u>37.94 %</u>	<u>37.94 %</u>

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Total assets	\$ 503,133,910	511,780,500	428,784,771
Total liabilities	(461,506,898)	(478,452,692)	(399,562,588)
Equity that belongs to non-ordinary shares	(2,490,337)	(2,633,230)	(2,482,465)
Net assets	<u>\$ 39,136,675</u>	<u>30,694,578</u>	<u>26,739,718</u>
Non-controlling interests	<u>\$ 10,953,491</u>	<u>13,600,997</u>	<u>11,988,574</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$ 28,342,464</u>	<u>19,109,012</u>	<u>48,780,428</u>	<u>34,105,126</u>
Net profit	\$ 936,124	32,628	2,999,872	545,681
Other comprehensive income	(74,345)	2,662,152	(6,022,428)	541,761
Comprehensive income	<u>\$ 861,779</u>	<u>2,694,780</u>	<u>(3,022,556)</u>	<u>1,087,442</u>
Net profit, attributable to non-controlling interests	<u>\$ 355,160</u>	<u>12,379</u>	<u>1,138,136</u>	<u>207,029</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 314,698</u>	<u>1,015,054</u>	<u>(1,188,877)</u>	<u>357,581</u>

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Net cash flows from (used in) operating activities	<u>\$ (19,035,041)</u>	<u>(2,178,643)</u>
Net cash flows from (used in) investing activities	<u>\$ (3,458,808)</u>	<u>(3,919,439)</u>
Net cash flows from (used in) financing activities	<u>\$ 11,988,109</u>	<u>(907,590)</u>

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

(F) Changes in ownership interests in subsidiaries

On June 25, 2021, the Group acquired additional shares of Fubon Hyundai Life Insurance Co., Ltd. through capital injection of \$11,321,513 thousand by cash, which resulted in the increase in shareholdings from 62.06% to 77.40%.

The effect of changes in the Group's ownership interest in the subsidiary listed above on the equity attributable to owners of parent is as follows:

	For the six months ended June 30, 2021
Increase in ownership interests after capital increase of subsidiary	\$ 12,780,389
Less: Capital injection	(11,321,513)
Transaction costs	(6,906)
Increase of other equity interest	<u>(379,018)</u>
Capital surplus, changes in ownership interest in subsidiary	<u>\$ 1,072,952</u>

(G) Investment property

	Land	Buildings and other facilities	Construction in progress	Prepayments for building, land and equipment	Right-of-use asset	Total
Balance of January 1, 2021	\$ 183,393,935	59,465,514	7,972,881	7,933	47,662,398	298,502,661
Addition	-	3,009	2,444,223	-	-	2,447,232
Subsequent expenditures	-	10,077	-	-	-	10,077
Gains (losses) on fair value adjustments	(936,137)	507,702	-	-	(120,539)	(548,974)
Reclassification	197,556	74,398	184,037	(7,933)	-	448,058
Effect of changes in foreign exchange rates	(584,408)	(883,797)	-	-	(10,834)	(1,479,039)
Balance of June 30, 2021	<u>\$ 182,070,946</u>	<u>59,176,903</u>	<u>10,601,141</u>	<u>-</u>	<u>47,531,025</u>	<u>299,380,015</u>
Balance of January 1, 2020	\$ 128,571,069	59,953,447	5,763,596	60,038	48,721,179	243,069,329
Addition	28,299,074	217,700	797,408	1,442	(587)	29,315,037
Subsequent expenditures	-	50,109	-	2,576	-	52,685
Remeasurement	-	-	-	-	270,332	270,332
Gains (losses) on fair value adjustments	106,746	(2,507,745)	-	-	(909,447)	(3,310,446)
Reclassification	(11,250)	1,051,946	(882,541)	(57,911)	-	100,244
Effect of changes in foreign exchange rates	<u>(743,616)</u>	<u>(1,750,852)</u>	<u>-</u>	<u>-</u>	<u>(104,068)</u>	<u>(2,598,536)</u>
Balance of June 30, 2020	<u>\$ 156,222,023</u>	<u>57,014,605</u>	<u>5,678,463</u>	<u>6,145</u>	<u>47,977,409</u>	<u>266,898,645</u>

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the Group engaged appraisers from professional valuation firms listing below to evaluate the fair value of investment properties based on the Regulations on Real Estate Appraisal, and the appraisal dates are June 30, 2021, December 31, 2020 and June 30, 2020:

- (a) DTZ Cushman & Wakefield Real Estate Appraiser Office: Lee Ken Yuan
- (b) Savills Valuation and Professional Services: Tai Kuang Ping, Chang Hung Kai, Chang Yi Chih, Yeh Yu Fen, Liao Jia Xian and Yeh Shih Yu
- (c) REPro International Appraisals: Wu Hong Hsu, Tsai You Shiang and Hsu Hsiang I
- (d) Jin Han Real Estate Appraisers Joint Firm: Wu Yu Chun, Hung Chi Hsiang and Chen Yi Jun
- (e) G-Beam Real Estate Appraisers Firm: Chang Neng Cheng and Li Fang Cheng
- (f) Colliers International Valuation (Taiwan) Ltd.: Ke Fong Ru, Chan Hsiu Ying and Ku Chien Hui
- (g) Hong Bang Real Estate Appraisers Joint Firm: Wen Yang Yan and Li Qing Tang
- (h) Colliers International Valuation (Taiwan) Ltd. and Colliers International Valuation UK LLP: Ku Chien Hui, P C Willis and Mark White
- (i) DTZ Cushman & Wakefield Real Estate Appraiser Office and Cushman & Wakefield Debenham Tie Leung Limited: Charlie Yang, John Bareham and Charles Smith
- (j) REPro Knight Frank and Knight Frank LLP: Jackie Wu and Samuel Beldam
- (k) CBRE Taiwan and CBRE Limited: Shi Fu Xue, Li Zhi Wei, Jonathan White and Max Tulley
- (l) Jones Lang LaSalle Taiwan and Jones Lang LaSalle Limited: Zhao Zheng Yi, Qiu Bai Lun, Harriet Costello, Andrew Pirie and Elizabeth Levingston
- (m) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Limited (Korea): Hsu Kuo Chun and Andrew Dolan
- (n) Savills Valuation and Professional Services, Pacific Appraisal Co. Ltd. and Savills Korea Co., Ltd.: Chang Hung Kai, Chang Yi Chih, Changkue Joo, Minseok Choi and Jungu Kang

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

- (o) Eure-Asia Property Evaluation Group and BNP Paribas Real Estate Advisory Belgium S.A.: Steven Chou, Jean-Claude Dubois and Nabil Mouloua
- (p) Jones Lang LaSalle and Jones Lang LaSalle Belgium: Zhao Zheng Yi, Qui Bai Lun and Roderick Scrivener
- (q) REPro International Appraisals and Knight Frank SA/NV: Jackie Wu and Filip Derijck
- (r) Savills Valuation and Professional Services and Savills Immobilien Beratungs-GmbH: Chang Yi Chih, Christian Glock and Thomas Berger
- (s) REPro International Appraisals, Knight Frank LLP and Knight Frank Valuation & Advisory GmbH & Co. KG: Jackie Wu, Caroline Bathgate and Christoph Gerlinger

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

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

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

Parameters primarily used are as below:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	approx	approx	approx
Capitalization rate	0.39%~7.90%	0.97%~7.90%	0.99%~8.00%
Capitalization rate at the period end	1.75%~7.00%	1.71%~7.00%	1.55%~7.00%
Discount rate	2.10%~7.50%	2.20%~7.75%	2.20%~7.75%

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

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

After the completion of the hotel superficieses on Linsen S. Rd. during March 2020, the classification of the superficieses has changed to superficieses and building. The fair value valuation of the superficieses and buildings has changed to the Cost Approach and DCF Method of Income Approach. The changes in fair value of the superficieses and buildings as a whole and during development were not significant.

During June 2020, the Group acquired the land on Nangang Yucheng Section. In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises applicable on or after May 11, 2020, the land does not meet the criteria set out by Regulation to be measured at fair value, therefore it shall be accounted for in accordance with IAS 40 paragraph 53 and be measured at cost. As of June 30, 2021, the cost to acquire the investment property is \$28,299,074 thousand, with reference to the valuation report, the fair value is approximate to the cost amount.

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

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

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

As of June 30, 2021, December 31, 2020, and June 30, 2020, investment properties owned by the Group were not pledged.

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(H) Operating lease

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Rental income of investment property	\$ <u>1,826,712</u>	<u>1,633,994</u>	<u>3,658,523</u>	<u>3,297,848</u>
Direct operating expenses arising from the investment property	\$ <u>428,898</u>	<u>343,129</u>	<u>851,789</u>	<u>689,986</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ <u>44,251</u>	<u>24,103</u>	<u>88,393</u>	<u>40,387</u>

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

	<u>June 30,</u> <u>2021</u>	<u>December</u> <u>31,2020</u>	<u>June 30,</u> <u>2020</u>
Less than one year	\$ 7,767,550	7,537,064	6,587,465
One to two years	7,082,355	6,729,090	6,239,440
Two to three years	6,125,604	6,176,479	5,889,262
Three to four years	5,424,633	5,441,147	4,973,370
Four to five years	4,577,395	4,669,622	4,362,462
More than five years	25,667,228	24,095,920	24,541,155
Total undiscounted lease payments	\$ <u>56,644,765</u>	<u>54,649,322</u>	<u>52,593,154</u>

(I) Reinsurance assets

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Claims recoverable from reinsurers	\$ 1,283,184	1,212,367	1,079,529
Due from reinsurers and ceding companies	438,159	516,114	416,481
Overdue receivables	249,681	48,579	-
Less: Loss allowance	<u>(55,821)</u>	<u>(5,075)</u>	<u>-</u>
Subtotal	<u>1,915,203</u>	<u>1,771,985</u>	<u>1,496,010</u>
Reinsurance reserve assets:			
Ceded reinsurance unearned premiums reserve	851,985	843,025	818,685
Ceded reinsurance claim reserve	290,277	291,429	274,365
Ceded reinsurance liability reserve	<u>3,434</u>	<u>3,396</u>	<u>3,748</u>
Subtotal	<u>1,145,696</u>	<u>1,137,850</u>	<u>1,096,798</u>
Total	\$ <u>3,060,899</u>	<u>2,909,835</u>	<u>2,592,808</u>

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

(J) Property and equipment — net

June 30, 2021				
Assets	Cost	Accumulated Depreciation	Accumulated impairment loss	Carrying Amount
Land	\$ 15,300,372	-	1,013,284	14,287,088
Buildings	5,696,687	1,192,201	45,259	4,459,227
Computer equipment	1,957,065	1,409,793	-	547,272
Transportation equipment	19	19	-	-
Other equipment	1,469,235	1,245,481	-	223,754
Leasehold improvements	964,784	873,093	-	91,691
Construction in progress	26,938	-	-	26,938
Prepayments for equipment	110,133	-	-	110,133
Total	\$ 25,525,233	4,720,587	1,058,543	19,746,103

December 31, 2020				
Assets	Cost	Accumulated Depreciation	Accumulated impairment loss	Carrying Amount
Land	\$ 15,440,780	-	1,013,284	14,427,496
Buildings	5,726,925	1,122,485	45,259	4,559,181
Computer equipment	2,041,103	1,400,267	-	640,836
Transportation equipment	19	19	-	-
Other equipment	1,490,393	1,227,136	-	263,257
Leasehold improvements	997,244	876,584	-	120,660
Construction in progress	7,632	-	-	7,632
Prepayments for equipment	38,171	-	-	38,171
Total	\$ 25,742,267	4,626,491	1,058,543	20,057,233

June 30, 2020				
Assets	Cost	Accumulated Depreciation	Accumulated impairment loss	Carrying Amount
Land	\$ 15,111,084	-	1,013,284	14,097,800
Buildings	5,594,041	1,043,807	45,259	4,504,975
Computer equipment	1,827,516	1,302,512	-	525,004
Transportation equipment	19	19	-	-
Other equipment	1,508,084	1,206,604	-	301,480
Leasehold improvements	983,046	881,027	-	102,019
Construction in progress	6,546	-	-	6,546
Prepayments for equipment	111,702	-	-	111,702
Total	\$ 25,142,038	4,433,969	1,058,543	19,649,526

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

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

	<u>Land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Prepayments for equipment</u>	<u>Total</u>
Cost									
Balance of January 1, 2021	\$ 15,440,780	5,726,925	2,041,103	19	1,490,393	997,244	7,632	38,171	25,742,267
Purchase and acquisition	-	2,488	19,871	-	22,416	7,462	12,671	79,756	144,664
Estimated cost of derecognition	-	-	-	-	-	28	-	-	28
Disposal	-	-	(76,430)	-	(21,876)	(40,086)	-	-	(138,392)
Reclassification	(137,347)	(27,283)	6,020	-	710	1,063	6,635	(7,793)	(157,995)
Effect of changes in foreign exchange rates	(3,061)	(5,443)	(33,499)	-	(22,408)	(927)	-	(1)	(65,339)
Balance of June 30, 2021	<u>15,300,372</u>	<u>5,696,687</u>	<u>1,957,065</u>	<u>19</u>	<u>1,469,235</u>	<u>964,784</u>	<u>26,938</u>	<u>110,133</u>	<u>25,525,233</u>
Accumulated depreciation									
Balance of January 1, 2021	\$ -	1,122,485	1,400,267	19	1,227,136	876,584	-	-	4,626,491
Depreciation	-	77,757	112,895	-	61,289	30,147	-	-	282,088
Disposal	-	-	(76,324)	-	(21,735)	(32,797)	-	-	(130,856)
Reclassification	-	(6,773)	-	-	-	-	-	-	(6,773)
Effect of changes in foreign exchange rates	-	(1,268)	(27,045)	-	(21,209)	(841)	-	-	(50,363)
Balance of June 30, 2021	<u>-</u>	<u>1,192,201</u>	<u>1,409,793</u>	<u>19</u>	<u>1,245,481</u>	<u>873,093</u>	<u>-</u>	<u>-</u>	<u>4,720,587</u>
Accumulated impairment loss									
Balance of January 1, 2021	<u>\$ 1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Balance of June 30, 2021	<u>\$ 1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Cost									
Balance of January 1, 2020	\$ 15,102,480	5,591,134	1,815,965	6,018	1,533,885	1,011,190	2,565	26,452	25,089,689
Purchase and acquisition	-	-	46,009	-	24,247	4,368	3,981	89,450	168,055
Disposal	-	-	(1,753)	(5,999)	(26,358)	(31,723)	-	(1,925)	(67,758)
Reclassification	11,250	8,234	2,250	-	-	-	-	(2,275)	19,459
Effect of changes in foreign exchange rates	(2,646)	(5,327)	(34,955)	-	(23,690)	(789)	-	-	(67,407)
Balance of June 30, 2020	<u>15,111,084</u>	<u>5,594,041</u>	<u>1,827,516</u>	<u>19</u>	<u>1,508,084</u>	<u>983,046</u>	<u>6,546</u>	<u>111,702</u>	<u>25,142,038</u>
Accumulated depreciation									
Balance of January 1, 2020	\$ -	967,963	1,226,876	6,018	1,191,467	874,154	-	-	4,266,478
Depreciation	-	77,013	104,640	-	63,635	37,992	-	-	283,280
Disposal	-	-	(1,750)	(5,999)	(26,202)	(30,408)	-	-	(64,359)
Effect of changes in foreign exchange rates	-	(1,169)	(27,254)	-	(22,296)	(711)	-	-	(51,430)
Balance of June 30, 2020	<u>-</u>	<u>1,043,807</u>	<u>1,302,512</u>	<u>19</u>	<u>1,206,604</u>	<u>881,027</u>	<u>-</u>	<u>-</u>	<u>4,433,969</u>
Accumulated impairment loss									
Balance of January 1, 2020	<u>\$ 1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Balance of June 30, 2020	<u>\$ 1,013,284</u>	<u>45,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,543</u>
Net									
Balance of June 30, 2021	<u>\$ 14,287,088</u>	<u>4,459,227</u>	<u>547,272</u>	<u>-</u>	<u>223,754</u>	<u>91,691</u>	<u>26,938</u>	<u>110,133</u>	<u>19,746,103</u>
Balance of December 31, 2020	<u>\$ 14,427,496</u>	<u>4,559,181</u>	<u>640,836</u>	<u>-</u>	<u>263,257</u>	<u>120,660</u>	<u>7,632</u>	<u>38,171</u>	<u>20,057,233</u>
Balance of June 30, 2020	<u>\$ 14,097,800</u>	<u>4,504,975</u>	<u>525,004</u>	<u>-</u>	<u>301,480</u>	<u>102,019</u>	<u>6,546</u>	<u>111,702</u>	<u>19,649,526</u>

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

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

(K) Right-of-use assets

The Group leases many assets including land and buildings, IT equipment and transportation equipment. Information about leases for which the Group as a lessee was presented below:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Carrying amount			
Land	\$ 1,296,561	1,306,640	1,316,719
Buildings	1,521,893	894,493	1,205,321
Machinery equipment	175	835	1,010
Transportation equipment	10,506	14,030	18,185
Other equipment	6,050	9,186	9,217
	<u>\$ 2,835,185</u>	<u>2,225,184</u>	<u>2,550,452</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Increase	<u>\$ 545,900</u>	<u>118,817</u>	<u>1,001,393</u>	<u>427,006</u>
Depreciation expense				
Land	\$ 3,536	5,040	7,573	10,079
Buildings	169,992	183,087	328,856	373,856
Machinery equipment	87	86	172	172
Transportation equipment	2,334	2,696	4,685	5,190
Other equipment	1,665	1,701	3,315	3,414
Total	<u>\$ 177,614</u>	<u>192,610</u>	<u>344,601</u>	<u>392,711</u>

(L) Intangible assets

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Goodwill	\$ 1,689,089	1,786,008	1,683,750
Development costs	499,518	532,391	117,095
Computer software	397,570	456,665	392,739
Business license	3,108,464	3,343,090	3,204,727
Others	51,796	54,767	51,474
	<u>\$ 5,746,437</u>	<u>6,172,921</u>	<u>5,449,785</u>

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

The changes of the intangible assets are as follows:

	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost:			
Balance of January 1, 2021	\$ 1,786,008	7,372,953	9,158,961
Purchase and acquisition	-	15,532	15,532
Disposal	-	(196)	(196)
Reclassification	-	38,148	38,148
Effect of changes in foreign exchange rate	(96,919)	(326,794)	(423,713)
Balance of June 30, 2021	<u>\$ 1,689,089</u>	<u>7,099,643</u>	<u>8,788,732</u>
Balance of January 1, 2020	\$ 1,786,418	6,747,988	8,534,406
Purchase and acquisition	-	31,260	31,260
Disposal	-	(6,855)	(6,855)
Reclassification	-	32,610	32,610
Effect of changes in foreign exchange rate	(102,668)	(316,353)	(419,021)
Balance of June 30, 2020	<u>\$ 1,683,750</u>	<u>6,488,650</u>	<u>8,172,400</u>
Accumulated amortization and impairment:			
Balance of January 1, 2021	\$ -	2,986,040	2,986,040
Amortization	-	163,964	163,964
Disposal	-	(186)	(186)
Effect of changes in foreign exchange rate	-	(107,523)	(107,523)
Balance of June 30, 2021	<u>\$ -</u>	<u>3,042,295</u>	<u>3,042,295</u>
Balance of January 1, 2020	\$ -	2,676,557	2,676,557
Amortization	-	154,630	154,630
Disposal	-	(6,855)	(6,855)
Effect of changes in foreign exchange rate	-	(101,717)	(101,717)
Balance of June 30, 2020	<u>\$ -</u>	<u>2,722,615</u>	<u>2,722,615</u>
Carrying amount:			
Balance of June 30, 2021	<u>\$ 1,689,089</u>	<u>4,057,348</u>	<u>5,746,437</u>
Balance of December 31, 2020	<u>\$ 1,786,008</u>	<u>4,386,913</u>	<u>6,172,921</u>
Balance of June 30, 2020	<u>\$ 1,683,750</u>	<u>3,766,035</u>	<u>5,449,785</u>

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

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

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

(M) Other assets

	June 30, 2021	December 31, 2020	June 30, 2020
Prepayments	\$ 485,753	395,131	788,945
Deferred acquisition cost	1,878,743	1,702,798	1,183,542
Guarantee deposits paid	20,025,499	18,833,867	18,674,838
Other assets - other	6,484,511	6,841,518	6,786,019
Less: Accumulated impairment	<u>(54,994)</u>	<u>(54,994)</u>	<u>-</u>
Total	<u><u>\$ 28,819,512</u></u>	<u><u>27,718,320</u></u>	<u><u>27,433,344</u></u>

As of December 2021, the Group has tested other assets for impairment and have found indications that the carrying amount of a portion of other assets may be impaired. Fair value less cost to sale is measured to determine the recoverable amount, the amounts determined is based on expert's valuation report, and the recognition of impairment focuses on recoverable amounts that are lower than the carrying amount. The aforementioned fair value is based on significant unobservable inputs, and is therefore classified under level 3.

