Stock Code：5865

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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

The 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Fubon Life Insurance Co., Ltd as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Fubon Life Insurance Co., Ltd and its Subsidiaries do not prepare a separate set of combined financial statements.

We hereby certify that the above is true and faithful.

Company Name: Fubon Life Insurance Co., Ltd.
Chairman of the Board: Tsai, Ming-Hsing
Date: March 16, 2018

Independent Auditors' Report

To the Board of Directors
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 December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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 at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Industry Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31,2017. 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(Y) for details on the information about fair value and fair value hierarchy.

   Risk and descriptions 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 major 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 market prices in an active market, selected samples to test the appropriateness of quoted prices;
   - For financial assets without quoted market prices in an active market and measured at fair value by valuation techniques, engaged our internal valuation specialists and 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 established in accordance with IFRS13 " Fair Value Measurement";
   - Assessed the presentation and disclosures of financial instruments were in accordance with International Financial Reporting Standards ("IFRSs").

2. The valuation of investment property

   Please refer to Note 4(L) 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(E) for details on the information about the valuation of investment property.

   Risk and descriptions of the key audit matter:

   According to Regulations Governing Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance, the fair value of the investment properties that are held by the Group was determined by the external appraisers using valuation methods and market evidences in accordance with Regulations on Real Estate Appraisal. The selection of valuation methods requires major 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 firm's procedures for measuring fair value and disclosures of investment properties to assess whether the professional appraisal firms selected appropriate valuation methods and check whether the firms adopted reasonable key assumption;

- Confirmed the presentation and disclosures of investment property were in accordance with IFRSs and Regulations Governing Preparation of Financial and Operational Reports by Insurance Enterprises;
- Assessed the appropriateness of the fair value of investment property determined 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(T) for the related accounting policy regarding the assessment of insurance liability, Note 5 for accounting assumptions and estimation uncertainty of insurance liability, Note 6(R) for details on the information about the assessment of insurance liability.

Risk and descriptions of the key audit matter:

The Group measures 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 involve the use of professional judgments in the reserve assessment processes, including life table and interest rate used in calculating the provision of life insurance liability reserve, claim development factor and expected claim rate 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, will 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 inspect the completeness of data used in the calculation of reserves and independently established models to recalculate the amount of reserves;
  - Analyzed movement in insurance liability, including assessing the reasonableness of the amount of reserves appropriated by the management based on the understanding of industry and market;
  - Conducted testing over liability adequacy to assess the reasonableness of test 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 years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion as for reference.

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

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

In preparing the consolidated financial statements, 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 supervisor) 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 of 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 Fang, Yen Ling and Chung, Tan Tan.

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2018

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with the IFRSs endorsed by the Financial Supervisory Commission of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.
The 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
11000	Cash and cash equivalents (Notes 6(A))	$ 172,873,927	5	176,831,591	5
12000	Receivables	46,241,875	1	35,024,669	1
12600	Current tax assets	454,788	-	1,064,146	-
14110	Financial assets at fair value through profit or loss (Note 6(B))	8,679,477	-	984,485	-
14120	Available-for-sale financial assets (Note 6(B))	1,256,085,639	34	1,301,118,170	39
14130	Hedging derivative assets (Note 6(B))	421,914	-	282,870	-
14140	Financial assets at cost (Note 6(B))	1,044,850	-	1,157,549	-
14150	Investments accounted for using equity method, net (Note 6(D))	15,674,229	1	12,901,967	-
14160	Bond investments without active market (Note 6(B))	1,525,361,896	42	1,223,582,267	37
14170	Held-to-maturity financial assets (Note 6(B))	16,343,302	-	16,337,553	1
14180	Other financial assets, net (Note 6(B))	22,506,095	1	32,039,668	1
14200	Investment property (Note 6(E))	170,232,814	5	171,713,701	5
14300	Loans (Note 6(B))	189,690,325	5	165,677,368	5
15000	Reinsurance assets (Note 6(G))	1,624,307	-	1,378,571	-
16000	Property, plant and equipment (Note 6(H))	19,676,872	1	19,085,535	1
17000	Intangible assets (Note 6(I))	223,667	-	274,620	-
17800	Deferred tax assets	13,559,234	-	8,059,745	-
18000	Other assets (Note 6(J))	46,862,108	1	43,511,372	1
18900	Assets on insurance product, separate account (Note 6(K))	155,214,816	4	142,534,021	4
	Total assets	$ 3,662,772,135	100	3,353,559,868	100