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

	June 30, 2021	December 31, 2020	June 30, 2020
Government bonds (Book value)	<u>\$ 16,554,713</u>	<u>17,080,348</u>	<u>16,957,105</u>
Cash in bank	<u>\$ 14,532</u>	<u>14,736</u>	<u>15,337</u>

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

(N) Insurance product — separate account

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Assets on insurance product, separate account:			
Cash in bank	\$ 12,137,348	12,313,698	12,023,531
Financial assets measured at fair value through profit or loss	232,015,907	206,898,554	173,353,113
Accounts receivable	<u>1,718,633</u>	<u>2,622,363</u>	<u>2,555,050</u>
Total	<u>\$ 245,871,888</u>	<u>221,834,615</u>	<u>187,931,694</u>
Liabilities on insurance product, separate account:			
Reserve — Insurance contract	\$ 137,597,236	126,936,045	105,944,068
Reserve — Investment contract	108,238,941	94,534,553	81,806,232
Accounts payable	<u>35,711</u>	<u>364,017</u>	<u>181,394</u>
Total	<u>\$ 245,871,888</u>	<u>221,834,615</u>	<u>187,931,694</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income on insurance product, separate account:				
Premiums income	\$ 4,252,244	6,396,166	14,773,389	10,628,343
Interest income	737,284	558,702	1,648,531	1,070,117
Gains or losses on financial assets and liabilities measured at fair value through profit or loss	3,810,157	11,496,550	6,494,187	(8,457,293)
Gains or losses on foreign exchange	(216,081)	(140,460)	(550,312)	(258,014)
Total	<u>\$ 8,583,604</u>	<u>18,310,958</u>	<u>22,365,795</u>	<u>2,983,153</u>
Disbursements on insurance product, separate account:				
Net changes in reserve, insurance contract	\$ 3,544,181	15,394,994	11,158,258	(4,142,115)
Insurance claims and payment	4,124,984	2,119,179	9,358,016	5,517,709
Administrative expenses	913,409	794,512	1,817,399	1,606,520
Other disbursements	<u>1,030</u>	<u>2,273</u>	<u>32,122</u>	<u>1,039</u>
Total	<u>\$ 8,583,604</u>	<u>18,310,958</u>	<u>22,365,795</u>	<u>2,983,153</u>

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

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Sales rebate earned from counterparty for investment-linked insurance products	\$ <u>164,951</u>	<u>122,917</u>	<u>329,955</u>	<u>271,454</u>

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Assets on business (individual) annuity insurance products, separate accounts:			
Cash in bank	\$ 4,769,423	12,468,738	4,614,793
Financial assets measured at fair value through profit or loss	19,587,000	19,852,287	19,858,484
Financial assets measured at fair value through other comprehensive income	163,899,810	152,850,193	132,700,441
Financial assets for hedging	442,837	2,048,704	379,959
Loans	28,278,211	33,553,802	29,440,013
Interests receivable	1,332,714	1,206,399	1,064,967
Other accounts receivable	<u>3,848,331</u>	<u>15,405,062</u>	<u>6,056,268</u>
Total	<u>\$ 222,158,326</u>	<u>237,385,185</u>	<u>194,114,925</u>

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Liabilities on business (individual) annuity insurance products, separate accounts:			
Financial liabilities for hedging	\$ 629,194	10,105	222,315
Other accounts payable	2,625,934	2,706,855	1,756,025
Reserve — Insurance contract	216,941,674	228,325,889	184,975,167
Financial liabilities measured at fair value through profit or loss	10,021	852	1,151
Total	<u>\$ 220,206,823</u>	<u>231,043,701</u>	<u>186,954,658</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income on business (individual) annuity insurance products, separate accounts:				
Interest income	\$ 1,404,177	1,266,292	2,730,811	2,533,174
Gains on financial assets and liabilities measured at fair value through profit or loss	259,030	761,630	1,145,565	1,327,957
Realized gains from financial assets measured at fair value through other comprehensive income	350,458	63,173	937,904	219,605
Reversal of ECL on investments	30,971	(78)	32,072	971
Gains on foreign exchange	88,926	(408,265)	1,831,681	1,651,906
Other income	<u>27,089</u>	<u>20,298</u>	<u>57,347</u>	<u>38,371</u>
Total	<u>\$ 2,160,651</u>	<u>1,703,050</u>	<u>6,735,380</u>	<u>5,771,984</u>
Disbursements on business (individual) annuity insurance products, separate accounts:				
Insurance claims and payment	\$ 265	-	649	-
Current provisions of separate accounts	1,117,621	2,170,582	2,248,569	2,915,995
Losses on financial assets and liabilities measured at fair value through profit or loss	25,290	(670,166)	2,252,899	2,415,332
Realized losses from financial assets measured at fair value through other comprehensive income	4,763	(8)	41,040	632
Recognition of ECL on investments	15,669	1,468	20,288	10,473
Losses on foreign exchange	50,439	136,419	118,407	303,964
Administrative expenses	945,691	58,644	2,050,183	110,351
Other expenses	<u>913</u>	<u>6,111</u>	<u>3,345</u>	<u>15,237</u>
Total	<u>\$ 2,160,651</u>	<u>1,703,050</u>	<u>6,735,380</u>	<u>5,771,984</u>

The subsidiary provides government bonds and corporate bonds as collateral which is classified as financial assets measured at fair value through other comprehensive income. As of June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amount of the collateral were \$548,415 thousand, \$0 thousand and \$822,107 thousand, respectively.

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

(O) Accounts payable

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Notes payable	\$ 266	-	1
Expense payable	5,785,431	6,138,653	4,257,996
Commissions payable	1,367,937	2,410,551	1,994,512
Insurance and reinsurance claims payable	8,830,663	8,190,940	8,119,665
Due to reinsurers and ceding companies	1,736,139	1,568,139	1,641,258
Insurance product — separate accounts payable	5,502,614	17,903,522	7,988,884
Investments payable	42,501,496	5,939,805	24,193,855
Other payable	2,535,591	2,283,900	2,192,293
Total	<u>\$ 68,260,137</u>	<u>44,435,510</u>	<u>50,388,464</u>

(P) Short-term debts

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Notes and bonds issued under repurchase agreement	\$ -	-	<u>248,838</u>
Repurchase price	-	-	<u>254,560</u>
Repurchase interest	-	-	<u>4.6%~4.9%</u>

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

(Q) Bonds payable

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

Name	Outstanding period		Rate %	Face Amount	(Discount) Premium	June 30, 2021	December 31, 2020	June 30, 2020	Note
	Date of Issuance	Maturity							
The first issue of 2016 perpetual cumulative subordinated corporate bond	2016.12.07	No maturity date	3.25 % (Note 1)	\$ 28,500,000	\$ -	28,500,000	28,500,000	28,500,000	Note2
The first issue of 2017 perpetual cumulative subordinated corporate bond	2017.04.21	No maturity date	3.30 % (Note 1)	6,500,000	-	6,500,000	6,500,000	6,500,000	Note2
The first issue of 2018 perpetual non-cumulative subordinated corporate bond (private placement)	2018.03.27	No maturity date	3.60 % (Note 3)	20,000,000	-	20,000,000	20,000,000	20,000,000	Note4
Hyundailife Insurance 5 (private placement)	2015.12.11	2021.06.11	4.65 %	493,560	-	-	523,751	495,831	
Hyundailife Insurance 5-2 (private placement)	2015.12.30	2021.06.30	4.65 %	74,034	-	-	78,703	74,601	
Hyundailife Insurance 6 (private placement)	2016.04.28	2022.04.28	4.60 %	740,340	3,811	744,151	1,050,048	992,197	
Hyundailife Insurance 7 (private placement)	2016.12.28	2022.07.28	4.75 %	493,560	1,748	495,308	524,585	495,376	
Hyundailife Insurance 8 (private placement)	2017.06.26	2023.01.26	4.90 %	222,102	994	223,096	236,231	223,028	
Hyundailife Insurance 9 (private placement)	2017.07.20	2023.01.20	4.90 %	197,424	1,615	199,039	211,006	199,452	
Hyundailife Insurance 11 (private placement)	2017.12.28	2023.06.28	5.60 %	1,480,680	17,108	1,497,788	1,588,250	1,501,657	
FubonHyundai Insurance 13 (private placement)	2019.09.09	2029.09.09	4.30 % (Note 5)	1,233,900	(2,748)	1,231,152	1,301,650	1,226,988	
FubonHyundai Insurance 14 (private placement)	2019.10.02	2029.10.02	4.25 % (Note 5)	2,467,800	(8,767)	2,459,033	2,599,667	2,450,397	
FubonHyundai Insurance 15 (private placement)	2020.06.24	2030.06.24	4.30 % (Note 5)	370,170	(890)	369,280	390,427	368,034	
FubonHyundai Insurance 16 (private placement)	2020.09.21	2030.09.21	4.49 % (Note 5)	1,233,900	(4,927)	1,228,973	1,299,266	-	
FubonHyundai Insurance 17 (private placement)	2021.04.29	2031.04.29	4.60 % (Note 5)	1,344,951	(3,464)	1,341,487	-	-	
Total					\$ 4,480	64,789,307	64,803,584	63,027,561	

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

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

Note2: The bond has no maturity date. After 10 years of issuance, if the Group's risk-based capital ratio after redemption, upon calculation, is more than one time of the required minimum risk-based capital ratio at the time of calculation, with the consent of the Competent Authority, the bonds may be redeemed earlier at face value plus accrued interest.

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

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interest Expense	\$ 575,044	550,339	1,137,875	1,104,612

(R) Lease liabilities

The Group's undiscounted lease payments maturity analysis:

	June 30, 2021	December 31, 2020	June 30, 2020
Less than one year	\$ 1,130,369	2,118,868	2,299,229
Between one and three years	1,826,506	1,368,873	1,468,249
Between three and five years	1,047,467	1,065,143	1,102,567
More than five years	24,866,086	25,302,570	25,287,561
	\$ 28,870,428	29,855,454	30,157,606

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2021	2020	2021	2020
Interest on lease liabilities	\$ <u>38,787</u>	<u>90,976</u>	<u>90,161</u>	<u>180,425</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>3,033</u>	<u>2,840</u>	<u>6,075</u>	<u>6,210</u>
Expenses relating to short-term leases	\$ <u>3,741</u>	<u>512</u>	<u>7,810</u>	<u>13,456</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>2,713</u>	<u>3,510</u>	<u>5,172</u>	<u>8,858</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2021	2020	2021	2020
Total cash outflow for leases	\$ <u>1,370,896</u>	<u>992,882</u>	<u>1,952,901</u>	<u>1,603,157</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2021	2020	2021	2020
Capitalization of interest	\$ <u>100,024</u>	<u>59,071</u>	<u>188,165</u>	<u>119,728</u>

(a) Office leases

The Group leases buildings as offices with usual lease terms of two to five years for the six months ended June 30, 2021 and 2020.

(b) Superficies leases

The Group leases land for superficies with usual lease terms of fifty to seventy years for the purpose of commercial buildings, malls, hotels etc. for the six months ended June 30, 2021 and 2020.

The Group elected to apply the amendments made to IFRS 16 “Covid-19-Related Rent Concessions” as a practical expedient. The amounts recognized in profit or loss were \$0 thousand and \$9,974 thousand for the three months ended June 30, 2021 and 2020, \$1,003 thousand and \$9,974 thousand for the six months ended June 30, 2021 and 2020, respectively.

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

(c) Other leases

The Group leases computer, machinery and transportation equipment with lease terms of two to seven years. If these leases are short-term and/or leases of low-value items, the Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(S) Liabilities reserve

	June 30, 2021	December 31, 2020	June 30, 2020
Decommissioning liability	\$ 109,719	87,406	123,179
Employee benefits liabilities	8,378,607	8,379,143	8,036,307
Other liabilities reserve	<u>4,702,188</u>	<u>5,057,362</u>	<u>4,827,503</u>
	<u>\$ 13,190,514</u>	<u>13,523,911</u>	<u>12,986,989</u>

(a) Decommissioning liability

	Decommissioning liability
Balance of January 1, 2021	\$ 87,406
Increase of liabilities reserves	42,249
Reversal of liabilities reserves	(19,229)
Discounting and amortization of liabilities reserves	647
Reclassification to other income	(562)
Effect of changes in foreign exchange rate	<u>(792)</u>
Balance of June 30, 2021	<u>\$ 109,719</u>
Balance of January 1, 2020	\$ 120,234
Increase of liabilities reserves	13,780
Reversal of liabilities reserves	(10,587)
Discounting and amortization of liabilities reserves	752
Reclassification to other income	(259)
Effect of changes in foreign exchange rate	<u>(741)</u>
Balance of June 30, 2020	<u>\$ 123,179</u>

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

(b) Employee benefit

(1) Defined benefit plan

Employee benefit liability reserves recognized by the Group during the period were as follows:

Due to no significant market volatility, significant reductions, liquidations or other significant events during the last fiscal year, the Group adopted the pension costs for the year ended December 31, 2020 and 2019 to measure and disclose the pension costs for the interim period.

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2021	2020	2021	2020
Pension expenses	\$ 87,810	104,640	176,669	206,633
Pension (Survivor relief)	4,054	2,500	6,395	5,000
Total	<u>\$ 91,864</u>	<u>107,140</u>	<u>183,064</u>	<u>211,633</u>

(2) Defined contribution plan

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	2021	2020	2021	2020
Pension expenses	<u>\$ 167,408</u>	<u>182,072</u>	<u>324,338</u>	<u>357,075</u>

(T) Shareholders' equity

(a) Common stock

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company had authorized capital of \$150,000,000 thousand, and issued common stock of \$110,831,140 thousand, with a \$10 par value per share.

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

(b) Capital surplus

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Additional paid-in capital	\$ 7,052,235	7,052,235	7,052,235
Changes in ownership interests in subsidiaries	1,072,952	-	-
Changes in equity of associates and joint ventures accounted for using equity method	2,370,863	2,368,279	2,044,743
Consolidation excess	20,340,460	20,340,460	20,340,460
Employee share options	134,778	134,778	134,778
Total	<u>\$ 30,971,288</u>	<u>29,895,752</u>	<u>29,572,216</u>

(c) Retained earnings and earnings appropriation

(1) Legal reserve

If the Company has no deficit and the legal reserve exceeds 25% of paid-in capital, the excess may be transferred to capital or distributed in cash pursuant to the resolution of the shareholders.

(2) Special reserve

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Recovered contingency risk reserve	\$ 8,593,582	8,593,582	8,593,582
Catastrophic risk reserve and contingency risk reserve	6,905,728	6,905,728	6,643,303
Special reserve from profit after tax	21,732,327	21,732,327	21,732,327
Savings from hedging cost	10,465,441	10,465,441	10,465,441
Real estate increment recovered	2,609,068	2,609,068	2,609,068
Gains from the fluctuation of subsequent fair value measurement of investment property	25,810,714	25,810,714	25,810,714
The gains or losses on disposal of unexpired debt instruments	7,912,279	7,912,279	7,912,279
Special Reserve	9,398,726	9,398,726	9,398,726
Other	412,024	412,024	412,024
Total	<u>\$ 93,839,889</u>	<u>93,839,889</u>	<u>93,577,464</u>

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

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

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

2) Special reserve for foreign currency translation reserve

The special reserve appropriated according to the “Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises”, please refer to Note 4(W).

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

In accordance with Gin Guan Bao Tsai No.10904917647, the Company should appropriate special reserve for investment property in restricting distributed earnings, based on the net after-tax effects of the first-time adoption of investment property measured at fair value model and the accumulated net after-tax gains on subsequent fair value measurements, respectively. The special reserve subsequently can only be used for effective contracts according to IFRS 17 “Insurance Contract”, life insurance industry effective insurance contract liability estimated at fair value and estimate method required by the competent authorities to fulfill liabilities from insurance contract. Subsequently when related assets are disposed, the special reserve could be reversed in the proportion of initial recognition and requires the approval from the competent authorities. The distribution of the reversed amount will need to be in accordance with Gin Guan Bao Tsai No.1020251992.

4) Other special reserve

In accordance with the Gin Guan Bao Tsai No.10102508861 dated June 5, 2012, if the net amount of other equity interest has a debit balance in the current year, the Company appropriates the same amount of special reserve from current profits and prior period’s undistributed earnings. When negative amount of other equity interest is reversed, the Company can distribute the aforementioned reversed amount. This provision will be repealed as of December 31, 2021.

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

In accordance with the Gin Guan Bao Tsai No.11004920441 dated June 11, 2021, this will be applicable when distributing 2021's earnings. When appropriating distributable earnings, special reserves should be appropriated in the following ways in restricting distributed earnings:

1. Appropriate special reserves in the same amount of negative movements for other equity items during the current period from current period's net profit after tax plus items other than net profit after tax into current period's undistributed earnings. If the amount to be appropriated is insufficient, prior year undistributed earnings should be appropriated.
2. Appropriate special reserves for accumulated negative net amount of other equity interest in the prior periods in restricting distributed earnings, in accordance with the regulation.

Subsequently when negative net amount of other equity interest is reversed, the same reversed amount can be distributed from special reserve.

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

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

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

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

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

(3) Distribution of earnings

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

Employee compensation has been estimated an amount of \$7,000 thousand and \$3,000 thousand for the years of 2020 and 2019, respectively. For the 2020 financial year the amount of employee compensation that the board meeting resolved upon is \$9,870 thousand, which is \$2,870 thousand more than the estimated amount which resulted in a change of accounting estimate, this difference will be recognized under profit and loss for the 2020 year. There is no difference between the actual distribution and the estimated amount for the year of 2019.

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

The Company executed the resolution approved by the board of directors on behalf of the shareholders' meeting on July 5, 2021 to distribute cash dividends which amounted to \$7,440,778 thousand from the earnings of 2020. The ex-dividend record date is July 12, 2021.

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

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unrealized revaluation surplus	Other comprehensive profits (losses) reclassified using overlay approach	Total
Balance, January 1, 2021	\$ (8,129,194)	45,996,910	756,242	128,498	109,457,141	148,209,597
Foreign exchange translation difference	(2,494,732)	-	-	-	-	(2,494,732)
Foreign exchange translation differences in the share of associates accounted for using equity method	129,666	-	-	-	-	129,666
Changes in fair value of hedging instruments	-	-	(268,023)	-	-	(268,023)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(12,403,663)	-	-	-	(12,403,663)
Accumulated (gains) losses reclassified to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income	-	(15,528,305)	-	-	-	(15,528,305)
Disposal of equity instruments measured at fair value through other comprehensive income reclassified to unappropriated earnings	-	2,883,470	-	-	-	2,883,470
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income in the share of associates and joint ventures accounted for using equity method	-	(7,207)	-	-	-	(7,207)
Disposal of equity instruments measured at fair value through other comprehensive income in the share of associates accounted for using equity method	-	(725)	-	-	-	(725)
Gains (losses) on revaluation	-	-	-	93,323	-	93,323
Profit or loss reclassified using overlay approach	-	-	-	-	55,080,806	55,080,806
Profit or loss reclassified using overlay approach in the share of joint ventures accounted for using equity method	-	-	-	-	7,263	7,263
Adjustment of equity from acquisition of additional shares in subsidiary	(319,745)	436,344	-	-	273,416	390,015
Balance, June 30, 2021	<u>\$ (10,814,005)</u>	<u>21,376,824</u>	<u>488,219</u>	<u>221,821</u>	<u>164,818,626</u>	<u>176,091,485</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unrealized revaluation surplus	Other comprehensive profits (losses) reclassified using overlay approach	Total
Balance, January 1, 2020	\$ (7,762,888)	19,694,697	364,752	128,498	42,314,159	54,739,218
Foreign exchange translation difference	(3,010,117)	-	-	-	-	(3,010,117)
Foreign exchange translation differences in the share of associates accounted for using equity method	(119,372)	-	-	-	-	(119,372)
Changes in fair value of hedging instruments	-	-	553,419	-	-	553,419
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	22,442,110	-	-	-	22,442,110
Accumulated (gains) losses reclassified to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income	-	(8,007,192)	-	-	-	(8,007,192)
Disposal of equity instruments measured at fair value through other comprehensive income reclassified to unappropriated earnings	-	1,359,041	-	-	-	1,359,041
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income in the share of associates and joint ventures accounted for using equity method	-	(15,904)	-	-	-	(15,904)
Profit or loss reclassified using overlay approach	-	-	-	-	(34,252,197)	(34,252,197)
Profit or loss reclassified using overlay approach in the share of joint ventures accounted for using equity method	-	-	-	-	(5,494)	(5,494)
Balance, June 30, 2020	<u>\$ (10,892,377)</u>	<u>35,472,752</u>	<u>918,171</u>	<u>128,498</u>	<u>8,056,468</u>	<u>33,683,512</u>

(e) Non-controlling interests

	For the six months ended June 30,	
	2021	2020
Beginning balance	\$ 13,600,997	11,630,993
Increase of non-controlling interests	247	-
Changes in ownership interests in subsidiaries	(1,458,876)	-
Shares attributable to non-controlling interests		
Net income	1,138,136	207,029
Exchange differences on translation of foreign financial statements	(727,676)	(575,096)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income and other equity interest	(1,596,128)	727,618
Remeasurement of defined benefit plans	(3,209)	(1,970)
Ending balance	<u>\$ 10,953,491</u>	<u>11,988,574</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(U) Income taxes

(a) Income tax (expense) profit for the six months ended June 30, 2021 and 2020:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current expense tax				
Current period	\$ (5,043,495)	331,422	(10,349,272)	(2,936,686)
Adjustments for prior period	(306,579)	18,046	(306,727)	18,046
Foreign withholding tax	(205,294)	(313,077)	(277,311)	(490,253)
Subtotal	<u>(5,555,368)</u>	<u>36,391</u>	<u>(10,933,310)</u>	<u>(3,408,893)</u>
Deferred expense tax				
Reversal and recognition of temporary differences	2,738,400	(1,200,351)	2,230,927	581,338
Income tax expense	<u>\$ (2,816,968)</u>	<u>(1,163,960)</u>	<u>(8,702,383)</u>	<u>(2,827,555)</u>

The details of income tax (expense) profit recognized in other comprehensive profit or loss for the six months ended June 30, 2021 and 2020 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Items not reclassified into profit or loss:				
Revaluation of real estate property	\$ (12,842)	-	(12,842)	-
Remeasurement of defined benefit plans	274	189	2,699	1,658
Valuation gains (losses) on equity instruments measured at fair value through other comprehensive income	704,152	800,998	398,119	2,147,489
Items may be reclassified subsequently into profit or loss:				
Exchange differences on translation	182,843	151,461	299,356	520,553
Gains (losses) on hedging instruments	17,213	(6,050)	67,006	(138,354)
Valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	(1,448,113)	(4,415,269)	5,782,876	(5,020,251)
Other comprehensive profits (losses) reclassified using overlay approach	(1,180,689)	(4,027,131)	(1,359,895)	4,379,267
Share of other comprehensive income of associates and joint ventures accounted for using equity method - Items may be reclassified into profit or loss	(23,221)	21,657	(32,416)	29,842
	<u>\$ (1,760,383)</u>	<u>(7,474,145)</u>	<u>5,144,903</u>	<u>1,920,204</u>

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

- (b) Fubon Financial Holding Company, the parent company of the Group, appointed to be the taxpayer itself; therefore, commencing from 2010, income tax return and undistributed retained earnings based on the income tax return has been filed a combined income tax return with Fubon Financial Holding Company and its qualifying subsidiaries.
- (c) In regard to all taxes filed for the year of assessment but pending for verification, the Group assesses correlation factors which include relevant regulations and past experience, and determined that sufficient income tax liability is reliably estimated.
- (d) The R.O.C. tax authority has assessed income tax returns of the Group for the years prior to 2015. The Group has filed administrative remedy for adjustments determined by the tax authority for the years of 2012, 2013, and 2014 within the statutory time limit.
- (V) Earnings per share

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>26,478,037</u>	<u>7,272,951</u>	<u>65,563,227</u>	<u>23,375,089</u>
Weighted average number of ordinary shares (thousand shares)	<u>11,083,114</u>	<u>11,083,114</u>	<u>11,083,114</u>	<u>11,083,114</u>
Basic earnings per share (dollar)	\$ <u>2.39</u>	<u>0.66</u>	<u>5.92</u>	<u>2.11</u>