		December 31, 2017		December 31, 2016	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Liabilities				
21000	Accounts payable (Note 6(L))	$ 28,760,968	1	22,540,990	1
21700	Current tax liabilities	7,051,235	-	4,646,394	-
23200	Financial liabilities at fair value through profit or loss (Note 6(B))	448,368	-	14,156,699	-
23300	Hedging derivative liabilities (Note 6(B))	781,779	-	760,198	-
23500	Bonds payable (Note 6(M))	35,000,000	1	28,500,000	1
24000	Insurance liabilities (Note 6(R))	3,130,472,770	85	2,879,604,377	86
24800	Reserve for insurance with nature of financial instrument (Note 6(S))	3,744,674	-	18,137,335	1
24900	Reserve for foreign exchange fluctuation (Note 6(T))	2,305,484	-	4,632,746	-
27000	Liabilities reserve (Note 6(N))	6,987,087	-	7,540,923	-
28000	Deferred tax liabilities (Note 6(P))	7,192,742	-	6,586,754	-
25000	Other liabilities	11,921,889	1	10,445,060	-
26000	Liabilities on insurance product, separate account (Note 6(K))	155,214,816	4	142,534,021	4
	Total liabilities	3,389,881,812	92	3,140,085,497	93
	Equity attributable to owners of parent				
	Share capital (Note 6(O)):				
31100	Ordinary share	82,969,690	2	69,432,750	2
	Capital surplus (Note 6(O)):				
32100	Capital surplus, additional paid-in capital	7,052,235	-	7,052,235	-
32400	Capital surplus, employee share options	134,778	-	134,778	-
32600	Capital surplus, others	22,273,321	1	21,218,720	1
	Total capital surplus	29,460,334	1	28,405,733	1
	Retained earnings (Note 6(O)):				
33100	Legal reserve	34,167,456	1	28,429,944	1
33200	Special reserve	69,033,945	2	65,637,669	2
33300	Unassigned retained earnings	39,282,358	1	34,464,821	1
	Total retained earnings	142,483,759	4	128,532,434	4
	Other equity interest (Note 6(O)):				
34100	Exchange differences on translation of foreign financial statements	(5,824,426)	-	(6,118,157)	-
34250	Unrealized gains (losses) on available-for-sale financial assets	23,983,161	1	(6,417,487)	-
34300	Gains (losses) on effective portion of cash flow hedges	(299,649)	-	(402,102)	-
34600	Unrealized revaluation surplus	117,454	-	41,200	-
	Total other equity interest	17,976,540	1	(12,896,546)	-
	Total equity	272,890,323	8	213,474,371	7
	Total liability and equity	$ 3,662,772,135	100	3,353,559,868	100

(See accompany notes to the consolidated financial statements)