(W) Insurance liabilities

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Unearned premium reserve	\$ 9,170,127	9,009,158	9,026,160
Claim reserve	7,098,853	7,003,064	5,865,335
Liability reserve	4,231,218,608	4,125,242,200	3,999,824,993
Special reserve	13,235,598	12,456,380	11,031,818
Premium deficiency reserve	<u>10,355,471</u>	<u>12,409,915</u>	<u>15,656,343</u>
Total	\$ <u>4,271,078,657</u>	<u>4,166,120,717</u>	<u>4,041,404,649</u>

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

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

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

	June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,137	-	7,137
Individual injury insurance	4,494,691	-	4,494,691
Individual health insurance	2,749,529	-	2,749,529
Group insurance	1,813,912	-	1,813,912
Investment-linked insurance	<u>104,858</u>	-	<u>104,858</u>
Gross reserve	<u>9,170,127</u>	-	<u>9,170,127</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	662,040	-	662,040
Individual injury insurance	18,593	-	18,593
Individual health insurance	35,941	-	35,941
Group insurance	124,123	-	124,123
Investment-linked insurance	<u>11,288</u>	-	<u>11,288</u>
Total ceded reserve	<u>851,985</u>	-	<u>851,985</u>
Net reserve	<u>\$ 8,318,142</u>	<u>-</u>	<u>8,318,142</u>

	December 31, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 7,094	-	7,094
Individual injury insurance	4,272,426	-	4,272,426
Individual health insurance	2,882,272	-	2,882,272
Group insurance	1,743,034	-	1,743,034
Investment-linked insurance	<u>104,332</u>	-	<u>104,332</u>
Gross reserve	<u>9,009,158</u>	-	<u>9,009,158</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	655,049	-	655,049
Individual injury insurance	19,180	-	19,180
Individual health insurance	34,861	-	34,861
Group insurance	122,787	-	122,787
Investment-linked insurance	<u>11,148</u>	-	<u>11,148</u>
Total ceded reserve	<u>843,025</u>	-	<u>843,025</u>
Net reserve	<u>\$ 8,166,133</u>	<u>-</u>	<u>8,166,133</u>

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

	June 30, 2020		
	Insurance	Financial	
	Contracts	instruments with	Total
		discretionary	
		participation	
		_____	_____
Individual life insurance	\$ 10,013	-	10,013
Individual injury insurance	4,073,170	-	4,073,170
Individual health insurance	3,143,768	-	3,143,768
Group insurance	1,697,428	-	1,697,428
Investment-linked insurance	101,781	-	101,781
Gross reserve	<u>9,026,160</u>	<u>-</u>	<u>9,026,160</u>
Deduction of provision for reinsurance ceded			
Individual life insurance	651,447	-	651,447
Individual injury insurance	19,601	-	19,601
Individual health insurance	19,734	-	19,734
Group insurance	116,860	-	116,860
Investment-linked insurance	11,043	-	11,043
Total ceded reserve	<u>818,685</u>	<u>-</u>	<u>818,685</u>
Net reserve	<u>\$ 8,207,475</u>	<u>-</u>	<u>8,207,475</u>

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

	For the six months ended June 30, 2021		
	Insurance	Financial	
	Contracts	instruments with	Total
		discretionary	
		participation	
		_____	_____
Beginning balance	\$ 9,009,158	-	9,009,158
Current provisions	9,171,501	-	9,171,501
Current reclaims	(9,005,046)	-	(9,005,046)
Gain and loss on foreign exchange	(5,486)	-	(5,486)
Ending balance	<u>9,170,127</u>	<u>-</u>	<u>9,170,127</u>
Less: Provision for ceded reinsurance			
Beginning balance	843,025	-	843,025
Current provision	852,510	-	852,510
Current reclaim	(841,957)	-	(841,957)
Gain and loss on foreign exchange	(1,593)	-	(1,593)
Ending balance	<u>851,985</u>	<u>-</u>	<u>851,985</u>
Net ending balance	<u>\$ 8,318,142</u>	<u>-</u>	<u>8,318,142</u>

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

	For the six months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 9,051,877	-	9,051,877
Current provisions	9,026,828	-	9,026,828
Current reclaims	(9,047,198)	-	(9,047,198)
Gain and loss on foreign exchange	(5,347)	-	(5,347)
Ending balance	9,026,160	-	9,026,160
Less: Provision for ceded reinsurance			
Beginning balance	801,616	-	801,616
Current provision	818,938	-	818,938
Current reclaim	(800,135)	-	(800,135)
Gain and loss on foreign exchange	(1,734)	-	(1,734)
Ending balance	818,685	-	818,685
Net ending balance	\$ 8,207,475	-	8,207,475

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

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

	June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— reported but not paid	\$ 3,689,779	50,036	3,739,815
— incurred but not reported	259,052	-	259,052
Individual injury insurance			
— reported but not paid	160,418	-	160,418
— incurred but not reported	661,436	-	661,436
Individual health insurance			
— reported but not paid	457,496	-	457,496
— incurred but not reported	1,112,325	-	1,112,325
Group insurance			
— reported but not paid	84,470	-	84,470
— incurred but not reported	490,233	-	490,233
Investment-linked insurance			
— reported but not paid	90,071	-	90,071
— incurred but not reported	43,537	-	43,537
Gross reserve	7,048,817	50,036	7,098,853
Deduction of provision for reinsurance ceded:			
Individual life insurance	166,151	-	166,151
Individual injury insurance	33,093	-	33,093
Personal health insurance	72,317	-	72,317
Group insurance	10,278	-	10,278
Investment-linked insurance	8,438	-	8,438
Total ceded reserve	290,277	-	290,277
Net reserve	\$ 6,758,540	50,036	6,808,576

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

	December 31, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— reported but not paid	\$ 3,362,803	19,280	3,382,083
— incurred but not reported	287,062	-	287,062
Individual injury insurance			
— reported but not paid	196,781	-	196,781
— incurred but not reported	712,998	-	712,998
Individual health insurance			
— reported but not paid	526,665	-	526,665
— incurred but not reported	1,182,517	-	1,182,517
Group insurance			
— reported but not paid	92,716	-	92,716
— incurred but not reported	508,772	-	508,772
Investment-linked insurance			
— reported but not paid	66,615	-	66,615
— incurred but not reported	46,855	-	46,855
Gross reserve	6,983,784	19,280	7,003,064
Deduction of provision for reinsurance ceded:			
Individual life insurance	175,477	-	175,477
Individual injury insurance	33,780	-	33,780
Personal health insurance	73,664	-	73,664
Group insurance	3,101	-	3,101
Investment-linked insurance	5,407	-	5,407
Total ceded reserve	291,429	-	291,429
Net reserve	\$ 6,692,355	19,280	6,711,635

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
— reported but not paid	\$ 2,782,589	13,803	2,796,392
— incurred but not reported	261,404	-	261,404
Individual injury insurance			
— reported but not paid	165,581	-	165,581
— incurred but not reported	576,942	-	576,942
Individual health insurance			
— reported but not paid	441,803	-	441,803
— incurred but not reported	1,006,273	-	1,006,273
Group insurance			
— reported but not paid	86,861	-	86,861
— incurred but not reported	438,910	-	438,910
Investment-linked insurance			
— reported but not paid	43,301	-	43,301
— incurred but not reported	47,868	-	47,868
Gross reserve	5,851,532	13,803	5,865,335
Deduction of provision for reinsurance ceded:			
Individual life insurance	153,965	-	153,965
Individual injury insurance	36,768	-	36,768
Personal health insurance	67,215	-	67,215
Group insurance	10,377	-	10,377
Investment-linked insurance	6,040	-	6,040
Total ceded reserve	274,365	-	274,365
Net reserve	\$ 5,577,167	13,803	5,590,970

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

The movements in claim reserves are as follows:

	For the six months ended June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,983,784	19,280	7,003,064
Current provisions	7,110,835	50,036	7,160,871
Current reclaims	(6,832,748)	(19,280)	(6,852,028)
Gain and loss on foreign exchange	(213,054)	-	(213,054)
Ending balance	7,048,817	50,036	7,098,853
Less: Provision for ceded reinsurance			
Beginning balance	291,429	-	291,429
Current provision	293,719	-	293,719
Current reclaim	(282,799)	-	(282,799)
Gain and loss on foreign exchange	(12,072)	-	(12,072)
Ending balance	290,277	-	290,277
Net ending balance	\$ 6,758,540	50,036	6,808,576

	For the six months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 6,116,625	4,294	6,120,919
Current provisions	5,874,579	13,803	5,888,382
Current reclaims	(5,947,202)	(4,294)	(5,951,496)
Gain and loss on foreign exchange	(192,470)	-	(192,470)
Ending balance	5,851,532	13,803	5,865,335
Less: Provision for ceded reinsurance			
Beginning balance	265,714	-	265,714
Current provision	275,858	-	275,858
Current reclaim	(255,894)	-	(255,894)
Gain and loss on foreign exchange	(11,313)	-	(11,313)
Ending balance	274,365	-	274,365
Net ending balance	\$ 5,577,167	13,803	5,590,970

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

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

	June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,677,664,071	-	3,677,664,071
Injury insurance	904,075	-	904,075
Health insurance	340,074,170	-	340,074,170
Annuity insurance	65,509,716	146,671,084	212,180,800
Investment-linked insurance	171,091	-	171,091
Total (Note 1)	<u>4,084,323,123</u>	<u>146,671,084</u>	<u>4,230,994,207</u>
Less: Ceded liability reserve			
Life insurance	3,434	-	3,434
Net ending balance (Note 1)	<u>\$ 4,084,319,689</u>	<u>146,671,084</u>	<u>4,230,990,773</u>

Note 1: As of June 30, 2021, after adding the “liability reserve — pending payment for policyholders”, liability reserve amounted to \$4,231,218,608 thousand less ceded liability reserve, the total amounted to \$4,231,215,174 thousand.

	December 31, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	\$ 3,588,377,113	-	3,588,377,113
Injury insurance	989,107	-	989,107
Health insurance	330,227,927	-	330,227,927
Annuity insurance	68,909,373	136,383,812	205,293,185
Investment-linked insurance	154,730	-	154,730
Total (Note 2)	<u>3,988,658,250</u>	<u>136,383,812</u>	<u>4,125,042,062</u>
Less: Ceded liability reserve			
Life insurance	3,396	-	3,396
Net ending balance (Note 2)	<u>\$ 3,988,654,854</u>	<u>136,383,812</u>	<u>4,125,038,666</u>

Note 2: As of December 31, 2020, after adding the “liability reserve — pending payment for policyholders”, liability reserve amounted to \$4,125,242,200 thousand less ceded liability reserve, the total amounted to \$4,125,238,804 thousand.

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

	June 30, 2020		
	Insurance	Financial	
	Contracts	instruments with	Total
		discretionary	
		participation	
Life insurance	\$ 3,484,767,210	-	3,484,767,210
Injury insurance	1,097,656	-	1,097,656
Health insurance	317,708,818	-	317,708,818
Annuity insurance	63,979,138	131,916,727	195,895,865
Investment-linked insurance	152,523	-	152,523
Total (Note 3)	<u>3,867,705,345</u>	<u>131,916,727</u>	<u>3,999,622,072</u>
Less: Ceded liability reserve			
Life insurance	3,748	-	3,748
Net ending balance (Note 3)	<u>\$ 3,867,701,597</u>	<u>131,916,727</u>	<u>3,999,618,324</u>

Note 3: As of June 30, 2020, after adding the “liability reserve — pending payment for policyholders”, liability reserve amounted to \$3,999,824,993 thousand, less ceded liability reserve, the total amounted to \$3,999,821,245 thousand.

The movements in the liability reserves are as follows:

	For the six months ended June 30, 2021		
	Insurance	Financial	
	Contracts	instruments with	Total
		discretionary	
		participation	
Beginning balance	\$ 3,988,658,250	136,383,812	4,125,042,062
Current provisions	416,704,182	17,625,802	434,329,984
Current reclaims	(293,962,145)	(7,189,740)	(301,151,885)
Gain and loss on foreign exchange	(27,077,164)	(148,790)	(27,225,954)
Ending balance	<u>4,084,323,123</u>	<u>146,671,084</u>	<u>4,230,994,207</u>
Less: Ceded liability reserve			
Beginning balance	3,396	-	3,396
Current provisions	100	-	100
Gain and loss on foreign exchange	(62)	-	(62)
Ending balance	<u>3,434</u>	<u>-</u>	<u>3,434</u>
Net ending balance	<u>\$ 4,084,319,689</u>	<u>146,671,084</u>	<u>4,230,990,773</u>

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

	For the six months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 3,718,539,384	134,998,329	3,853,537,713
Current provisions	286,542,363	6,345,206	292,887,569
Current reclaims	(114,660,201)	(9,426,808)	(124,087,009)
Gain and loss on foreign exchange	(22,716,201)	-	(22,716,201)
Ending balance	3,867,705,345	131,916,727	3,999,622,072
Less: Ceded liability reserve			
Beginning balance	3,380	-	3,380
Current provisions	420	-	420
Gain and loss on foreign exchange	(52)	-	(52)
Ending balance	3,748	-	3,748
Net ending balance	\$ 3,867,701,597	131,916,727	3,999,618,324

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

	June 30, 2021			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	\$ 12,583,331	-	-	12,583,331
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 12,583,331	-	652,267	13,235,598

	December 31, 2020			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	\$ 11,804,113	-	-	11,804,113
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 11,804,113	-	652,267	12,456,380

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

	June 30, 2020			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	\$ 10,379,551	-	-	10,379,551
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	\$ 10,379,551	-	652,267	11,031,818

The movements in special reserves are as follows:

	For the six months ended June 30, 2021			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 11,804,113	-	652,267	12,456,380
Provision for dividend provision for participating policies	802,240	-	-	802,240
Gain and loss on foreign exchange	(23,022)	-	-	(23,022)
Ending balance	\$ 12,583,331	-	652,267	13,235,598

	For the six months ended June 30, 2020			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	\$ 10,122,250	-	652,267	10,774,517
Provision for dividend provision for participating policies	275,550	-	-	275,550
Gain and loss on foreign exchange	(18,249)	-	-	(18,249)
Ending balance	\$ 10,379,551	-	652,267	11,031,818

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

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

	June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 10,234,369	-	10,234,369
Individual health insurance	121,102	-	121,102
Total	\$ 10,355,471	-	10,355,471

	December 31, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 12,272,305	-	12,272,305
Individual health insurance	137,610	-	137,610
Total	\$ 12,409,915	-	12,409,915

	June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	\$ 15,486,750	-	15,486,750
Individual health insurance	169,593	-	169,593
Total	\$ 15,656,343	-	15,656,343

The movements in premium deficiency reserve are as follows:

	For the six months ended June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 12,409,915	-	12,409,915
Current reversal, net	(2,024,176)	-	(2,024,176)
Gain and loss on foreign exchange	(30,268)	-	(30,268)
Ending balance	\$ 10,355,471	-	10,355,471

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

	For the six months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	\$ 16,272,680	-	16,272,680
Current provision, net	(571,180)	-	(571,180)
Gain and loss on foreign exchange	(45,157)	-	(45,157)
Ending balance	\$ 15,656,343	-	15,656,343

(f) Liability adequacy reserve:

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

Insurance contracts and financial instruments with discretionary participation	June 30, 2021	December 31, 2020	June 30, 2020
Liability reserve	\$ 4,192,331,036	4,086,588,292	3,963,817,678
Unearned premium reserve	9,167,404	9,006,419	9,020,341
Premium deficiency reserve	10,139,742	12,176,236	15,274,559
Special reserve	12,414,554	11,826,846	10,565,704
Claim reserve	3,137,052	3,178,556	2,634,534
The carrying amount of the related insurance liabilities	4,227,189,788	4,122,776,349	4,001,312,816
Difference between the fair value of insurance obligation acquired from business combination and insurance liability measured through accounting policy	4,427,746	4,770,388	4,575,973
Insurance liability at adjusted carrying value	\$ 4,231,617,534	4,127,546,737	4,005,888,789
Current estimate of future cash flows under its insurance liabilities	\$ 3,357,592,174	3,172,796,827	3,063,172,903
Total liability adequacy reserve	\$ -	-	-

The liability adequacy test method adopted by the Company for June 30, 2021, December 31, 2020, and June 30, 2020:

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 best estimate assumptions to predict future return on investment.

The above-mentioned liability adequacy test includes the provisions of Fubon Hyundai Life Insurance. The omission of such provisions of other subsidiaries is due primarily to the fact that they only account for tiny proportion of the total provisions which will not affect the result of the liability adequacy test.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(g) Special reserve (Catastrophic risk reserve and contingency risk reserve):

June 30, 2021				
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,190,962	-	-	4,190,962
Contingency risk reserve	2,714,766	-	-	2,714,766
Total	\$ 6,905,728	-	-	6,905,728

December 31, 2020				
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 4,190,962	-	-	4,190,962
Contingency risk reserve	2,714,766	-	-	2,714,766
Total	\$ 6,905,728	-	-	6,905,728

June 30, 2020				
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Catastrophic risk reserve	\$ 3,918,059	-	-	3,918,059
Contingency risk reserve	2,725,244	-	-	2,725,244
Total	\$ 6,643,303	-	-	6,643,303

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(X) Reserve for insurance with nature of financial instrument

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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Life insurance	\$ 3,379,630	3,380,989	3,602,305
Investment-linked insurance	114,494	67,668	10,040
Total	<u>\$ 3,494,124</u>	<u>3,448,657</u>	<u>3,612,345</u>

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 3,448,657	3,591,736
Current premiums collected	224	453
Current claims payment	(69,004)	(41,288)
Current net provision for legal reserve	114,247	61,444
Ending balance	<u>\$ 3,494,124</u>	<u>3,612,345</u>

(Y) Reserve for foreign exchange valuation

(a) Hedging strategy and risk exposure

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

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 8,481,833	13,273,010
Current provision:		
Compulsory provision	2,479,849	2,687,314
Additional provision	2,437,258	1,344,517
Subtotal	4,917,107	4,031,831
Current recovery	(6,314,203)	(5,892,211)
Ending balance	<u>\$ 7,084,737</u>	<u>11,412,630</u>

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

(c) Effect of the reserve for foreign exchange valuation

<u>Item</u>	<u>Not applied amount</u>	<u>Applied amount</u>	<u>Effect</u>
June 30, 2021			
Foreign exchange valuation reserve	\$ -	7,084,737	(7,084,737)
Shareholders' equity	580,220,779	576,158,153	4,062,626
December 31, 2020			
Foreign exchange valuation reserve	-	8,481,833	(8,481,833)
Shareholders' equity	489,716,795	484,536,492	5,180,303
June 30, 2020			
Foreign exchange valuation reserve	-	11,412,630	(11,412,630)
Shareholders' equity	345,969,124	338,444,183	7,524,941

<u>Item</u>	<u>For the six months ended June 30, 2021</u>			<u>For the six months ended June 30, 2020</u>		
	<u>Not applied amount</u>	<u>Applied amount</u>	<u>Effect</u>	<u>Not applied amount</u>	<u>Applied amount</u>	<u>Effect</u>
Income after tax	\$ 64,445,550	65,563,227	(1,117,677)	21,886,785	23,375,089	(1,488,304)
Earnings per share	5.81	5.92	(0.11)	1.97	2.11	(0.14)

(Z) Deferred acquisition cost and deferred handling fee

(a) Deferred acquisition cost

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,702,798	896,504
Addition	209,393	307,214
Amortization	(33,448)	(20,176)
Ending balance	<u>\$ 1,878,743</u>	<u>1,183,542</u>

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

(b) Deferred handling fees

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

	For the six months ended June 30,	
	2021	2020
Beginning balance	\$ 2,200,602	1,798,348
Addition	230,165	193,649
Amortization	(43,868)	(34,200)
Ending balance	\$ 2,386,899	1,957,797

(AA) Retained earned premium and retained claims payment

(a) Retained earned premium

	For the three months ended June 30, 2021		
	Insurance	Financial	Total
	Contracts	instruments with discretionary participation	Total
Direct written premiums	\$ 106,787,339	7,366,800	114,154,139
Reinsurance premiums	-	-	-
Premium income	106,787,339	7,366,800	114,154,139
Less: Reinsurance premium ceded	(688,052)	-	(688,052)
Net change in unearned premium reserves	(108,801)	-	(108,801)
Subtotal	(796,853)	-	(796,853)
Retained earned premiums	\$ 105,990,486	7,366,800	113,357,286

	For the three months ended June 30, 2020		
	Insurance	Financial	Total
	Contracts	instruments with discretionary participation	Total
Direct written premiums	\$ 143,780,323	2,598,044	146,378,367
Reinsurance premiums	-	-	-
Premium income	143,780,323	2,598,044	146,378,367
Less: Reinsurance premium ceded	(668,581)	-	(668,581)
Net change in unearned premium reserves	153	-	153
Subtotal	(668,428)	-	(668,428)
Retained earned premiums	\$ 143,111,895	2,598,044	145,709,939

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

	For the six months ended June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	\$ 219,702,142	16,475,708	236,177,850
Reinsurance premiums	-	-	-
Premium income	<u>219,702,142</u>	<u>16,475,708</u>	<u>236,177,850</u>
Less: Reinsurance premium ceded	(1,260,400)	-	(1,260,400)
Net change in unearned premium reserves	(155,902)	-	(155,902)
Subtotal	<u>(1,416,302)</u>	<u>-</u>	<u>(1,416,302)</u>
Retained earned premiums	<u><u>\$ 218,285,840</u></u>	<u><u>16,475,708</u></u>	<u><u>234,761,548</u></u>

	For the six months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	\$ 284,660,007	5,294,122	289,954,129
Reinsurance premiums	-	-	-
Premium income	<u>284,660,007</u>	<u>5,294,122</u>	<u>289,954,129</u>
Less: Reinsurance premium ceded	(1,204,915)	-	(1,204,915)
Net change in unearned premium reserves	39,173	-	39,173
Subtotal	<u>(1,165,742)</u>	<u>-</u>	<u>(1,165,742)</u>
Retained earned premiums	<u><u>\$ 283,494,265</u></u>	<u><u>5,294,122</u></u>	<u><u>288,788,387</u></u>

(b) Retained claims payment

	For the three months ended June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 70,011,607	3,504,323	73,515,930
Reinsurance claims payment incurred	2	-	2
Insurance claims payment	<u>70,011,609</u>	<u>3,504,323</u>	<u>73,515,932</u>
Less: Claims payment recovered from reinsurers	(552,748)	-	(552,748)
Retained claims payment	<u><u>\$ 69,458,861</u></u>	<u><u>3,504,323</u></u>	<u><u>72,963,184</u></u>

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

	For the three months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 82,662,345	4,506,273	87,168,618
Reinsurance claims payment incurred	22	-	22
Insurance claims payment	82,662,367	4,506,273	87,168,640
Less: Claims payment recovered from reinsurers	(448,065)	-	(448,065)
Retained claims payment	\$ 82,214,302	4,506,273	86,720,575

	For the six months ended June 30, 2021		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 141,801,637	7,296,529	149,098,166
Reinsurance claims payment incurred	24	-	24
Insurance claims payment	141,801,661	7,296,529	149,098,190
Less: Claims payment recovered from reinsurers	(1,047,439)	-	(1,047,439)
Retained claims payment	\$ 140,754,222	7,296,529	148,050,751

	For the six months ended June 30, 2020		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	\$ 153,652,708	9,619,744	163,272,452
Reinsurance claims payment incurred	42	-	42
Insurance claims payment	153,652,750	9,619,744	163,272,494
Less: Claims payment recovered from reinsurers	(846,794)	-	(846,794)
Retained claims payment	\$ 152,805,956	9,619,744	162,425,700

(AB) Non-operating income and expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Losses on disposal of assets	\$ (813)	(819)	(9,086)	(3,487)
Other non-operating income and expenses	255,301	287,446	456,296	447,616
Total	\$ 254,488	286,627	447,210	444,129

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

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

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

(1) The organization of risk management

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

(2) Risk management strategy

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

(b) Insurance risk management

(1) Underwriting risk management

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

- 1) Risk of policyholder concealment
- 2) Risk of insurance content
- 3) Occupational and financial risk
- 4) Risk of health conditions
- 5) Risk of the lack of experience of the underwriter
- 6) Risk of retention
- 7) Risk of operation quality

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

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

(2) Claim risk management

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

(3) Product design and pricing risk management

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

(4) Reserve-risk management

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

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

(5) Catastrophic risk and reinsurance risk

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

1) Catastrophic risk

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

2) Reinsurance risk

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

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

(6) Assets and liabilities combination risk

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

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

(7) Risk management report

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

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

(c) Information of insurance risk

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

For the six months ended June 30, 2021				
	Change of assumption	10 %	Change of income before tax	Change of stockholder's equity
Mortality/Morbidity	Increase	10 %	(1,758,393)	(1,402,611)
Rate of return	Decrease	0.1 %	(2,383,850)	(1,901,858)
Expense (fixed expense)	Increase	5 %	(252,960)	(200,322)
Lapse and surrender rate	Increase	10 %	99,980	79,683

For the six months ended June 30, 2020				
	Change of assumption	10 %	Change of income before tax	Change of stockholder's equity
Mortality/Morbidity	Increase	10 %	(1,652,324)	(1,317,901)
Rate of return	Decrease	0.1 %	(2,161,070)	(1,724,544)
Expense (fixed expense)	Increase	5 %	(242,705)	(192,291)
Lapse and surrender rate	Increase	10 %	114,047	91,206

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

(2) Insurance risk concentration

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(3) Claim development trend

1) Development trend of claims payment incurred

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

June 30, 2021 (The Company)								
Occurrence	Development year							Claim
Year	1	2	3	4	5	6	7	Reserve
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,706,798	5,713,169	5,718,333	-
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	6,402,074	-	5,438
2017	5,431,814	6,649,814	6,807,062	6,829,081	6,840,427	-	-	17,540
2018	5,723,578	7,033,233	7,151,192	7,171,914	-	-	-	33,083
2019	6,173,797	7,578,255	7,672,991	-	-	-	-	134,405
2020	6,426,045	7,648,202	-	-	-	-	-	1,026,843
2021	2,614,864	-	-	-	-	-	-	658,866
IBNR Reserve								1,876,175
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,245,826
The balance of claim reserve								3,122,001

June 30, 2021 (Subsidiary — Fubon Hyundai Life Insurance)						
Occurrence	Development year					Claim
Year	1	2	3	4	5	Reserve
2017	1,494,947	1,849,647	1,909,455	1,932,556	1,938,623	-
2018	1,497,267	1,837,264	1,879,593	1,895,806	-	6,663
2019	1,508,001	1,849,993	1,891,399	-	-	30,265
2020	1,564,737	1,917,305	-	-	-	96,732
2021	1,534,624	-	-	-	-	539,658
IBNR Reserve						673,318
Plus: RBNA Reserve						3,286,444
The balance of claim reserve						3,959,762

December 31, 2020 (The Company)								
Occurrence	Development year							Claim
Year	1	2	3	4	5	6	7	Reserve
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	5,205,225	5,210,855	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,706,798	5,713,169	-	-
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,398,819	-	-	10,911
2017	5,431,814	6,649,814	6,807,062	6,829,081	-	-	-	23,369
2018	5,723,578	7,033,233	7,151,192	-	-	-	-	40,009
2019	6,173,797	7,578,255	-	-	-	-	-	222,010
2020	6,426,045	-	-	-	-	-	-	1,679,779
IBNR Reserve								1,976,078
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,186,850
The balance of claim reserve								3,162,928

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December 31, 2020 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2016	1,587,573	1,914,147	1,974,261	2,003,391	2,011,606	-
2017	1,617,571	1,966,913	2,020,090	2,034,920	-	7,971
2018	1,598,140	1,981,066	2,028,861	-	-	34,875
2019	1,622,289	1,993,613	-	-	-	108,952
2020	1,585,312	-	-	-	-	593,557
IBNR Reserve						745,355
Plus: RBNA Reserve						3,078,010
The balance of claim reserve						3,823,365

June 30, 2020 (The Company)

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2014	4,172,446	5,113,019	5,173,291	5,183,758	5,193,828	5,205,225	5,209,006	-
2015	4,605,165	5,558,277	5,666,297	5,694,273	5,706,798	5,710,293	-	1,547
2016	5,070,166	6,224,855	6,352,169	6,382,360	6,392,529	-	-	9,464
2017	5,431,814	6,649,814	6,807,062	6,819,073	-	-	-	21,408
2018	5,723,578	7,033,233	7,112,487	-	-	-	-	90,092
2019	6,173,797	7,333,468	-	-	-	-	-	924,283
2020	2,415,790	-	-	-	-	-	-	599,832
IBNR Reserve								1,646,626
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								972,456
The balance of claim reserve								2,619,082

June 30, 2020 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2016	1,425,386	1,783,518	1,824,453	1,849,979	1,853,863	-
2017	1,490,250	1,844,424	1,904,043	1,926,537	-	695
2018	1,492,604	1,831,566	1,871,013	-	-	33,527
2019	1,503,246	1,840,056	-	-	-	93,643
2020	1,550,183	-	-	-	-	540,411
IBNR Reserve						668,276
Plus: RBNA Reserve						2,561,482
The balance of claim reserve						3,229,758

Note 1 : Amount shown above excludes investment contracts.

Note 2 : As of June 30, 2021, December 31, 2020 and June 30, 2020, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary company (not included Fubon Hyundai Life Insurance), from claims payment incurred are not estimated based on claim development trend amounts to \$17,090 thousand, \$16,771 thousand and \$16,495 thousand, respectively.

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

2) Development trend of retention claims payments

Cumulative claims payments from prior years are as follows:

June 30, 2021 (The Company)								
Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,583,694	5,590,065	5,593,930	-
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	6,287,272	-	5,387
2017	5,412,545	6,505,146	6,662,242	6,684,260	6,695,116	-	-	17,414
2018	5,708,571	6,880,386	6,998,334	7,018,029	-	-	-	32,894
2019	6,156,966	7,379,306	7,473,446	-	-	-	-	132,208
2020	6,423,414	7,549,797	-	-	-	-	-	1,015,684
2021	2,603,633	-	-	-	-	-	-	656,426
IBNR Reserve								1,860,013
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,189,867
The balance of claim reserve								3,049,880

June 30, 2021 (Subsidiary – Fubon Hyundai Life Insurance)						
Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2017	1,075,102	1,343,139	1,385,057	1,400,950	1,404,659	-
2018	1,104,385	1,377,271	1,406,937	1,417,424	-	5,230
2019	1,155,173	1,404,739	1,433,439	-	-	23,754
2020	1,175,609	1,438,787	-	-	-	75,922
2021	1,154,845	-	-	-	-	423,559
IBNR Reserve						528,465
Plus: RBNA Reserve						3,215,200
The balance of claim reserve						3,743,665

December 31, 2020 (The Company)								
Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	5,083,544	5,089,793	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,583,694	5,588,945	-	-
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,284,017	-	-	10,808
2017	5,412,545	6,505,146	6,662,242	6,684,260	-	-	-	23,210
2018	5,708,571	6,880,386	6,998,334	-	-	-	-	39,734
2019	6,156,966	7,379,306	-	-	-	-	-	217,968
2020	6,423,414	-	-	-	-	-	-	1,678,552
IBNR Reserve								1,970,272
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								1,123,415
The balance of claim reserve								3,093,687

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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December 31, 2020 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2016	1,121,798	1,372,305	1,421,150	1,439,091	1,442,793	-
2017	1,186,353	1,450,816	1,487,490	1,498,628	-	6,408
2018	1,214,752	1,507,156	1,537,726	-	-	28,039
2019	1,224,076	1,509,256	-	-	-	87,594
2020	1,188,178	-	-	-	-	477,201
IBNR Reserve						599,242
Plus: RBNA Reserve						3,003,990
The balance of claim reserve						3,603,232

June 30, 2020 (The Company)

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2014	4,166,511	4,992,049	5,052,316	5,062,783	5,072,770	5,084,166	5,087,946	-
2015	4,587,144	5,435,512	5,543,341	5,571,173	5,583,694	5,587,189	-	1,501
2016	5,068,488	6,111,210	6,238,474	6,267,558	6,277,727	-	-	9,327
2017	5,412,545	6,505,146	6,662,242	6,674,253	-	-	-	21,136
2018	5,708,571	6,880,386	6,959,640	-	-	-	-	88,616
2019	6,156,966	7,235,848	-	-	-	-	-	911,792
2020	2,413,518	-	-	-	-	-	-	598,730
IBNR Reserve								1,631,102
Plus: RBNA Reserve (Including subsidiaries except for Fubon Hyundai Life Insurance)								916,462
The balance of claim reserve								2,547,564

June 30, 2020 (Subsidiary — Fubon Hyundai Life Insurance)

Occurrence Year	Development year					Claim Reserve
	1	2	3	4	5	
2016	1,007,747	1,259,548	1,286,916	1,306,873	1,308,939	-
2017	1,071,726	1,339,037	1,380,822	1,396,296	-	552
2018	1,100,956	1,373,020	1,401,385	-	-	26,591
2019	1,151,533	1,396,637	-	-	-	74,270
2020	1,163,720	-	-	-	-	428,612
IBNR Reserve						530,025
Plus: RBNA Reserve						2,498,965
The balance of claim reserve						3,028,990

Note 1 : Amount shown above excludes investment contracts.

Note 2 : As of June 30, 2021, December 31, 2020 and June 30, 2020, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary company (not included Fubon Hyundai Life Insurance), from claims payment incurred are not estimated based on claim development trend amounts to \$15,032 thousand, \$14,716 thousand and \$14,416 thousand, respectively.

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

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

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

(1) Credit risk

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

(2) Liquidity risk

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

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

(Unit: NT\$ million)

June 30, 2021

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note2)	Total
Provision	49,692	37,044	47,974	3,846,278	292,933	4,273,921
Proportion	1.2 %	0.9 %	1.1 %	90.0 %	6.8 %	100.0 %

December 31, 2020

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note2)	Total
Provision	81,419	35,138	60,344	3,704,169	287,847	4,168,917
Proportion	1.9 %	0.8 %	1.4 %	89.0 %	6.9 %	100.0 %

June 30, 2020

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note2)	Total
Provision	112,650	54,931	50,322	3,547,144	279,318	4,044,365
Proportion	2.8 %	1.4 %	1.2 %	87.7 %	6.9 %	100.0 %

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

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

(3) Market risk

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

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

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

(AD) Fair value and fair value hierarchy

(a) Fair value information

(1) General description

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

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

(2) The definition of fair value hierarchy

1) Level 1 inputs

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

2) Level 2 inputs

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

3) Level 3 inputs

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

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

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

(3) Valuation techniques

1) Financial instruments

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

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

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

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

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

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

2) Non-financial instruments

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

(4) Fair value adjustment

Limitations of valuation models and uncertain inputs

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

(b) Fair value measurement

(1) Fair value hierarchy

Information of fair value hierarchy is as follows:

Assets and liabilities items	June 30, 2021			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Non-derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss				
Security investment	\$ 694,012,713	693,304,206	-	708,507
Bond investment	97,251,859	5,500,414	90,679,901	1,071,544
Other	629,888,814	472,855,681	15,406,207	141,626,926
Financial assets measured at fair value through other comprehensive income				
Security investment	36,695,930	25,499,818	-	11,196,112
Bond investment (Note 1)	569,956,970	432,932,122	119,747,601	17,277,247
Other	342,387	-	-	342,387
Investment property (Note 2)	260,479,800	-	-	260,479,800
Derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 18,067,606	-	17,463,673	603,933
Financial assets for hedging	1,428,341	-	1,428,341	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	3,247,441	-	3,247,441	-
Financial liabilities for hedging	868,509	-	868,509	-

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

December 31, 2020				
Assets and liabilities items	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Non-derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss				
Security investment	\$ 602,341,791	601,606,490	-	735,301
Bond investment	61,785,487	5,391,379	35,210,989	21,183,119
Other	522,736,443	399,617,466	1,999,951	121,119,026
Financial assets measured at fair value through other comprehensive income				
Security investment	47,244,960	31,538,283	-	15,706,677
Bond investment (Note 1)	658,273,772	482,299,545	155,245,166	20,729,061
Other	1,816,632	-	1,022,735	793,897
Investment property (Note 2)	262,230,706	-	-	262,230,706
Derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 27,019,378	-	26,415,167	604,211
Financial assets for hedging	4,601,627	-	4,601,627	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	2,760,635	-	2,760,635	-
Financial liabilities for hedging	31,398	-	31,398	-
June 30, 2020				
Assets and liabilities items	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements				
Non-derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss				
Security investment	\$ 481,264,472	480,544,193	-	720,279
Bond investment	125,266,136	5,292,664	28,130,403	91,843,069
Other	558,152,235	448,276,329	4,583,793	105,292,113
Financial assets measured at fair value through other comprehensive income				
Security investment	62,091,764	47,943,199	-	14,148,565
Bond investment (Note 1)	585,602,471	413,902,803	146,519,686	25,179,982
Other	4,607,440	-	1,809,973	2,797,467
Investment property (Note 2)	232,921,108	-	-	232,921,108
Derivative assets and liabilities				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 10,849,210	-	10,849,210	-
Financial assets for hedging	1,764,960	-	1,764,960	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	1,245,851	-	1,245,851	-
Financial liabilities for hedging	443,373	-	443,373	-

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

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

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

(2) Transfer between Level 1 and Level 2

There was no significant transfer between Level 1 and Level 2 for the six months ended June 30, 2021 and 2020.

(3) The movement details of Level 3

Movements of assets categorized in Level 3 are as follows:

Name	For the six months ended June 30, 2021							Ending balance
	Beginning balance	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income (Note)	Purchase or issue	Transfer into Level 3 (a)(b)	Sale, disposal or settlement	Transfer out of Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss	\$ 143,641,657	842,324	10,873,548	18,377,203	-	23,943,736	5,780,086	144,010,910
Financial assets measured at fair value through other comprehensive income	37,229,635	85,801	(2,604,927)	98,280	-	4,707,051	1,285,992	28,815,746
Investment property	262,230,706	(548,974)	(1,479,039)	13,086	264,021	-	-	260,479,800
Total	\$ 443,101,998	379,151	6,789,582	18,488,569	264,021	28,650,787	7,066,078	433,306,456

Name	For the six months ended June 30, 2020							Ending balance
	Beginning balance	Valuation profit or loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income (Note)	Purchase or issue	Transfer into Level 3 (a)(b)	Sale, disposal or settlement	Transfer out of Level 3 (b)(c)	
Financial assets measured at fair value through profit or loss	\$ 190,869,272	(715,547)	(6,147,879)	41,660,072	-	27,810,457	-	197,855,461
Financial assets measured at fair value through other comprehensive income	49,773,128	106,036	(4,605,865)	445,338	2,424,310	4,739,994	1,276,939	42,126,014
Investment property	237,305,733	(3,310,446)	(2,598,536)	541,572	982,785	-	-	232,921,108
Total	\$ 477,948,133	(3,919,957)	(13,352,280)	42,646,982	3,407,095	32,550,451	1,276,939	472,902,583

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

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

	For the six months ended June 30,	
	2021	2020
The amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealized gains or losses relating to these assets and liabilities held at the end of the reporting period	\$ <u>(463,149)</u>	<u>(4,702,624)</u>
The amount of the total gains or losses for the period included in other comprehensive income that is attributable to the change in unrealized gains or losses relating to these assets and liabilities held at the end of the reporting period	\$ <u>7,980,718</u>	<u>(9,749,708)</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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(4) Quantitative information about the significant unobservable inputs used in the fair value measurement

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, because of the inability to comprehensively manage the relationship of significant unobservable inputs to fair value, the undisclosed quantitative information about fair value amounted to \$159,441,992 thousand, \$162,720,249 thousand and \$221,401,260 thousand, respectively.

Quantitative information about the significant unobservable inputs are as follows:

Accounting classification	June 30, 2021				
	Fair value	Valuation techniques	Significant unobservable input	Range (weighted-average)	Relationship between inputs and fair value
Financial assets measured at fair value through profit or loss	\$ 1,851,686	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value
		Market Approach — comparable companies	Discount for lack of marketability	0%~60% (26.67%)	The higher the discount for lack of marketability, the lower the fair value
			Revenue multiple	1.3	The higher the revenue multiple, the higher the fair value
			P/E ratio	13.6	The higher the P/E ratio, the higher the fair value
			P/B ratio	1.8~7.8 (4.1)	The higher the P/B ratio, the higher the fair value
		Discounted Cash Flow Method	Discount rate	5.95%	The higher the discount rate, the lower the fair value
		Black-Scholes Model	Risk-free rate	3 years :	The higher the risk-free rate, the lower the fair value
				5 years :	
				10 years :	
Volatility	3 years : 45.13%~55.16%		The higher the volatility, the higher the fair value		
5 years : 52.83%~64.57%					
6 years : 59.96%~73.28%					
Financial assets measured at fair value through other comprehensive income	11,532,978	Asset-based Approach	Discount for lack of marketability	0%~70% (12.73%)	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	0%~29.7% (16.23%)	The higher the non-controlling discount, the lower the fair value
		Market Approach — comparable companies	Discount for lack of marketability	7.85%~28% (19.28%)	The higher the discount for lack of marketability, the lower the fair value
			P/B ratio	2.2~2.9 (2.55)	The higher the P/B ratio, the higher the fair value
		Discounted Cash Flow Method	Discount rate	0.95%~1.66%	The higher the discount rate, the lower the fair value
			Credit spread	0.22%~18.32%	The higher the credit spread, the lower the fair value
			Prepayment rate	0%~1.96%	The higher the prepayment rate, the higher the fair value
Investment property	260,479,800	Please refer to Note 6(G)			

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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December 31, 2020					
Accounting classification	Fair value	Valuation techniques	Significant unobservable input	Range (weighted-average)	Relationship between inputs and fair value
Financial assets measured at fair value through profit or loss	\$ 1,656,307	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value
		Market Approach — comparable companies	Discount for lack of marketability	25%~60% (32%)	The higher the discount for lack of marketability, the lower the fair value
			Revenue multiple	1.3	The higher the revenue multiple, the higher the fair value
			P/E ratio	14.8	The higher the P/E ratio, the higher the fair value
			P/B ratio	1.4~4.9 (2.8)	The higher the P/B ratio, the higher the fair value
		Discounted Cash Flow Method	Discount rate	7.84%~16.07%	The higher the discount rate, the lower the fair value
		Black-Scholes Model	Risk-free rate	3 years :	The higher the risk-free rate, the lower the fair value
				0.11%~0.14%	
				5 years :	
0.32%~0.39%					
Volatility		10 years :	The higher the volatility, the higher the fair value		
		0.67%~0.82%			
		3 years :			
		42.20%~51.58%			
5 years :		52.39%~64.04%			
		6 years :			
		58.35%~71.32%			
Financial assets measured at fair value through other comprehensive income	16,494,736	Asset-based Approach	Discount for lack of marketability	0%~70% (11.67%)	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	0%~29.7% (14.88%)	The higher the non-controlling discount, the lower the fair value
		Market Approach — comparable companies	Discount for lack of marketability	4.13%~32.50% (21.66%)	The higher the discount for lack of marketability, the lower the fair value
			P/B ratio	2.1~3.0 (2.55)	The higher the P/B ratio, the higher the fair value
		Discounted Cash Flow Method	Discount rate	0.91%~1.34%	The higher the discount rate, the lower the fair value
			Credit spread	0.22%~18.35%	The higher the credit spread, the lower the fair value
			Prepayment rate	0%~1,99%	The higher the prepayment rate, the higher the fair value
Investment property	262,230,706	Please refer to Note 6(G)			

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Accounting classification	June 30, 2020				
	Fair value	Valuation techniques	Significant unobservable input	Range (weighted-average)	Relationship between inputs and fair value
Financial assets measured at fair value through profit or loss	\$ 1,639,686	Asset-based Approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	5%	The higher the non-controlling discount, the lower the fair value
		Market Approach-comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
			Revenue multiple	1.1	The higher the revenue multiple, the higher the fair value
			P/E ratio	11.5~14.3 (12.9)	The higher the P/E ratio, the higher the fair value
		Discounted Cash Flow Method	P/B ratio	2.0~4.8 (3.4)	The higher the P/B ratio, the higher the fair value
			Discount rate	8.19%~15.96%	The higher the discount rate, the lower the fair value
Black-Scholes Model	Volatility	43.92%~54.98%	The higher the volatility, the higher the fair value		
Financial assets measured at fair value through other comprehensive income	16,940,529	Asset-based Approach	Discount for lack of marketability	0%~70% (12.92%)	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling discount	0%~29.7% (18.18%)	The higher the non-controlling discount, the lower the fair value
		Market Approach-comparable companies	Discount for lack of marketability	22%~29.68% (25.42%)	The higher the discount for lack of marketability, the lower the fair value
			P/B ratio	2.0~2.8 (2.4)	The higher the P/B ratio, the higher the fair value
		Discounted Cash Flow Method	Discount rate	1.13%~1.52%	The higher the discount rate, the lower the fair value
			Credit spread	0.22%~18.36%	The higher the credit spread, the lower the fair value
		Prepayment rate	0%~2.04%	The higher the prepayment rate, the higher the fair value	

Investment property 232,921,108 Please refer to Note 6(G)

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

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

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

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

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

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

<u>June 30, 2021</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>		
	<u>Accounting classification</u>	<u>Favorable</u>	<u>Unfavorable</u>	<u>(Note)</u>	
Financial assets measured at fair value through profit or loss	\$ 38,395	(39,531)	1,294	(27)	
Financial assets measured at fair value through other comprehensive income	-	-	98,505	(99,193)	
Total	<u>\$ 38,395</u>	<u>(39,531)</u>	<u>99,799</u>	<u>(99,220)</u>	

<u>December 31, 2020</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>		
	<u>Accounting classification</u>	<u>Favorable</u>	<u>Unfavorable</u>	<u>(Note)</u>	
Financial assets measured at fair value through profit or loss	\$ 39,047	(40,455)	15,179	(14,421)	
Financial assets measured at fair value through other comprehensive income	-	-	86,953	(150,521)	
Total	<u>\$ 39,047</u>	<u>(40,455)</u>	<u>102,132</u>	<u>(164,942)</u>	

<u>June 30, 2020</u>	<u>Other comprehensive income (Note)</u>		
	<u>Accounting classification</u>	<u>Favorable</u>	<u>Unfavorable</u>
Financial assets measured at fair value through profit or loss	\$ 30,786	(29,186)	
Financial assets measured at fair value through other comprehensive income		270,984	(269,411)
Total	<u>\$ 301,770</u>	<u>(298,597)</u>	

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

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

(c) Assets and liabilities not measured at fair value

(1) Fair value information

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

Items	Carrying amount	Fair value
June 30, 2021		
Financial assets		
Financial assets measured at amortized cost (Note 1)	\$ 2,075,011,189	2,204,115,686
Financial liabilities		
Bonds payable	64,789,307	67,634,562
December 31, 2020		
Financial assets		
Financial assets measured at amortized cost	1,917,670,755	2,128,955,988
Financial liabilities		
Bonds payable	64,803,584	67,837,418
June 30, 2020		
Financial assets		
Financial assets measured at amortized cost	1,861,051,732	2,012,298,390
Financial liabilities		
Bonds payable	63,027,561	65,764,220

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

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

(2) Fair value hierarchy

Assets and liabilities items	Total	June 30, 2021		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Financial assets measured at amortized cost	\$ 2,204,115,686	1,341,784,528	631,685,028	230,646,130
Financial liabilities:				
Bonds payable	67,634,562	-	57,706,320	9,928,242

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2020				
Assets and liabilities items	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Financial assets measured at amortized cost	\$ 2,128,955,988	1,250,608,304	649,586,755	228,760,929
Financial liabilities:				
Bonds payable	67,837,418	-	57,835,700	10,001,718

June 30, 2020				
Assets and liabilities items	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Financial assets measured at amortized cost	\$ 2,012,298,390	1,113,038,023	652,487,652	246,772,715
Financial liabilities:				
Bonds payable	65,764,220	-	57,566,745	8,197,475

(AE) Financial risk management

(a) Risk management system

(1) The organization structure of risk management

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

- 1) Assets and Liabilities Management Committee: The chairman of the Company or appointed personnel serves as the chairman of the committee. The committee is to consider the balance between assets and liabilities, set up the strategic target of assets and liabilities and supervise the execution progress.

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

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

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

(2) Risk management policies

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

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

(3) Risk management process

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

- 1) **Risk identification:** Risk factors refer to the internal and external factors which may subject the Company to certain risks during the operating process; risk identification is to confirm various risk factors and the sources of the risks from investing activities.

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

- 2) Risk measurement: To set up quantitative and qualitative risk management methods, indices and models and generate relevant risk management reports to effectively identify, measure and monitor risk exposure and to adopt effective procedures to diminish, transfer and control the risks under an acceptable extent.
- 3) Risk monitoring: Through risk management methods, mechanism and reports to continuously monitor various risk exposure in order to control and respond in time.
- 4) Risk report: Except for the regular report during the monitoring process, the risk management staff shall report immediately when abnormal or other special situation occurs and take appropriate actions (including the diminishing, control, transfer and tolerating of risk) to minimize the possible impact to the Company.

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

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

(4) Risk hedging and diminishing strategy

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

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

(b) Credit risk analysis

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

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

(1) Analysis of credit risk concentration

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

Credit risk exposure by industry

Financial assets	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Industrial enterprise	\$ 137,917,204	4.52	126,879,232	4.29	117,487,360	4.09
Public business	126,006,530	4.13	119,466,321	4.04	120,213,837	4.18
Mortgage backed securities	41,810,153	1.37	41,831,878	1.42	41,477,103	1.44
Financial sector	1,075,942,705	35.30	1,037,224,098	35.11	1,113,952,795	38.73
Consumer staples	257,721,820	8.45	244,816,762	8.29	232,616,704	8.09
Government	552,228,740	18.12	577,283,983	19.54	432,655,178	15.05
Technology	70,051,843	2.30	60,513,873	2.05	59,561,534	2.07
Raw material	71,888,966	2.36	71,492,909	2.42	70,510,137	2.45
Consumer discretionary	60,623,510	1.99	56,234,661	1.90	63,999,862	2.23
Energy	182,563,551	5.99	152,270,855	5.15	152,341,418	5.30
Assets backed securities	20,305,536	0.67	14,056,099	0.48	14,694,201	0.51
Telecommunication	210,776,400	6.91	205,415,025	6.95	204,949,117	7.13
Other	<u>240,406,152</u>	<u>7.89</u>	<u>247,133,374</u>	<u>8.36</u>	<u>251,024,821</u>	<u>8.73</u>
Subtotal	3,048,243,110	100.00	2,954,619,070	100.00	2,875,484,067	100.00
Fair value adjustment through business combination	(124,608)		(104,614)		(212,594)	
Total	<u>\$ 3,048,118,502</u>	<u>100.00</u>	<u>2,954,514,456</u>	<u>100.00</u>	<u>2,875,271,473</u>	<u>100.00</u>

Credit risk exposure by geographic area

Financial assets	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 655,135,342	21.49	654,999,661	22.17	549,001,618	19.09
Asia except Taiwan	417,443,143	13.69	419,133,610	14.19	402,443,674	14.00
North America	1,235,157,900	40.52	1,139,392,552	38.56	1,175,261,246	40.87
Middle and South America	89,098,880	2.92	85,128,216	2.88	72,971,997	2.54
Europe	477,815,763	15.68	489,177,355	16.56	536,663,760	18.66
Africa/Middle East	<u>173,592,082</u>	<u>5.70</u>	<u>166,787,676</u>	<u>5.64</u>	<u>139,141,772</u>	<u>4.84</u>
Subtotal	3,048,243,110	100.00	2,954,619,070	100.00	2,875,484,067	100.00
Fair value adjustment through business combination	(124,608)		(104,614)		(212,594)	
Total	<u>\$ 3,048,118,502</u>	<u>100.00</u>	<u>2,954,514,456</u>	<u>100.00</u>	<u>2,875,271,473</u>	<u>100.00</u>

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

(2) Categories for credit risk quality

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

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

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

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

	June 30, 2021												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable - interests receivable	\$ 27,618,957	916,018	353	28,535,328	114	141	2	257	141	1	142	34,633	28,501,094
Financial assets measured at fair value through other comprehensive income - debt instruments	568,201,646	1,976,972	-	570,178,618	54,935	4,843	-	59,778	60,961	-	60,961	(Note 1)	570,299,357
Financial assets measured at amortized costs (Note 2)	2,019,652,170	56,698,819	-	2,076,350,989	-	-	-	-	-	-	-	1,278,655	2,075,072,334
Other financial assets	5,093,752	413,448	-	5,507,200	-	-	-	-	-	-	-	1,782	5,505,418
Loans (Note 2)	218,464,471	53,968,574	469,686	272,902,731	329,328	811,275	1,524	1,142,127	694,284	858	695,142	2,397,653	272,342,347
Total	<u>\$ 2,839,030,996</u>	<u>113,973,831</u>	<u>470,039</u>	<u>2,953,474,866</u>	<u>384,377</u>	<u>816,259</u>	<u>1,526</u>	<u>1,202,162</u>	<u>755,386</u>	<u>859</u>	<u>756,245</u>	<u>3,712,723</u>	<u>2,951,720,550</u>

	December 31, 2020												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable - Interests receivable	\$ 28,139,048	1,198,609	374	29,338,031	120	165	2	287	122	1	123	34,624	29,303,817
Financial assets measured at fair value through other comprehensive income - debt instruments	650,593,869	9,270,324	-	659,864,193	145,938	7,002	-	152,940	73,271	-	73,271	(Note 1)	660,090,404
Financial assets measured at amortized costs (Note 2)	1,853,717,864	65,068,129	-	1,918,785,993	-	-	-	-	-	-	-	1,044,136	1,917,741,857
Other financial assets	4,466,692	964,324	-	5,431,016	-	-	-	-	-	-	-	2,604	5,428,412
Loans (Note 2)	223,276,817	57,304,262	508,151	281,089,230	274,462	1,703,053	3,410	1,980,925	762,338	877	763,215	2,549,617	281,283,753
Total	<u>\$ 2,760,194,290</u>	<u>133,805,648</u>	<u>508,525</u>	<u>2,894,508,463</u>	<u>420,520</u>	<u>1,710,220</u>	<u>3,412</u>	<u>2,134,152</u>	<u>835,731</u>	<u>878</u>	<u>836,609</u>	<u>3,630,981</u>	<u>2,893,848,243</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2020												
	stage1				stage2				stage3				
	Low risk	Medium risk	High risk	Total	Low risk	Medium risk	High risk	Total	Credit-impaired financial assets	Purchased or originated credit-impaired financial assets	Total	Loss allowance	Total
Accounts receivable - interests receivable	\$ 27,823,105	1,372,910	403	29,196,418	118	3,461	10,141	13,720	304,601	-	304,601	68,394	29,446,345
Financial assets measured at fair value through other comprehensive income - debt instruments	570,271,951	17,834,427	-	588,106,378	291,627	-	-	291,627	1,811,906	-	1,811,906	(Note 1)	590,209,911
Financial assets measured at amortized costs (Note 2)	1,792,517,596	66,255,549	-	1,858,773,145	-	481,763	974,599	1,456,362	2,243,607	-	2,243,607	1,280,980	1,861,192,134
Other financial assets	7,347,172	1,028,356	-	8,375,528	-	-	-	-	-	-	-	4,828	8,370,700
Loans (Note 2)	221,694,952	58,183,429	546,425	280,424,806	245,259	1,717,451	1,858	1,964,568	726,983	-	726,983	2,592,199	280,524,158
Total	<u>\$ 2,619,654,776</u>	<u>144,674,671</u>	<u>546,828</u>	<u>2,764,876,275</u>	<u>537,004</u>	<u>2,202,675</u>	<u>986,598</u>	<u>3,726,277</u>	<u>5,087,097</u>	<u>-</u>	<u>5,087,097</u>	<u>3,946,401</u>	<u>2,769,743,248</u>

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

Note 2: Fair value adjustment through business combination of financial assets measured at amortized costs and loans for June 30, 2021 and December 31, 2020 and June 30, 2020 were \$(61,145) thousand, \$(63,463) thousand, \$(71,102) thousand, \$(33,512) thousand, \$(140,402) thousand and \$(72,192) thousand, respectively.

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

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

- 1) The Group determines whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Group considers the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward looking information). The main considerations include: external credit rating, market price decline, credit spreads, quantitative and qualitative information.
- 2) Low credit risk: it may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

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

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

1) Bankruptcy:

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

2) Failure to pay:

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

3) Debt restructuring:

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

4) Repudiation or moratorium:

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

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

5) Cross default or accelerated expiry:

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

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

(5) Measurement of expected credit loss

1) The methodology and assumption applied

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

In order to measure expected credit losses, the Group adopts Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12-month and lifetime, respectively.

2) Forward looking information considerations

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

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

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

(6) Policies to hedge or mitigate credit risk

1) Collateral

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

2) Enhancement of other credits

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

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

(7) The maximum credit risk exposure of the Group

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(8) Changes in the loss allowance

The reconciliation in loss allowance of loans for the six months ended June 30, 2021 and 2020 is as follows:

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”</u>	<u>Total</u>
Balance of January 1, 2021	\$ 25,920	32,306	320	60,004	64	118,614	2,430,929	2,549,543
Changes due to financial instruments recognized as at beginning:								
– Transfer to lifetime expected credit losses	(346)	1,251	7	(912)	-	-	-	-
– Transfer to credit-impaired financial assets	(50)	(1,003)	-	1,053	-	-	-	-
– Transfer to 12-month expected credit losses	1,775	(1,329)	(76)	(370)	-	-	-	-
– Financial assets that have been derecognized during the period	(4,404)	(12,411)	(12)	(4,572)	(1)	(21,400)	-	(21,400)
New financial assets originated or purchased	8,005	575	-	-	-	8,580	-	8,580
Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	(167,735)	(167,735)
Write-off bad debts	-	-	-	(4,850)	-	(4,850)	-	(4,850)
Changes in models/risk parameters	4,271	3,596	902	30,563	(29)	39,303	-	39,303
Foreign exchange and other movements	(1,418)	(1,607)	-	(2,837)	-	(5,862)	-	(5,862)
Balance of June 30, 2021	<u>\$ 33,753</u>	<u>21,378</u>	<u>1,141</u>	<u>78,079</u>	<u>34</u>	<u>134,385</u>	<u>2,263,194</u>	<u>2,397,579</u>

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

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”</u>	<u>Total</u>
Balance of January 1, 2020	\$ 19,438	34,551	196	53,635	-	107,820	2,412,601	2,520,421
Changes due to financial instruments recognized as at beginning:								
– Transfer to lifetime expected credit losses	(270)	536	139	(405)	-	-	-	-
– Transfer to credit-impaired financial assets	(2)	(1,248)	-	1,250	-	-	-	-
– Transfer to 12-month expected credit losses	3,508	(2,330)	(38)	(1,140)	-	-	-	-
– Financial assets that have been derecognized during the period	(2,422)	(4,004)	(14)	(12,668)	-	(19,108)	-	(19,108)
New financial assets originated or purchased	2,900	242	-	-	66	3,208	-	3,208
Impairment difference recognized in accordance with “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”	-	-	-	-	-	-	92,077	92,077
Changes in models/risk parameters	(5,110)	(674)	38	6,261	-	515	-	515
Foreign exchange and other movements	(951)	(1,930)	-	(2,107)	-	(4,988)	-	(4,988)
Balance of June 30, 2020	<u>\$ 17,091</u>	<u>25,143</u>	<u>321</u>	<u>44,826</u>	<u>66</u>	<u>87,447</u>	<u>2,504,678</u>	<u>2,592,125</u>

Note: As of June30, 2021 and 2020, loss allowance for loans with investment-linked insurance amounted at \$74 thousand were not included on the above-mentioned movement.

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

The reconciliation in loss allowance of financial assets measured at fair value through other comprehensive income for the six months ended June 30, 2021 and 2020 is as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2021	\$ 267,627	16,356	-	208,823	-	492,806
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime expected credit losses	(922)	922	-	-	-	-
– Transfer to credit-impaired financial assets	(459)	(3,452)	-	3,911	-	-
– Transfer to 12-month expected credit losses	2,239	(762)	-	(1,477)	-	-
– Financial assets that have been derecognized during the period	(124,719)	(8,571)	-	(37,481)	-	(170,771)
New financial assets originated or purchased	50,222	-	-	-	-	50,222
Amounts Written offs	(17)	(27)	-	(3,394)	-	(3,438)
Changes in model/risk parameter	(15,172)	928	-	8,545	-	(5,699)
Foreign exchange and other movements	(1,110)	(6)	-	(75)	-	(1,191)
Balance of June 30, 2021	<u>\$ 177,689</u>	<u>5,388</u>	<u>-</u>	<u>178,852</u>	<u>-</u>	<u>361,929</u>

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

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2020	\$ 251,308	54,088	-	261,114	-	566,510
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime expected credit losses	(4,044)	4,044	-	-	-	-
– Transfer to credit-impaired financial assets	(969)	(7,591)	-	8,560	-	-
– Transfer to 12-month expected credit losses	3,305	(3,305)	-	-	-	-
– Financial assets that have been derecognized during the period	(58,181)	(21,286)	-	(16,270)	-	(95,737)
New financial assets originated or purchased	122,367	-	-	52	-	122,419
Recovered in the current period	-	-	-	(1,113)	-	(1,113)
Changes in model/risk parameter	13,732	5,584	-	(55,603)	-	(36,287)
Foreign exchange and other movements	(8,280)	(3,584)	-	(9,136)	-	(21,000)
Balance of June 30, 2020	<u>\$ 319,238</u>	<u>27,950</u>	<u>-</u>	<u>187,604</u>	<u>-</u>	<u>534,792</u>

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

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

The reconciliation in expected credit losses of financial assets measured at amortized cost for the six months ended June 30, 2021 and 2020 is as follows:

	<u>12-month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (individually assessed)</u>	<u>Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)</u>	<u>Lifetime ECLs (purchased or originated credit- impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>
Balance of January 1, 2021	\$ 1,044,136	-	-	-	-	1,044,136
Changes due to financial instruments recognized as at beginning:						
– Financial assets that have been derecognized during the period	(114,328)	-	-	-	-	(114,328)
New financial assets originated or purchased	151,485	-	-	-	-	151,485
Changes in model/risk parameter	218,032	-	-	-	-	218,032
Foreign exchange and other movements	(20,670)	-	-	-	-	(20,670)
Balance of June 30, 2021	<u>\$ 1,278,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,278,655</u>

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

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2020	\$ 734,130	-	-	229,774	-	963,904
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime expected credit losses	(1,587)	-	1,587	-	-	-
– Financial assets that have been derecognized during the period	(81,057)	-	-	-	-	(81,057)
New financial assets originated or purchased	197,004	-	-	-	-	197,004
Changes in model/risk parameter	114,414	-	193,464	(91,128)	-	216,750
Foreign exchange and other movements	(11,677)	-	(2,890)	(1,054)	-	(15,621)
Balance of June 30, 2020	<u>\$ 951,227</u>	<u>-</u>	<u>192,161</u>	<u>137,592</u>	<u>-</u>	<u>1,280,980</u>

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

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

The reconciliation in expected credit losses of other financial assets for the six months ended June 30, 2021 and 2020 is as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2021	\$ 2,604	-	-	-	-	2,604
Changes due to financial instruments recognized as at beginning:						
New financial assets originated or purchased	102	-	-	-	-	102
Changes in model/risk parameter	(900)	-	-	-	-	(900)
Foreign exchange and other movements	(24)	-	-	-	-	(24)
Balance of June 30, 2021	<u>\$ 1,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,782</u>

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

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (neither purchased nor originated credit- impaired financial assets)	Lifetime ECLs (purchased or originated credit- impaired financial assets)	The loss allowances measured in accordance with IFRS 9
Balance of January 1, 2020	\$ 352	-	-	-	-	352
— Financial assets that have been derecognized during the period	(67)	-	-	-	-	(67)
New financial assets originated or purchased	65	-	-	-	-	65
Changes in model/risk parameter	3,065	-	-	-	-	3,065
Foreign exchange and other movements	1,413	-	-	-	-	1,413
Balance of June 30, 2020	<u>\$ 4,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,828</u>

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

(c) Liquidity risk analysis

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

In terms of capital liquidity risk, the Group manages it in two aspects, short term and mid-to-long term. In addition to 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 Group applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of the Group established monitoring mechanism based on internal management policies and relevant regulations in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk.

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

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

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

	June 30, 2021				Total
	<1 year	1~3 years	3~5 years	>5 years	
Accounts payable	\$ 68,032,198	227,939	-	-	68,260,137
Bonds payable (Note)	<u>3,552,803</u>	<u>6,324,067</u>	<u>4,303,753</u>	<u>64,625,606</u>	<u>78,806,229</u>
Total	<u>\$ 71,585,001</u>	<u>6,552,006</u>	<u>4,303,753</u>	<u>64,625,606</u>	<u>147,066,366</u>

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

	December 31, 2020				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Accounts payable	\$ 44,212,556	222,954	-	-	44,435,510
Bonds payable (Note)	<u>2,901,982</u>	<u>8,015,199</u>	<u>4,206,327</u>	<u>64,367,812</u>	<u>79,491,320</u>
Total	<u>\$ 47,114,538</u>	<u>8,238,153</u>	<u>4,206,327</u>	<u>64,367,812</u>	<u>123,926,830</u>

	June 30, 2020				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Accounts payable	\$ 50,202,557	185,907	-	-	50,388,464
Short-term debts	248,838	-	-	-	248,838
Bonds payable (Note)	<u>2,803,767</u>	<u>7,753,894</u>	<u>4,068,114</u>	<u>63,521,238</u>	<u>78,147,013</u>
Total	<u>\$ 53,255,162</u>	<u>7,939,801</u>	<u>4,068,114</u>	<u>63,521,238</u>	<u>128,784,315</u>

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group's lease liability maturity analysis, please refer to Note 6(R).

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

	June 30, 2021				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 3,247,441	-	-	-	3,247,441
Financial liabilities for hedging	<u>562,517</u>	<u>305,992</u>	-	-	<u>868,509</u>
Total	<u>\$ 3,809,958</u>	<u>305,992</u>	<u>-</u>	<u>-</u>	<u>4,115,950</u>

	December 31, 2020				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 2,760,635	-	-	-	2,760,635
Financial liabilities for hedging	<u>31,398</u>	-	-	-	<u>31,398</u>
Total	<u>\$ 2,792,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,792,033</u>

	June 30, 2020				
	<u><1 year</u>	<u>1~3 years</u>	<u>3~5 years</u>	<u>>5 years</u>	<u>Total</u>
Financial liabilities measured at fair value through profit or loss	\$ 1,244,698	1,153	-	-	1,245,851
Financial liabilities for hedging	<u>443,373</u>	-	-	-	<u>443,373</u>
Total	<u>\$ 1,688,071</u>	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>1,689,224</u>

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

(d) Market risk analysis

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

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

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

(1) Value at Risk

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

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

(2) Sensitivity analysis

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

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

Sensitivity analysis (The Company)

Units: NT\$'000

June 30, 2021			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	85,530,240
	Price decline by 10%	-	(85,530,240)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	(7,517)	(31,634,423)
	Interest rate curve (NTD) incline by 50BPS	-	(10,063,879)
	Interest rate curve (Other currency) incline by 50BPS	(517)	(405,836)
	Interest rate curve (USD) decline by 50BPS	7,542	32,168,203
	Interest rate curve (NTD) decline by 50BPS	-	9,923,414
	Interest rate curve (Other currency) decline by 50BPS	519	418,713
Exchange rate risk (Foreign exchange rate)	NT\$ to all currency incline by 3%	(11,317,203)	(10,979,156)
	NT\$ to all currency decline by 3%	11,317,203	10,979,156

December 31, 2020			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	71,818,435
	Price decline by 10%	-	(71,818,435)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	(4,857)	(27,924,431)
	Interest rate curve (NTD) incline by 50BPS	-	(10,473,416)
	Interest rate curve (Other currency) incline by 50BPS	(340)	(943,636)
	Interest rate curve (USD) decline by 50BPS	5,318	29,285,017
	Interest rate curve (NTD) decline by 50BPS	-	7,358,187
	Interest rate curve (Other currency) decline by 50BPS	341	1,003,412
Exchange rate risk (Foreign exchange rate)	NT\$ to all currency incline by 3%	(10,085,355)	(9,940,517)
	NT\$ to all currency decline by 3%	10,085,355	9,940,517

June 30, 2020			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	60,515,059
	Price decline by 10%	-	(60,515,059)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	(4,024)	(34,053,641)
	Interest rate curve (NTD) incline by 50BPS	-	(8,977,376)
	Interest rate curve (Other currency) incline by 50BPS	(567)	(2,385,875)
	Interest rate curve (USD) decline by 50BPS	4,406	35,645,654
	Interest rate curve (NTD) decline by 50BPS	-	8,864,823
	Interest rate curve (Other currency) decline by 50BPS	569	2,490,251
Exchange rate risk (Foreign exchange rate)	NT\$ to all currency incline by 3%	(10,550,862)	(9,449,207)
	NT\$ to all currency decline by 3%	10,550,862	9,449,207

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

Sensitivity analysis (Subsidiary - Fubon Hyundai Life Insurance)

Units: WON'000

June 30, 2021			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	146,216,424
	Price decline by 10%	-	(146,216,424)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	-	(602,464)
	Interest rate curve (WON) incline by 50BPS	-	(75,152,830)
	Interest rate curve (Other currency) incline by 50BPS	-	(121,042)
	Interest rate curve (USD) decline by 50BPS	-	615,044
	Interest rate curve (WON) decline by 50BPS	-	78,100,770
	Interest rate curve (Other currency) decline by 50BPS	-	121,657
Exchange rate risk (Foreign exchange rate)	WON to all currency incline by 3%	11,375,830	-
	WON to all currency decline by 3%	(11,375,830)	-

December 31, 2020			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	112,520,439
	Price decline by 10%	-	(112,520,439)
Interest rate risk (Yield curve)	Interest rate curve (USD) incline by 50BPS	-	(646,620)
	Interest rate curve (WON) incline by 50BPS	-	(76,276,488)
	Interest rate curve (USD) decline by 50BPS	-	661,307
	Interest rate curve (WON) decline by 50BPS	-	79,328,178
Exchange rate risk (Foreign exchange rate)	WON to all currency incline by 3%	5,859,050	-
	WON to all currency decline by 3%	(5,859,050)	-

June 30, 2020			
Risk factor	Variation	Change in profit or loss	Change in Equity
Equity risk (Price index)	Price incline by 10%	-	77,519,368
	Price decline by 10%	-	(77,519,368)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 50BPS	-	(765,183)
	Interest rate curve(WON) incline by 50BPS	-	(58,880,270)
	Interest rate curve(USD) decline by 50BPS	-	783,926
	Interest rate curve(WON) decline by 50BPS	-	61,309,434
Exchange rate risk (Foreign exchange rate)	NTS to all currency incline by 3%	(4,283,721)	-
	NTS to all currency decline by 3%	4,283,721	-

Note1: The sensitivity analysis of equity risk and interest rate risk mainly includes financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The scenario of equity risk includes stock and fund but excludes monetary funds and bond funds. As for the scenario of interest rate risk, it includes bonds and bond funds. The sensitivity analysis of exchange rate variation excludes foreign currency insurance policy and OIU assets.

Note2: The abovementioned sensitivity analysis is a scenario assumed that the impact of changes in risk factor on fair value is based on other factors which remained constant.

Note3: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bp will affect \$(161) thousand, \$(109) thousand and \$(98) thousand in profit or loss and \$(846,035) thousand, \$(807,398) thousand and \$(931,507) thousand in equity on June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

Note4: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bp will affect WON \$(1,546,547) thousand, \$(1,570,193) thousand and \$(1,216,867) thousand in equity on June 30, 2021, December 31, 2020 and June 30, 2020.

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

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

(3) Interest Rate Benchmark Reform—Phase 2 Amendment

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Group have exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The Group's main IBOR exposure at the reporting date is USD LIBOR, which is planned to be discontinued by the middle of 2023, and the alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). Consultations and possible regulatory changes are in progress for the discontinuation of USD LIBOR, and this may mean that USD LIBOR continues to be published beyond the middle of 2023, but the Group plans to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the middle of 2023.

The Group anticipates that IBOR reform will impact its operational and risk management processes and hedge accounting. The main risks to which the Group is exposed as a result of IBOR reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with counterparties, implementing new fallback clauses with its derivative counterparties, updating of contractual terms, and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. The Group shall reevaluate the effectiveness of the hedging relationship due to uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument or the difference in the timing of a replacement.

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

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the schedule of amendment. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

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The following amounts are non-reform contract, and includes non-derivative financial assets and liabilities at carrying value which does not include appropriate fallback clause:

	June 30, 2021	
	The total amounts of unreformed contracts	The total amounts without appropriate fallback provision
Financial instrument linked to USD LIBOR		
Bond investment (Note)	\$ 31,928,662	-
Asset securitization products	20,469,564	-
Structured products	335,455	335,455

Note: this includes \$30,992,236 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

	January 1, 2021	
	The total amounts of unreformed contracts	The total amounts without appropriate fallback provision
Financial instrument linked to USD LIBOR		
Bond investment (Note)	\$ 34,982,791	-
Asset securitization products	14,227,202	-
Structured products	370,067	370,067

Note: this includes \$32,635,607 thousand bonds which transfer interest rate benchmark one year before maturity and does not affect significantly to contract cash flow.

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The following amounts are non-reform contract, and includes derivative instruments at notional amount without appropriate fallback clause:

	June 30, 2021	
	The total amounts of unreformed contracts	The total amounts without appropriate fallback provision
Derivatives linked to USD LIBOR		
Interest rate swap	\$ 7,601,543	-
	January 1, 2021	
	The total amounts of unreformed contracts	The total amounts without appropriate fallback provision
Derivatives linked to USD LIBOR		
Interest rate swap	\$ 10,518,919	2,354,876

(e) Transfers of financial assets

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

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

Units: NT\$'000

June 30, 2021					
	Carrying amount of the transferred financial assets	Carrying amount of associated financial liabilities	Fair value of the transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss - Securities lending agreements	480,906	-	480,906	-	480,906

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2020					
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of associated financial liabilities	Fair value of the transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss - Securities lending agreements	1,106,214	-	1,106,214	-	1,106,214

June 30, 2020					
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of associated financial liabilities	Fair value of the transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Financial assets measured at fair value through profit or loss - Securities lending agreements	7,991	-	7,991	-	7,991
Financial assets measured at amortized cost - Repurchase agreements	173,215	248,838	242,683	248,838	(6,155)

(f) Offsetting financial assets and financial liabilities

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

June 30, 2021						
Financial assets subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off in the balance sheets (b)	Net amounts of financial assets presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments and structured deposits	\$ 74,609,003	-	74,609,003	2,132,138	1,425,272	71,051,593
Reverse repurchase agreements	74,081,529	-	74,081,529	73,810,010	-	271,519
Total	<u>\$ 148,690,532</u>	<u>-</u>	<u>148,690,532</u>	<u>75,942,148</u>	<u>1,425,272</u>	<u>71,323,112</u>

June 30, 2021						
Financial liabilities subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off in the balance sheets (b)	Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 4,115,950	-	4,115,950	2,527,865	1,737,695	(149,610)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

December 31, 2020						
Financial assets subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off in the balance sheets (b)	Net amounts of financial assets presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		
				Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	\$ 64,253,422	-	64,253,422	3,018,105	3,416,820	57,818,497
Reverse repurchase agreements	111,939,286	-	111,939,286	110,388,990	-	1,550,296
Total	\$ 176,192,708	-	176,192,708	113,407,095	3,416,820	59,368,793

December 31, 2020						
Financial liabilities subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off in the balance sheets (b)	Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		
				Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial instruments	\$ 2,792,033	-	2,792,033	2,214,918	40,572	536,543

June 30, 2020						
Financial assets subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off in the balance sheets (b)	Net amounts of financial assets presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		
				Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	\$ 47,164,354	-	47,164,354	1,288,165	1,551,515	44,324,674
Reverse repurchase agreements	47,337,898	-	47,337,898	45,867,400	-	1,470,498
Total	\$ 94,502,252	-	94,502,252	47,155,565	1,551,515	45,795,172

June 30, 2020						
Financial liabilities subject to enforceable master netting agreements and similar agreements						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off in the balance sheets (b)	Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amounts not set off in the balance sheets (d)		
				Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial instruments	\$ 1,689,224	-	1,689,224	1,429,536	10,678	249,010
Repurchase agreements	248,838	-	248,838	242,683	-	6,155
Derivative financial instruments	\$ 1,938,062	-	1,938,062	1,672,219	10,678	255,165

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

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(AF) Structured entities

(a) Consolidated structured entities

The consolidated structured entities of the Group are real estate investment and management entities. The structured entities are consolidated because the Group is exposed, or has rights, to variable returns from its involvement with the entities and can affect those returns through its power over the entities. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group has provided a non-contractual obligation loan of \$30,592,389 thousand, \$32,022,662 thousand and \$31,490,362 thousand to the entities, respectively.

(b) Unconsolidated structured entities

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

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

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

June 30, 2021	Private fund investment	Asset securitization product, real estate investment trust and secured loan
Assets held by the Group		
-Financial assets measured at fair value through profit or loss	\$ 132,010,450	26,031,093
-Financial assets measured at fair value through other comprehensive income	-	27,156,712
-Financial assets measured at amortized cost	-	35,369,034
-Loans	-	16,822,873
Total assets of the Group	<u>\$ 132,010,450</u>	<u>105,379,712</u>

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<u>December 31, 2020</u>	<u>Private fund investment</u>	<u>Asset securitization product and real estate investment trust</u>
Assets held by the Group		
-Financial assets measured at fair value through profit or loss	\$ 112,466,536	17,126,728
-Financial assets measured at fair value through other comprehensive income	-	26,439,889
-Financial assets measured at amortized cost	-	29,909,723
-Loan	-	16,954,973
Total assets of the Group	<u>\$ 112,466,536</u>	<u>90,431,313</u>

<u>June 30, 2020</u>	<u>Private fund investment</u>	<u>Asset securitization product, real estate investment trust and secured loan</u>
Assets held by the Group		
-Financial assets measured at fair value through profit or loss	\$ 87,477,923	7,671,510
-Financial assets measured at fair value through other comprehensive income	-	26,276,489
-Financial assets measured at amortized cost	-	30,360,837
Total assets of the Group	<u>\$ 87,477,923</u>	<u>64,308,836</u>

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

- (3) No financial support is provided for those unconsolidated private fund investments, asset securitization products and real estate investment trust for the six months ended June 30, 2021 and 2020.

(AG) Capital management

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

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

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

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In accordance with “Regulations Governing Capital Adequacy of Insurance Companies”, the level of capital adequacy is differentiated as norms that considers capital adequacy and net worth ratio. Capital adequacy refers to the ratio of the adjusted net capital to the risk-based capital, the net worth ratio is based on shareholder’s equity from the audited financial statement divided by total asset (excluding investments in separate insurance account). The competent authority asks that capital adequacy ratio of an insurance company which equals or exceeds 200% and where the net worth ratio equals or exceeds 3% is classified as adequate capital. The capital adequacy ratio of an insurance company lower than 200% or where the net worth ratio is lower than 3% is divided into three categories by severity: inadequate capital, significantly inadequate capital, and seriously inadequate capital. If the capital adequacy ratio of an insurance company is lower than 200% or when the net worth ratio is lower than 3%, and meet the minimum adequate capital ratio.

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

As of June 30, 2021, the Group’s method of capital management for the year remains the same.

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

The Group obtained a right of use asset through non-cash financing activities for the six months ended June 30, 2021 and 2020. Please refer to Note 6(K) for more information.

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Bonds payable</u>	<u>Lease liabilities</u>
Balance of January 1, 2021	\$ 64,803,584	16,740,481
Cash flow used in financing activities		
Issuance of corporate bonds	1,362,802	-
Redemption of corporate bonds	(827,343)	-
Termination of lease liabilities	<u>-</u>	<u>(1,665,098)</u>
Subtotal	<u>535,459</u>	<u>(1,665,098)</u>
Items not affecting current cash flow		
Signing / renewing lease agreement	-	922,599
Amortization on discounts / premiums	(9,496)	-
Foreign exchange movement	<u>(540,240)</u>	<u>(9,374)</u>
Subtotal	<u>(549,736)</u>	<u>913,225</u>
Balance of June 30, 2021	<u>\$ 64,789,307</u>	<u>15,988,608</u>

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	Bonds payable	Lease liabilities
Balance of January 1, 2020	\$ 64,451,152	17,469,382
Cash flow used in financing activities		
Issuance of corporate bonds	370,770	-
Redemption of corporate bonds	(1,239,150)	-
Termination of lease liabilities	-	(1,303,812)
Subtotal	(868,380)	(1,303,812)
Items not affecting current cash flow		
Signing / renewing lease agreement	-	675,751
Amortization on discounts / premiums	(18,591)	-
Foreign exchange movement	(536,620)	(25,516)
Subtotal	(555,211)	650,235
Balance of June 30, 2020	\$ 63,027,561	16,815,805

(AI) Other

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

	June 30, 2021			December 31, 2020			June 30, 2020		
	Foreign Currency	Exchange Rate (Note 2)	NTD	Foreign Currency	Exchange Rate (Note 2)	NTD	Foreign Currency	Exchange Rate (Note 2)	NTD
Financial Assets									
Monetary items (Note 1)									
USD	\$ 81,926,720	27.870/27.756 /27.886	2,283,333,112	76,952,294	28.372/28.244 /28.39	2,183,323,372	76,368,265	29.66/29.541 /29.661/29.537	2,264,874,534
Non-monetary items (Note 1)									
USD	13,976,373	27.870/27.886	389,525,229	12,100,228	28.372/28.39	343,312,369	10,506,145	29.66/29.661 /29.537	311,605,975
EUR	1,076,070	33.137	35,658,202	867,063	34.841	30,209,174	694,724	33.246	23,096,725
CNY	-		-	6,181,030	4.360/4.338 /4.363	26,946,381	6,721,681	4.192/4.194	28,179,811
Derivatives Financial Instruments (Note 1)									
USD	-	27.870/27.886	18,632,082	-	28.372/28.39	30,669,087	-	29.66/29.537	12,181,877
Investments accounted for using equity method (Note 1)									
HKD	2,775,807	3.589	9,963,085	2,352,156	3.660	8,608,593	2,139,628	3.827	8,188,571
Financial Liabilities									
Monetary items (Note 1)									
USD	1,318,291	27.870	36,735,907	383,615	28.372	10,891,287	852,980	29.66/29.661	25,300,719
AUD	-	-	-	-	-	-	107,000	20.311	2,173,295
Non-monetary items (Note 1)									
USD	64	27.870	1,772	64	28.372	1,804	14	29.661	405
Derivatives Financial Instruments (Note 1)									
USD	-	27.870/27.886	4,115,950	-	28.372/28.39	2,792,033	-	29.66/29.537	1,689,224

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

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

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

Assets	June 30, 2021		
	Recovery within 12 months	Recovery beyond 12 months	Total
Cash and cash equivalents	\$ 237,549,250	-	237,549,250
Receivables, net	48,611,127	1,140,191	49,751,318
Current tax assets	2,130	5,905,357	5,907,487
Financial assets measured at fair value through profit or loss	455,004,013	984,216,979	1,439,220,992
Financial assets measured at fair value through other comprehensive income	30,830,060	566,082,087	596,912,147
Financial assets measured at amortized cost	7,241,713	2,061,297,903	2,068,539,616
Financial assets for hedging	796,264	632,077	1,428,341
Investments accounted for using equity method, net	-	17,581,411	17,581,411
Other financial assets, net	388,017	3,724,247	4,112,264
Investment property, net	-	299,380,015	299,380,015
Loans	5,379,384	266,899,500	272,278,884
Reinsurance assets	1,918,636	1,142,263	3,060,899
Property, plant and equipment	-	19,746,103	19,746,103
Right of use assets	-	2,835,185	2,835,185
Intangible assets	-	5,746,437	5,746,437
Deferred tax assets, net	-	27,323,498	27,323,498
Other assets	3,282,712	25,536,800	28,819,512
Assets on insurance product, separate account	20,823,320	447,206,894	468,030,214
Total assets	\$ 811,826,626	4,736,396,947	5,548,223,573

Liabilities	June 30, 2021		
	Settlement within 12 months	Settlement beyond 12 months	Total
Accounts payable	\$ 68,032,198	227,939	68,260,137
Current tax liabilities	9,570,502	815,912	10,386,414
Financial liabilities measured at fair value through profit or loss	3,247,441	-	3,247,441
Financial liabilities for hedging	562,517	305,992	868,509
Bonds payable	744,151	64,045,156	64,789,307
Lease liabilities	838,418	15,150,190	15,988,608
Insurance liabilities	49,691,801	4,221,386,856	4,271,078,657
Reserve for insurance with nature of financial instrument	-	3,494,124	3,494,124
Reserve for foreign exchange valuation	-	7,084,737	7,084,737
Liabilities reserve	83,036	13,107,478	13,190,514
Deferred tax liabilities	-	17,355,644	17,355,644
Other liabilities	11,507,146	7,781,980	19,289,126
Liabilities on insurance product, separate account	3,270,233	462,808,478	466,078,711
Total liabilities	\$ 147,547,443	4,813,564,486	4,961,111,929

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<u>Assets</u>	December 31, 2020		
	Recovery within 12 months	Recovery beyond than 12 months	Total
Cash and cash equivalents	\$ 297,203,814	-	297,203,814
Receivables, net	43,525,520	1,162,416	44,687,936
Current tax assets	200,349	6,555,917	6,756,266
Financial assets measured at fair value through profit or loss	404,382,719	809,500,380	1,213,883,099
Financial assets measured at fair value through other comprehensive income	20,897,337	669,357,679	690,255,016
Financial assets measured at amortized cost	2,401,114	1,915,269,641	1,917,670,755
Financial assets for hedging	3,635,561	966,066	4,601,627
Investments accounted for using equity method, net	-	15,073,704	15,073,704
Other financial assets, net	871,057	3,187,131	4,058,188
Investment property, net	-	298,502,661	298,502,661
Loans	6,497,918	274,752,323	281,250,241
Reinsurance assets	1,732,234	1,177,601	2,909,835
Property, plant and equipment	-	20,057,233	20,057,233
Right of use assets	277	2,224,907	2,225,184
Intangible assets	-	6,172,921	6,172,921
Deferred tax assets, net	-	25,196,645	25,196,645
Other assets	1,303,510	26,414,810	27,718,320
Assets on insurance product, separate account	48,830,866	410,388,934	459,219,800
Total assets	\$ 831,482,276	4,485,960,969	5,317,443,245

<u>Liabilities</u>	December 31, 2020		
	Settlement within 12 months	Settlement beyond than 12 months	Total
Accounts payable	\$ 44,212,556	222,954	44,435,510
Current tax liabilities	5,443,286	1,080,488	6,523,774
Financial liabilities measured at fair value through profit or loss	2,760,635	-	2,760,635
Financial liabilities for hedging	31,398	-	31,398
Bonds payable	602,453	64,201,131	64,803,584
Lease liabilities	1,929,261	14,811,220	16,740,481
Insurance liabilities	81,410,061	4,084,710,656	4,166,120,717
Reserve for insurance with nature of financial instrument	9,067	3,439,590	3,448,657
Reserve for foreign exchange valuation	-	8,481,833	8,481,833
Liabilities reserve	317,754	13,206,157	13,523,911
Deferred tax liabilities	-	22,360,011	22,360,011
Other liabilities	7,818,646	9,378,283	17,196,929
Liabilities on insurance product, separate account	3,049,686	449,828,630	452,878,316
Total liabilities	\$ 147,584,803	4,671,720,953	4,819,305,756

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<u>Assets</u>	June 30, 2020		
	<u>Recovery within 12 months</u>	<u>Recovery beyond 12 months</u>	<u>Total</u>
Cash and cash equivalents	\$ 190,183,727	-	190,183,727
Receivables, net	65,010,066	1,119,166	66,129,232
Current tax assets	103,665	6,323,987	6,427,652
Financial assets measured at fair value through profit or loss	449,618,928	725,913,125	1,175,532,053
Financial assets measured at fair value through other comprehensive income	21,553,612	613,790,958	635,344,570
Financial assets measured at amortized cost	8,876,874	1,852,174,858	1,861,051,732
Financial assets for hedging	599,005	1,165,955	1,764,960
Investments accounted for using equity method, net	-	13,888,628	13,888,628
Other financial assets, net	677,531	6,321,271	6,998,802
Investment property, net	-	266,898,645	266,898,645
Loans	5,779,498	274,672,468	280,451,966
Reinsurance assets	1,499,736	1,093,072	2,592,808
Property, plant and equipment	-	19,649,526	19,649,526
Right of use assets	-	2,550,452	2,550,452
Intangible assets	-	5,449,785	5,449,785
Deferred tax assets, net	-	24,261,862	24,261,862
Other assets	1,136,358	26,296,986	27,433,344
Assets on insurance product, separate account	21,004,844	361,041,775	382,046,619
Total assets	<u>\$ 766,043,844</u>	<u>4,202,612,519</u>	<u>4,968,656,363</u>

<u>Liabilities</u>	June 30, 2020		
	<u>Settlement within 12 months</u>	<u>Settlement beyond 12 months</u>	<u>Total</u>
Accounts payable	\$ 50,202,557	185,907	50,388,464
Current tax liabilities	2,020,757	1,131,956	3,152,713
Short-term debts	248,838	-	248,838
Financial liabilities measured at fair value through profit or loss	1,245,851	-	1,245,851
Financial liabilities for hedging	443,373	-	443,373
Bonds payable	570,432	62,457,129	63,027,561
Lease liabilities	1,872,261	14,943,544	16,815,805
Insurance liabilities	112,649,578	3,928,755,071	4,041,404,649
Reserve for insurance with nature of financial instrument	-	3,612,345	3,612,345
Reserve for foreign exchange valuation	-	11,412,630	11,412,630
Liabilities reserve	516,227	12,470,762	12,986,989
Deferred tax liabilities	955,463	15,553,162	16,508,625
Other liabilities	13,203,594	8,885,817	22,089,411
Liabilities on insurance product, separate account	2,131,223	372,755,129	374,886,352
Total liabilities	<u>\$ 186,060,154</u>	<u>4,432,163,452</u>	<u>4,618,223,606</u>

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

7. RELATED PARTY TRANSACTIONS

(A) Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Fubon Financial Holding Co., Ltd.	Parent company
Fubon Insurance Co., Ltd.	The same parent company
Taipei Fubon Commercial Bank Co., Ltd.	The same parent company
Fubon Securities Co., Ltd.	The same parent company
Fubon Bank (Hong Kong) Limited	The same parent company
Fubon Securities Investment Trust Co., Ltd.	The same parent company
Fubon Sports & Entertainment Co., Ltd.	Parent company's second-tier subsidiary
Fusheng Life Insurance Agent Co., Ltd.	Parent company's second-tier subsidiary
Jih Sun International Commercial Bank Co., Ltd.	Parent company's second-tier subsidiary (Note2)
Jih Sun Securities Co., Ltd.	Parent company's second-tier subsidiary (Note2)
Jih Sun Securities Investment Trust Co., Ltd.	The investee company under equity method by second-tier subsidiary of parent's company (Note2)
Fubon Land Development Co., Ltd.	Affiliates
Taiwan Mobile Co., Ltd.	Affiliates
Taiwan Fixed Network Co., Ltd.	Affiliates
Fubon Culture and Education Foundation	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Art Foundation	Affiliates
Kbro Co., Ltd.	Affiliates
Kbro Media Co., Ltd.	Affiliates
Fubon Real Estate Management Co., Ltd.	Affiliates
Fubon Multimedia Technology Co., Ltd.	Affiliates
Taipei City Government	Affiliates
Taiwan High Speed Railway Co., Ltd	Affiliates
O-Bank Co., Ltd.	Affiliates
Hyundai Commercial Co., Ltd.	Affiliates
Hyundai Mobis Co., Ltd.	Affiliates
Ming Tung Industrial Co., Ltd.	Affiliates
Far East International Commercial Bank Co., Ltd.	Affiliates

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Thermaltake Technology Co., Ltd.	Affiliates
Century Development Corporation	Affiliates
China United Insurance Holding Company	Affiliates (Note1)
CTBC Bank Co., Ltd.	Affiliates (Note3)
Sharehope Medicine Co., Ltd.	Affiliates (Note3)
Other related parties	Directors, supervisors, managers and their close relatives, etc.

Note1: Became a related party commencing from the second quarter of 2020.

Note2: Became a related party commencing from the first quarter of 2021.

Note3: Became a related party commencing from the second quarter of 2021

(B) Significant related party transactions

(a) Deposits with related parties

<u>Nature</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Commercial Bank Co., Ltd.			
Check deposits	\$ 33,211	36,851	52,888
Demand deposits	25,508,912	8,790,547	11,234,343
Time deposits	11,979,173	20,779,172	5,379,172
O-Bank Co., Ltd.			
Time deposits	1,000,000	1,500,000	1,000,000
Fubon Bank (Hong Kong) Limited			
Demand deposits	3,302,295	342,416	523,663
Time deposits	-	753,122	-
Far East International Commercial Bank Co., Ltd.			
Check deposits	-	-	1
Demand deposits	1,730	1,759	3,711
Time deposits	-	1,000,000	-
Jih Sun International Commercial Bank Co., Ltd.			
Demand deposits	18,972	-	-
CTBC Bank Co., Ltd.			
Demand deposits	139,356	-	-
Time deposits	10,500,000	-	-
Structured time deposit	1,040,909	-	-
Total	<u>\$ 53,524,558</u>	<u>33,203,867</u>	<u>18,193,778</u>

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

(b) Interest receivable with related parties

<u>Name of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 11,712	10,313	12,865
Other (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	5,156	-	-
Total	<u>\$ 16,868</u>	<u>10,313</u>	<u>12,865</u>

(c) Other receivable (payable) with related parties

<u>Names of related parties</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ (149,548)	(207,783)	(370,771)
Fubon Bank (Hong Kong) Limited	(23,118)	(2,358)	(9,885)
Fubon Insurance Co., Ltd.	499,539	229,798	215,456
Fusheng Life Insurance Agent Co., Ltd.	(24,621)	(32,165)	(26,438)
Fubon Securities Co., Ltd.	(22,583)	(10,590)	-
Other (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	837	12,377	(4,573)
Total	<u>\$ 280,506</u>	<u>(10,721)</u>	<u>(196,211)</u>

(d) Joint declaration of tax

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Joint declaration of tax-receivables (current income tax assets)	\$ 5,216,203	5,891,651	5,829,714
Joint declaration of tax-payable (current income tax liabilities)	10,047,277	6,280,649	3,023,473

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

(1) Purchases

<u>Name of related party</u>	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 1,215,313	204,003
Fubon Securities Co., Ltd.	-	428,003
Total	<u>\$ 1,215,313</u>	<u>632,006</u>

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

(2) Sales

<u>Names of related parties</u>	For the six months ended June 30,	
	2021	2020
Taipei Fubon Commercial Bank Co., Ltd.	\$ -	1,287,313
Fubon Securities Co., Ltd.	-	1,515,405
Total	<u>\$ -</u>	<u>2,802,718</u>

(3) Repurchase Agreement

<u>Names of related parties</u>	For the six months ended	As of June 30, 2021
	June 30, 2021	Proceeds from repo of
	Interest income	bonds
Jih Sun Securities Co., Ltd.	<u>\$ 138</u>	<u>-</u>

(4) Financial bond transactions

<u>Names of related parties</u>	Financial Bond		
	June 30, 2021	December 31, 2020	June 30, 2020
Far East International Commercial Bank Co., Ltd.	\$ 1,000,000	1,000,000	1,900,000
CTBC Bank Co., Ltd.	8,816,500	-	-
Total	<u>\$ 9,816,500</u>	<u>1,000,000</u>	<u>1,900,000</u>

(5) Bonds issued by the Group

<u>Names of related parties</u>	June 30, 2021	December 31, 2020	June 30, 2020
Fubon Financial Holding Co., Ltd.	\$ 20,000,000	20,000,000	20,000,000
Hyundai Commercial Co., Ltd.	246,780	260,940	246,000
Hyundai Commercial Co., Ltd.(Note)	2,467,800	2,609,400	2,460,000
Total	<u>\$ 22,714,580</u>	<u>22,870,340</u>	<u>22,706,000</u>

Note: Recognized as equity of the Group.

Interest Payable

<u>Names of related</u>	June 30, 2021	December 31, 2020	June 30, 2020
Fubon Financial Holding Co., Ltd.	\$ 189,370	552,329	189,370
Hyundai Commercial Co., Ltd.	13,380	122	75
Total	<u>\$ 202,750</u>	<u>552,451</u>	<u>189,445</u>

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

Interest Expense

Names of related parties	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Fubon Financial Holding Co., Ltd.	\$ 179,507	179,507	357,041	357,041
Hyundai Commercial Co., Ltd.	42,108	41,176	84,134	83,215
Total	\$ 221,615	220,683	441,175	440,256

(6) Derivatives (at Principal Value)

The contract amounts:

Names of related parties	Financial Instruments	June 30, 2021	December 31, 2020	June 30, 2020
Taipei Fubon Commercial Bank Co., Ltd.	Foreign Exchange SWAP	\$ 18,394,200	16,172,040	11,270,800
CTBC Bank Co., Ltd. (CTBC Bank)	Foreign Exchange SWAP	51,977,550	-	-
Total		\$ 70,371,750	16,172,040	11,270,800

(f) Discretionary investment from related parties

Names of related parties	June 30, 2021	December 31, 2020	June 30, 2020
Fubon Securities Investment Trust Co., Ltd.	\$ 4,406,212	3,839,152	3,303,863

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

Names of related parties	Retirement pension savings		
	June 30, 2021	December 31, 2020	June 30, 2020
Hyundai Mobis Co., Ltd.	\$ 7,170,844	7,507,987	6,756,127
Hyundai Commercial Co., Ltd.	982,592	1,043,668	956,292
Total	\$ 8,153,436	8,551,655	7,712,419

Names of related parties	Handling fee income			
	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Hyundai Mobis Co., Ltd.	\$ 4,204	5,110	8,439	10,385
Hyundai Commercial Co., Ltd.	1,326	1,252	2,641	2,643
Total	\$ 5,530	6,362	11,080	13,028

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

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

<u>Names of funds</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon Securities Investment Trust Co., Ltd.	\$ 11,912,741	12,852,756	12,652,460
Jih Sun Securities Investment Trust Co., Ltd.	200,746	-	-
Total	<u>\$ 12,113,487</u>	<u>12,852,756</u>	<u>12,652,460</u>

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

<u>Names of related parties</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Century Development Corporation	\$ 279,702	208,801	176,278
China United Insurance Holding Company	10,208,187	13,887,072	8,188,570
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	13,019	5,733	5,418
	<u>\$ 10,500,908</u>	<u>14,101,606</u>	<u>8,370,266</u>

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

<u>Names of related parties</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fubon No.1 Real Estate Investment Trust	\$ 1,011,377	1,043,177	946,639
Fubon No.2 Real Estate Investment Trust	1,173,202	1,247,576	1,066,017
	<u>\$ 2,184,579</u>	<u>2,290,753</u>	<u>2,012,656</u>

(k) Property transactions

<u>Names of related parties</u>	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Fubon Land Development Co., Ltd.	\$ 28,572	424
Other (accounts with balance of less than \$10,000 thousand)	43	2,594
Total	<u>\$ 28,615</u>	<u>3,018</u>

(l) Loans to related parties are as follows:

(1) Secured loans

June 30, 2021						
<u>Category</u>	<u>Name of related party</u>	<u>Maximum Amount</u>	<u>Ending Balance</u>	<u>Performing situation</u>	<u>Collateral</u>	<u>Collateral terms are the same with other regular clients</u>
Residence mortgage loans	38 affiliates	\$ 282,784	266,717	Normal	Real estate	No

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

December 31, 2020						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	38 affiliates	\$ <u>297,666</u>	<u>289,863</u>	Normal	Real estate	No

June 30, 2020						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	52 affiliates	\$ <u>435,845</u>	<u>431,030</u>	Normal	Real estate	No

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

(2) Life insurance loans:

June 30, 2021						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	89 affiliates	\$ <u>36,439</u>	<u>29,589</u>	Normal	Policy value	No

December 31, 2020						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	78 affiliates	\$ <u>40,289</u>	<u>30,681</u>	Normal	Policy value	No

June 30, 2020						
Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	108 affiliates	\$ <u>45,276</u>	<u>38,255</u>	Normal	Policy value	No

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

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

(m) Prepayment (advance receipt)

Names of related parties	Nature	June 30, 2021	December 31, 2020	June 30, 2020
Taipei Fubon Commercial Bank Co., Ltd.	Incentives	\$ -	200	24,822
Fubon Insurance Co., Ltd.	Prepaid insurance expenses	5,665	24,607	5,625
Taipei City Government	Prepaid superficies rent and temporary payment	15,000	-	-
Other (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)		873	615	175
Total		<u>\$ 21,538</u>	<u>25,422</u>	<u>30,622</u>

(n) Rental expense and refundable deposits

Guarantee deposit paid

Names of related parties	June 30, 2021	December 31, 2020	June 30, 2020	Note
Fubon Insurance Co., Ltd.	\$ 23,897	24,290	24,290	Office rent
Taipei City Government	1,300,443	1,269,359	1,261,407	Bid bond/ Superficies
Fubon No.1 Real Estate Investment Trust	30,520	30,266	30,266	Office rent / Parking lot rent
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	18,907	18,353	11,402	Office rent
Total	<u>\$ 1,373,767</u>	<u>1,342,268</u>	<u>1,327,365</u>	

Right-of-use assets and lease liabilities

Names of related parties	Right-of-use assets		
	June 30, 2021	December 31, 2020	June 30, 2020
Taiwan Fixed Network Co., Ltd.	\$ 26,266	44,830	63,203
Ming Tung Industrial Co., Ltd.	15,552	17,935	20,193
Fubon No.1 Real Estate Investment Trust	296,565	53,310	110,622
Fubon No.2 Real Estate Investment Trust	42,124	13,348	21,623
Fubon Insurance Co., Ltd.	242,251	-	49,563
Affiliates	115,585	131,934	148,549
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	3,186	3,547	4,183
Total	<u>\$ 741,529</u>	<u>264,904</u>	<u>417,936</u>

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

Names of related parties	Lease liabilities			Total value amount		
	December 31,			December 31,		
	June 30, 2021	2020	June 30, 2020	June 30, 2021	2020	June 30, 2020
Taiwan Fixed Network Co., Ltd.	\$ 29,883	49,577	68,433	198,108	198,617	201,427
Ming Tung Industrial Co., Ltd.	15,657	17,720	19,742	23,568	35,098	35,098
Fubon No.1 Real Estate Investment Trust	289,853	53,692	110,427	348,366	344,193	351,161
Fubon No.2 Real Estate Investment Trust	39,898	12,927	20,764	49,641	59,380	59,172
Fubon Insurance Co., Ltd.	226,517	-	47,574	285,317	-	281,276
Affiliates	116,380	131,717	146,741	175,184	175,184	175,184
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	2,802	3,175	4,083	8,125	11,132	9,977
Total	\$ 720,990	268,808	417,764	1,088,309	823,604	1,113,295

Names of related parties	Interest expense			
	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Taiwan Fixed Network Co., Ltd.	\$ 293	616	665	1,313
Ming Tung Industrial Co., Ltd.	143	180	294	368
Fubon No.1 Real Estate Investment Trust	2,604	1,033	2,907	1,984
Fubon No.2 Real Estate Investment Trust	249	158	339	295
Fubon Insurance Co., Ltd.	2,333	492	4,854	1,194
Affiliates	1,063	1,333	2,182	2,733
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	25	29	57	65
Total	\$ 6,710	3,841	11,298	7,952

Right-of-use assets and lease liabilities - Investment Property - Superficies

Names of related parties	Right-of-use assets		
	December 31,		
	June 30, 2021	2020	June 30, 2020
Taipei City Government	\$ 28,799,436	29,084,654	29,209,294

Names of related parties	Lease liabilities			Total value amount		
	December 31,			December 31,		
	June 30, 2021	2020	June 30, 2020	June 30, 2021	2020	June 30, 2020
Taipei City Government	\$ 7,597,568	7,795,325	7,671,538	41,743,189	41,743,189	37,738,742

Names of related parties	Interest expense			
	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Taipei City Government	\$ 59,586	60,167	117,411	119,208

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

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Guarantee deposits received</u>			
Fubon Multimedia Technology Co., Ltd.	\$ 41,639	39,653	34,282
Taiwan Mobile Co., Ltd.	10,712	7,906	7,896
Fubon Art Foundation	26,884	-	-
Taiwan Fixed Network Co., Ltd.	8,106	10,591	10,591
Sharehope Medicine Co., Ltd.	17,912	-	-
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	43,416	43,032	34,058
Total	<u>\$ 148,669</u>	<u>101,182</u>	<u>86,827</u>

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Performance guarantee</u>			
Kbro Media Co., Ltd.	\$ 27,135	27,135	27,135
Sharehope Medicine Co., Ltd.	267,956	-	-
Total	<u>\$ 295,091</u>	<u>27,135</u>	<u>27,135</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Rental revenue</u>				
Fubon Multimedia Technology Co., Ltd.	\$ 36,877	33,510	73,126	67,021
Taipei Fubon Commercial Bank Co., Ltd.	10,021	9,800	20,036	19,590
Taiwan Fixed Network Co., Ltd.	7,722	10,277	17,610	20,525
Taiwan Mobile Co., Ltd.	10,688	8,086	19,345	16,126
Kbro Media Co., Ltd.	12,922	12,850	25,843	25,701
Kbro Co., Ltd.	5,580	5,580	11,160	11,160
Thermaltake Technology Co., Ltd.	5,023	-	12,479	-
Hyundai Commercial Co., Ltd.	5,542	4,507	10,226	8,960
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	16,900	11,365	27,352	22,732
Total	<u>\$ 111,275</u>	<u>95,975</u>	<u>217,177</u>	<u>191,815</u>

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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Rental revenues from real estate investment amounted to \$110,960 thousand and \$95,631 thousand for the three months ended June 30, 2021 and 2020, \$216,487 thousand and \$191,159 thousand for the six months ended June 30, 2021 and 2020, respectively. Rental revenues from real investment property are accounted for gains on investment property.

Unearned rental revenue, accounted for other liabilities, amounted to \$7,524 thousand, \$7,600 thousand and \$33,241 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

(p) Gross Written Premiums

<u>Name of related party</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Insurance Co., Ltd.	\$ 10,757	10,719	17,948	17,851
Fubon Securities Co., Ltd.	8,018	8,157	16,131	16,422
Taipei Fubon Commercial Bank Co., Ltd.	25,210	25,070	50,570	50,436
Taiwan High-Speed Railway Co., Ltd.	5,218	3,800	10,320	7,511
Affiliates	7,563	15,539	33,110	59,263
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	163,659	314,590	440,614	706,158
Total	<u>\$ 220,425</u>	<u>377,875</u>	<u>568,693</u>	<u>857,641</u>

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

(q) Commission revenues

<u>Name of related party</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Securities Investment Trust Co., Ltd.	\$ <u>2,631</u>	<u>2,491</u>	<u>5,312</u>	<u>5,012</u>

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

(r) Commission expense

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 852,999	946,258	1,910,425	2,254,290
Fusheng Life Insurance Agent Co., Ltd.	56,345	56,777	115,585	115,289
Fubon Bank (Hong Kong) Limited	62,207	15,613	118,376	18,580
CTBC Bank Co., Ltd. (CTBC Bank)	14,343	-	14,343	-
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	3,127	2,548	5,385	8,675
Total	<u>\$ 989,021</u>	<u>1,021,196</u>	<u>2,164,114</u>	<u>2,396,834</u>

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

<u>Names of related parties</u>	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 1,719	3,014	4,040
Fusheng Life Insurance Agent Co., Ltd.	76,671	77,238	79,980
Total	<u>\$ 78,390</u>	<u>80,252</u>	<u>84,020</u>

(s) Interest income with related parties

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 12,873	23,579	27,131	46,315
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	5,580	626	9,100	5,126
Total	<u>\$ 18,453</u>	<u>24,205</u>	<u>36,231</u>	<u>51,441</u>

(t) Marketing revenue

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Insurance Co., Ltd.	\$ 311,251	229,627	513,642	401,984
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	(610)	(87)	7,501	8,698
Total	<u>\$ 310,641</u>	<u>229,540</u>	<u>521,143</u>	<u>410,682</u>

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

(u) Marketing expense

<u>Names of related parties</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Securities Co., Ltd.	\$ 22,859	7,743	46,727	24,986
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	2,627	3,874	6,276	9,243
Total	<u>\$ 25,486</u>	<u>11,617</u>	<u>53,003</u>	<u>34,229</u>

(v) Other revenues

<u>Names of related parties</u>	<u>Nature</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Securities Co., Ltd.	Security lending handling fee income	\$ 14,221	23,247	18,980	67,296
Hyundai Mobis Co., Ltd.	Other revenue	-	5,112	-	10,385
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)	Other revenue	4,018	6,503	10,058	9,117
Total		<u>\$ 18,239</u>	<u>34,862</u>	<u>29,038</u>	<u>86,798</u>

(w) Other expenses

<u>Names of related parties</u>	<u>Nature</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Fubon Securities Co., Ltd.	Entrusted with the sale of fee and consignment trading handling fees	\$ 26,272	30,709	67,861	66,739
Fubon Real Estate Management Co., Ltd.	Building management fees, investment property fees, etc.	30,470	33,085	64,055	69,654
Fubon Insurance Co., Ltd.	Property insurance fees	8,967	8,036	21,442	19,341
Taiwan Fixed Network Co., Ltd.	Telephone fees and communication service fees etc.	25,828	25,602	40,185	44,281
Taipei Fubon Commercial Bank Co., Ltd.	Bank charge, custodian fees, etc.	306,765	436,031	626,778	730,014
Fubon Bank (Hong Kong) Limited	Bank charge and sales fee	9,004	36	13,711	49
Fubon Culture and Education Foundation	Donation fees	16,573	15,308	16,573	15,308
Fubon Charity Foundation	Donation fees / Marketing training cost	20,821	26,733	27,821	26,733
Fubon Art Foundation	Donation fees / Publication subscription fee	13,438	15,551	13,438	15,551
Fubon Sports & Entertainment Co., Ltd.	Advertisement, stationery and printing, etc.	58,906	66,548	108,234	101,588
Others (accounts with balance of less than \$10,000 thousand or 10% of total transaction balance)		15,457	9,119	39,715	34,477
Total		<u>\$ 532,501</u>	<u>666,758</u>	<u>1,039,813</u>	<u>1,123,735</u>

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

(C) Major management remuneration information

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Remuneration and other short-term employee benefits	\$ 103,285	101,715	213,045	208,196
Other long-term employee benefits	412	395	812	858
Post-employment benefits	5,050	4,663	10,071	9,368
Total	<u>\$ 108,747</u>	<u>106,773</u>	<u>223,928</u>	<u>218,422</u>

8. PLEDGED ASSETS

Pledged assets are as follows:

<u>Pledged assets</u>	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Government bonds(recognized as financial assets measured at FVOCI)	\$ 330,074	-	779,346
Government bonds (recognized as financial assets measured at amortized costs)	1,651,827	1,413,219	4,721,677
Corporate bonds (recognized as financial assets measured at amortized costs)	706,252	757,166	723,118
Checking account (recognized as other financial assets)	74	79	74
Government bonds (recognized as guarantee - lawful guarantee)	16,554,713	17,080,348	16,957,105
Time deposits (recognized as guarantee - lawful guarantee)	14,532	14,736	15,337
Time deposits (recognized as guarantee - other)	1,378,696	1,378,763	1,379,026
Total	<u>\$ 20,636,168</u>	<u>20,644,311</u>	<u>24,575,683</u>

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

9. SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

(A) In addition to recognized liability reserve, the Group's contingent liabilities which are pending claims from daily operation and have not been recognized are being assessed by qualified lawyers. Once the Group obtains the lawyers' opinion and probable and reasonably estimable amounts of the liabilities, the Group will make adjustments and recognize relevant losses.

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

(B) Significant unrecognized commitments

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
New construction contracts	\$ 9,668,274	10,777,176	12,368,537
Purchased investment properties	76,669	-	-
Purchased owner-occupied properties	-	-	438,751
Total	<u>\$ 9,744,943</u>	<u>10,777,176</u>	<u>12,807,288</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
USD	<u>\$ 3,250,069</u>	<u>3,272,748</u>	<u>2,892,560</u>
EUR	<u>\$ 923,729</u>	<u>846,595</u>	<u>658,289</u>
KRW	<u>\$ 215,471,077</u>	<u>220,695,935</u>	<u>216,660,314</u>
NTD	<u>\$ 422,000</u>	<u>240,000</u>	<u>240,000</u>

Note: The unfunded commitments excluded unsettled trades.

(D) On March 31, 2020, the Group signed a joint investment contract. The Group planned to participate in a cash capital increase in phases for Star Shining Energy Co., Ltd. within 3 years. Total investment amount should not exceed NTD 1.5 billion. As of June 30, 2021, the Group has invested NTD 600 million as per the agreement above.

(E) On March 23, 2021, the Group signed a joint investment contract. The Group planned to invest for Sinergy 1st Co., Ltd. in two installments. Total investment amount should not exceed NTD 300 million. On April 23, 2021, the Group has invested NTD 150 million to Sinergy 1st Co., Ltd.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT SUBSEQUENT EVENT: None.

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

12. OTHER

- (A) Personnel expenses, depreciation and amortization for the periods ended June 30, 2021 and 2020 are categorized by function as follows:

Units: NT\$'000

Function Nature	For the three months ended June 30,					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees Benefits						
Salaries and wages	2,188,225	1,508,273	3,696,498	2,684,134	1,460,311	4,144,445
Labor and health insurance	-	417,815	417,815	-	431,104	431,104
Pension	45,707	209,485	255,192	57,565	229,120	286,685
Remuneration of directors	-	10,681	10,681	-	9,735	9,735
Other	-	272,978	272,978	-	352,574	352,574
Depreciation	-	317,971	317,971	-	331,424	331,424
Amortization	-	81,356	81,356	-	77,127	77,127

Function Nature	For the six months ended June 30,					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees Benefits						
Salaries and wages	4,811,776	2,980,393	7,792,169	6,045,808	2,875,663	8,921,471
Labor and health insurance	-	909,368	909,368	-	915,436	915,436
Pension	89,976	410,978	500,954	113,026	450,628	563,654
Remuneration of directors	-	21,275	21,275	-	19,309	19,309
Other	-	690,152	690,152	-	903,383	903,383
Depreciation	-	626,686	626,686	-	675,983	675,983
Amortization	-	163,964	163,964	-	154,630	154,630

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

- (B) When conducting business or transaction, joint business promotion as well as information and facilities sharing with Fubon Financial Holdings Co., Ltd. and other associates, the Group is using a direct allocation method based on the business characteristic or other reasonable methods to allocate income, cost, expense and profit or loss to each counterparty.
- (C) The borrowing that meets cash flow arising from payment of major insurance claims: None.
- (D) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund, refer to Note 6(B)(b).
- (E) The information of discontinued operations: None.
- (F) The adjustment of significant units and significant reform of management regulation: None.
- (G) The significant impact due to variation of government rules: None.

13. NOTES TO DISCLOSURE EVENTS

(A) Information on Significant Transactions:

In accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, the Group disclosed the information on significant transactions for the six months June 30, 2021 as follows:

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

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

(f) Business relationship and significant transactions with the subsidiaries:

No	Company	Counterparty	Relationship	Transaction details			Percentage ratio against total operating income or total assets
				Accounts	Amount	Trading terms	
0	Fubon Life Insurance Co., Ltd.	Fubon (Hong Kong) Co., Ltd.	1	Receivables	2,437	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon (Hong Kong) Co., Ltd.	1	Non-operating income & expense	8,010	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Loans	1,979,263	Same as non related-party transactions	0.04 %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Receivables	13,375	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Interest income	27,204	Same as non related-party transactions	0.01 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Loans	5,377,094	Same as non related-party transactions	0.10 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Receivables	53,284	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Interest income	107,438	Same as non related-party transactions	0.03 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Loans	9,372,801	Same as non related-party transactions	0.17 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Receivables	89,966	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Interest income	180,695	Same as non related-party transactions	0.04 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Loans	3,378,288	Same as non related-party transactions	0.06 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Receivables	29,724	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Interest income	60,791	Same as non related-party transactions	0.02 %
0	Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	1	Loans	10,484,943	Same as non related-party transactions	0.19 %
0	Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	1	Receivables	50,396	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l.	1	Interest income	101,474	Same as non related-party transactions	0.03 %

Note1: Each number represents the following definitions:

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

Note2: Transaction relationship is as follows:

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

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

(B) Disclosure on Business Investments:

Disclosure on business investments for the six months ended June 30, 2021 is as follows:

Units:NTS'000

Investor Company	Investee Company	Location	Major Business	Original Investment		Held by the Company			Income (losses) of investee company	Income (losses) recognized from investee company	Note
				Period-end	End of prior year	Shares	Percentage (%)	Book Value			
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Vietnam) Co., Ltd.	Hanoi Vietnam	Life insurance business	2,153,217	2,153,217	-	100.00 %	1,554,695	(6,870)	(6,870)	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Hong Kong) Co., Ltd.	Hong Kong	Life insurance business	10,532,054	10,532,054	2,675,000,000	100.00 %	13,523,504	385,486	385,486	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Fubon Hyundai Life Insurance Co., Ltd.	Korea	Life insurance business	23,910,370	12,588,857	175,334,047	77.40 %	30,673,521	3,044,966	1,861,736	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	Guernsey	Rental property business	3,348,784	3,348,784	41,514,743	100.00 %	2,973,467	54,224	54,224	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	Jersey	Rental property business	2,186,556	2,186,556	46,172,931	100.00 %	1,408,544	33,569	33,569	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	Jersey	Rental property business	4,708,389	4,708,389	92,581,000	100.00 %	4,916,529	631,577	631,577	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	Brussels Belgium	Rental property business	2,579,463	2,579,463	1,133,718	100.00 %	2,075,241	(54,687)	(54,687)	Subsidiary Note 1 Note 3 Note 4
Fubon Life Insurance Co., Ltd.	Fubon Eurotower (Luxembourg) S. à r.l	Luxembourg	Rental property business	7,727,154	7,727,154	219,997	100.00 %	7,225,954	300,149	300,149	Subsidiary Note 1 Note 4 Note 5
Fubon Life Insurance Co., Ltd.	CITIC Capital Holdings Limited S. à r.l.	Hong Kong	Holding Company	7,046,304	7,046,304	13,979,798	18.00 %	9,963,085	7,519,232	1,367,459	Affiliate company
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings Venture Capital Co., Ltd.	ROC	Venture capital service	1,979,650	1,979,650	170,375,000	25.00 %	3,912,192	4,842,639	1,204,824	Affiliate company
Fubon Life Insurance Co., Ltd.	Star River Energy Co., Ltd.	ROC	Energy technology service	236,800	236,800	23,680,000	20.00 %	279,152	61,460	12,292	Affiliate company
Fubon Life Insurance Co., Ltd.	Star Shining Energy Co., Ltd.	ROC	Energy technology service	1,500,000	1,500,000	150,000,000	30.00 %	1,555,188	65,195	19,559	Affiliate company
Fubon Life Insurance Co., Ltd.	Whole Max Green Power Co., Ltd.	ROC	Energy technology service	327,000	327,000	32,700,000	30.00 %	335,428	17,239	4,798	Affiliate company
Fubon Life Insurance Co., Ltd.	Sinergy 1st Co., Ltd.	ROC	Energy technology service	150,000	-	15,000,000	30.00 %	149,797	(678)	(203)	Affiliate company

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

Investor Company	Investee Company	Location	Major Business	Original Investment		Held by the Company			Income (losses) of investee company	Income (losses) recognized from investee company	Note
				Period-end	End of prior year	Shares	Percentage (%)	Book Value			
Fubon (Hong Kong) Co., Ltd.	ZA Life Limited	Hong Kong	Life insurance business	1,339,485	1,339,485	350,000,000	35.00 %	996,357	(101,780)	(35,623)	Affiliate company Note 6

Note 1: Write off under consolidated financial statements.

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

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

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

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

Note 6: ZA Life Limited is a joint venture company invested by Fubon Life Insurance (Hong Kong) Co., Ltd. and third parties. As of April 17, 2020 a total amount of HKD 350 million was invested.

(C) Disclosure on Investments in Mainland China :

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

Investee company	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward fund of investment from Taiwan at the beginning	Outward remittance or inward recovery		Accumulated outward fund of investment from Taiwan at the balance sheet date	Investee company gains/(losses) in current period	Directly or indirectly share holding percentage	Income(losses) recognized from investee company	Book value of investment at period end	Recovery investment profit
					Outward	Inward						
					Units:\$'000							
Fubon Property & Casualty Insurance Co., Ltd.	Property Insurance	CNY 4,832,298 1,120,000	(a)	2,155,322	-	-	2,155,322	CNY (83,204) (19,157)	40.00 %	(33,282) Note2	390,212	-
Shenzhen Teng Fu Bo Investment Limited (Note 6)	Investment Consultancy	CNY 3,220,382 746,400	(c)	-	-	-	CNY 634,216 146,000	6.67 %	CNY 42,282 9,734		220,602	-
Xiamen KingSpring Insurance Surveyors & Loss-Adjusters Co., Ltd.	Insurance risk and loss assessment	CNY 8,629 2,000	(c)	-	-	-	CNY (1,203)	9.98 %	CNY -		1,153	-
Zhongxin Fengyue (Dalian) Co., Ltd.	Real estate investment	HKD 1,292,133 360,000	(b)	-	-	-	CNY 28,118 6,474	18.00 %	CNY 5,061 1,165		Note3	-
Xiang Xin Real Estate (Shenyang) Co., Ltd.	Real estate leasing	HKD 1,794,629 500,000	(b)	-	-	-	CNY (23,049) (5,307)	18.00 %	CNY (4,149) (955)		Note3	-
CITIC Capital Equity Investment (Tianjin) Co., Ltd.	Investment Holding	CNY 19,400,085 4,496,431	(b)	-	-	-	CNY 247,061 56,885	12.27 %	CNY 30,316 6,980		Note3	-
Shenzhen Huizhi Juxin Investment Management Co., Ltd.	Investment Management	CNY 431,455 100,000	(b)	-	-	-	CNY 227,061 52,280	12.27 %	CNY 27,862 6,415		Note3	-
Zhong An Taixin (Shenzhen) Equity Investment Fund Management Co., Ltd.	Investment Consultancy	CNY 43,146 10,000	(b)	-	-	-	CNY (4,791) (1,103)	18.00 %	CNY (862) (199)		Note3	-
CITIC Capital (Shenzhen) Asset Management Co., Ltd.	Investment Consultancy	CNY 43,146 10,000	(b)	-	-	-	CNY (57,034) (13,132)	18.00 %	CNY (10,266) (2,364)		Note3	-
Siqi Cultural Tourism (Chengdu) Co., Ltd.	Real estate leasing	CNY 2,403,637 557,100	(b)	-	-	-	CNY (6,411) (1,476)	12.58 %	CNY (806) (186)		Note3	-
Chengdu Jinruitong Investment Management Co., Ltd.	Real estate leasing	CNY 792,467 183,673	(b)	-	-	-	CNY (17,373) (4,000)	6.41 %	CNY (1,114) (257)		Note3	-

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

Investee company	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward fund of investment from Taiwan at the beginning	Outward remittance or inward recovery		Accumulated outward fund of investment from Taiwan at the balance sheet date	Investee company gains/(losses) in current period	Directly or indirectly share holding percentage	Income(losses) recognized from investee company	Book value of investment at period end	Recovery investment profit
					Outward	Inward						
Tianjin Xinze Equity Investment Fund Management Co., Ltd.	Investment Consultancy	CNY 107,864 25,000	(b)	-	-	-	-	CNY (6,185) (1,424)	18.00 %	CNY (1,113) (256)	Note3	-
Shanghai Yuhui Business Information Consulting Co., Ltd.	Real estate leasing	CNY 3,207,149 743,333	(b)	-	-	-	-	CNY (68,765) (15,833)	8.76 %	CNY (6,023) (1,387)	Note3	-
Shanghai Jingrong Industrial Development Co., Ltd.	Real estate leasing	CNY 1,622,272 376,000	(b)	-	-	-	-	CNY (8,765) (2,018)	8.76 %	CNY (768) (177)	Note3	-
Shenyang Zucai Heating Development Co., Ltd.	Real estate leasing	CNY 1,137,514 263,646	(b)	-	-	-	-	CNY (121,170) (27,899)	18.00 %	CNY (21,811) (5,022)	Note3	-

Note 1: Investment types are as follows:

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

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

Note 3: The carrying amount of individual investment in Mainland China cannot be distinguished from the third region company's financial statements where analytical procedures were conducted by certified public accountant.

Note 4: The total number of companies in Mainland China that the Group have invested through CITIC Capital Holdings Limited is 95, including Zhongxin Fengyue (Dalian) Co., Ltd., Xiang Xin Real Estate (Shenyang) Co., Ltd., CITIC Capital Equity Investment (Tianjin) Co., Ltd., Shenzhen Huizhi Juxin Investment Management Co., Ltd., Zhong An Taixin (Shenzhen) Equity Investment Fund Management Co., Ltd., CITIC Capital (Shenzhen) Asset Management Co., Ltd., Siqi Cultural Tourism (Chengdu) Co., Ltd., Chengdu Jinruitong Investment Management Co., Ltd., Tianjin Xinze Equity Investment Fund Management Co., Ltd., Shanghai Yuhui Business Information Consulting Co., Ltd., Shanghai Jingrong Industrial Development Co., Ltd., Shenyang Zucai Heating Development Co., Ltd., etc.

Note 5: The TWD amounts in the table which were originally presented in foreign currencies are translated at the closing rate as of June 30, 2021, or the average exchange rate for the six months ended June 30, 2021.

Note 6: The Group indirectly invested in WeSure Insurance Ltd. through Shenzhen Teng Fu Bo Investment Ltd.

The Group and Fubon Insurance Co. Ltd. have jointly invested in the set-up of Fubon Property and Casualty Insurance Co., Ltd. in 2010 for its insurance business operation in Mainland China. In addition, the Group signed a joint venture contract with Fubon Insurance Co., Ltd., and Xiamen Port Holding Group in September 2012. The joint venture was approved by the Insurance Bureau, FSC, the Investment Commission, MOEA and CBRC. The proportionate share holding for The Group, Fubon Insurance Co., Ltd. and Xiamen Port Holding Group are 40%, 40% and 20% respectively. As of June 30, 2021, the accumulated investment of the Group amounted to CNY 448 million.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
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Fubon Property & Casualty Insurance Co., Ltd initially invested in Shenzhen Teng Fu Bo Investment Limited with 31.1% shareholding. Subsequently on July 16, 2020, board of directors has resolved to not participate in the capital increase for Shenzhen Teng Fu Bo Investment Limited, which resulted in the decrease in shareholdings from 31.1% to 16.667% and has been approved by local governing institutions on August 19, 2020. As of June 30, 2021, Fubon Property & Casualty Insurance Co., Ltd. invested an accumulated amount of CNY 124.4 million. On August 13, 2021, Fubon Property & Casualty Insurance Co., Ltd. shareholders' meeting has passed a resolution to dispose of 8.5% shareholding in Shenzhen Teng Fu Bo Investment Limited. Once the transfer of equity is complete, the shareholdings will be reduced from 16.667% to 8.167 %. As of the date of passing the consolidated financial report, the transaction has not been approved by the competent authorities.

On April 8, 2021, Fubon Property & Casualty Insurance Co., Ltd. acquired 24.96% shares of Xiamen KingSpring Insurance Surveyors & Loss-Adjusters Co., Ltd.. As of June 30, 2021, total investment is CNY 668 thousand.

(b) Fubon Property & Casualty Insurance Co., Ltd. is a property insurance company, the information for its cash management and profitability is disclosed as follows:

(1) Capital status and its profit and loss : No significant investment.

(2) The Fubon Property & Casualty Insurance Co., Ltd. provides premium deficiency reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Gin Guan Bao Tsai No.09802513192 on December 28, 2009. Non life insurance companies should evaluate the claim payments and expense which will be incurred in the future and compare the fore-mentioned expenditures to the premium based on insurance policy without expiration or the accepting risk which is not terminative. If the expenditures are lower than the premium, non life insurance companies should provide the differences as the premium deficiency reserve. The methodology for providing premium deficiency reserve is decided by actuaries and reported to the authority. If there is any change, it should adopt the same procedures as aforementioned.

	June 30, 2021	December 31, 2020	June 30, 2020
Unearned premium reserve	\$ 2,371,213	2,395,555	2,887,683
Claim reserve	2,764,187	2,499,582	2,114,005
Premium deficiency reserve	<u>89,733</u>	<u>165,912</u>	<u>88,935</u>
Total	<u>\$ 5,225,133</u>	<u>5,061,049</u>	<u>5,090,623</u>

(3) Ratio accounted for the total premium revenue of the Group: 0.60%

(4) Ratio accounted for the total claim payment of the Group: 0.44%

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

- (5) The pricing, payment condition, unrealized profit and loss of significant transactions with the investee in China:
- 1) Amount, ratio and the ending balance of relevant receivables and payable of core business items such as the insurance policy which the policy holder is the investee: None.
 - 2) Amount and profit and loss of property transaction: None.
 - 3) The highest balance, ending balance, interest rate interval and current interest amount of financing: None.
 - 4) Other significant transactions which would influence current profit and loss and other financial condition, such as the provision or receipt of labor service: None.
- (6) The name and premium revenue (expense) from the reinsurance business counterparties which are the branches of foreign insurance companies located in China or the branch of Chinese insurance companies: None.
- (7) Name and premium revenue of significant insurance business with Chinese people, legal entities and groups located overseas: None.

(c) Limit of investment in China :

Unit:NTD\$'000

Name of Company	Accumulated amount transferred from Taiwan, end of the period	Investment amount approved by Ministry of Finance	Limit of investment regulated by Investment Audit Committee of Ministry of Finance.
Fubon Life Insurance Co., Ltd.	25,781,503	25,935,254	345,694,892

Note 1: The limit of investment is \$230,463,261 thousand according to Article 13 of the Regulations Governing Foreign Investments by the Group.

Note 2: On June 19, 2020, the Group was approved by the regulation of Jing Shen (2) Ruling No. 10900168540 to write off uninvested amount of CNY 12 million.

(d) Significant transactions with the investee in China : None

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

14. SEGMENT FINANCIAL INFORMATION DISCLOSURE

(A) General information

The Group runs its life insurance business and provides insurance contract product in accordance with local insurance laws, or operates other kinds of businesses according to local laws. Because the Group mainly runs insurance business and invests in real estates in Taiwan and overseas, the Group shall consider both regions and operating characteristics when determining reportable segments. The operating sectors of the Group report their profit or loss based on the net income before tax, the value of which is the foundation of performance evaluation and consistent with the report used by their decision makers. The accounting policies of the operating sectors are the same as significant accounting policies summary in Note 4.

(B) Segment information

	For the three months ended June 30, 2021				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 153,408,862	30,665,921	1,018,284	(31,677)	185,061,390
(Losses) gains from internal segments	1,454,800	-	-	(1,454,800)	-
Total revenue	<u>\$ 154,863,662</u>	<u>30,665,921</u>	<u>1,018,284</u>	<u>(1,486,477)</u>	<u>185,061,390</u>
Net income	<u>\$ 26,478,037</u>	<u>917,613</u>	<u>690,749</u>	<u>(1,253,202)</u>	<u>26,833,197</u>

	For the three months ended June 30, 2020				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 182,720,172	22,625,393	(1,024,737)	17,416	204,338,244
(Losses) gains from internal segments	(1,205,734)	-	-	1,205,734	-
Total revenue	<u>\$ 181,514,438</u>	<u>22,625,393</u>	<u>(1,024,737)</u>	<u>1,223,150</u>	<u>204,338,244</u>
Net income	<u>\$ 7,272,951</u>	<u>(157,567)</u>	<u>(1,326,837)</u>	<u>1,496,783</u>	<u>7,285,330</u>

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

	For the six months ended June 30, 2021				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 349,922,274	53,467,201	1,611,783	(26,080)	404,975,178
(Losses) gains from internal segments	3,682,786	-	-	(3,682,786)	-
Total revenue	<u>\$ 353,605,060</u>	<u>53,467,201</u>	<u>1,611,783</u>	<u>(3,708,866)</u>	<u>404,975,178</u>
Net income	<u>\$ 65,563,227</u>	<u>3,423,581</u>	<u>964,831</u>	<u>(3,250,276)</u>	<u>66,701,363</u>
Total assets	<u>\$5,037,742,550</u>	<u>547,119,272</u>	<u>50,909,404</u>	<u>(87,547,653)</u>	<u>5,548,223,573</u>
	For the six months ended June 30, 2020				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	\$ 349,830,988	40,103,054	(923,865)	28,753	389,038,930
(Losses) gains from internal segments	(832,202)	-	-	832,202	-
Total revenue	<u>\$ 348,998,786</u>	<u>40,103,054</u>	<u>(923,865)</u>	<u>860,955</u>	<u>389,038,930</u>
Net income	<u>\$ 23,375,089</u>	<u>250,934</u>	<u>(1,468,822)</u>	<u>1,424,917</u>	<u>23,582,118</u>
Total assets	<u>\$4,522,953,279</u>	<u>464,196,046</u>	<u>50,114,077</u>	<u>(68,607,039)</u>	<u>4,968,656,363</u>

Note1: Asia Insurance Business does not include Taiwan.

Note2: The adjustments and eliminations are eliminating entries used to adjust intercompany transactions when preparing the consolidated financial statements.