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

		For the year ended December 31,				
		2017		2016		
		Amount	%	Amount	%	Change%
	Operating Revenues:					
41110	Written premium	$ 481,575,960	76	470,122,949	77	2
41120	Reinsurance premium	-	-	87	-	(100)
	Total premium	481,575,960	76	470,123,036	77	
51100	Less: Reinsurance expense	1,375,027	-	1,254,891	-	10
51310	Net change in unearned premiums reserve	315,917	-	259,694	-	22
	Retained earned premium (Note 6(V))	479,885,016	76	468,608,451	77	
41300	Reinsurance commission received	405,752	-	486,347	-	(17)
41400	Fee income	1,961,780	-	1,973,166	-	(1)
	Net income (loss) from investments					
41510	Revenue from interest	84,941,306	13	77,388,327	13	10
41521	Gains (losses) on financial assets or liabilities at fair value through profit or loss	59,570,098	9	5,904,365	1	909
41522	Realized gains on available-for-sale financial assets	59,952,849	9	48,094,294	8	25
41523	Realized gains on financial assets or liabilities at cost	105,623	-	57,542	-	84
41524	Realized gains on debt investments without active market	5,880,130	1	10,549,164	2	(44)
41540	Share of gain (loss) of associates and joint ventures accounted under equity method	(353,095)	-	13,406	-	(2,734)
41550	Foreign exchange gains (losses), investments	(89,512,688)	(14)	(24,812,886)	(4)	(261)
41560	Net change in reserve for foreign exchange fluctuation (Note 6(T))	2,327,262	-	2,846,302	-	(18)
41570	Gains on investment property	5,240,949	1	4,832,221	-	8
41580	(Reversal of) impairment loss on investments (Note 6(B))	(1,620,719)	-	(232,911)	-	(596)
41590	Other net income (losses) from investments	(953,611)	-	(312,722)	-	(205)
41800	Other operating income	241,331	-	157,483	-	53
41900	Income on insurance product, separate account (Note 6(K))	28,266,274	5	16,946,647	3	67
	Total operating revenue	636,338,257	100	612,499,196	100	
	Operating Costs:					
51200	Insurance claim payment	243,593,545	38	186,922,708	31	30
41200	Less: Claims recovered from reinsurers	736,105	-	457,355	-	61
	Retained claim payment (Note 6(V))	242,857,440	38	186,465,353	31	
51300	Net change in insurance liability	291,756,876	46	326,209,141	53	(11)
51380	Net change in reserve for insurance with nature of financial instrument	165,521	-	1,255,161	-	(87)
51400	Acquisition expense	43,737	-	38,160	-	15
51500	Commission expense	24,277,228	4	33,625,051	5	(28)
51600	Fee expenses	-	-	3	-	(100)
51700	Finance costs	1,076,106	-	63,442	-	1,596
51800	Other operating costs	1,860,437	-	1,933,151	-	(4)
51900	Disbursements on insurance product, separate account (Note 6(K))	28,266,274	4	16,946,647	3	67
	Total operating costs	590,303,619	92	566,536,109	92	
	Operating expenses:					
58100	General expenses	11,670,189	2	13,246,811	2	(12)
58200	Administrative expenses	4,106,662	1	3,853,203	1	7
58300	Staff training expenses	89,727	-	78,764	-	14
	Total Operating Expenses	15,866,578	3	17,178,778	3	
	Net Operating Income	30,168,060	5	28,784,309	5	5
59000	**Total non-operating income and expenses (Note 6(W))**	288,315	-	489,392	-	(41)
	Profit from continuing operations before income tax	30,456,375	5	29,273,701	5	4
63000	**Income tax expense (Note 6(P))**	(2,031,567)	-	586,138	-	(447)
	Net profit	$ 32,487,942	5	28,687,563	5	13
83000	**Other comprehensive income:**					
83100	**Items not classified into profit and loss**					
83110	Remeasurement of defined benefit plans	$ 173,387	-	(887,537)	-	120
83120	Revaluation of real estate property	82,501	-	26,859	-	207
83130	Share of other comprehensive income of associates and joint ventures accounted for using equity method -Items that are not or may not be reclassified subsequently to profit or loss	76,956	-	10,942	-	603
83180	No reclassification of items related to income taxes	(48,811)	-	147,425	-	(133)
		284,033	-	(702,311)	-	140
83200	**Items may be classified into profit and loss**					
83210	Exchange differences on translation, before tax	(12,276)	-	(7,232,835)	(1)	100
83220	Unrealized gains or losses on available-for-sale financial assets, before tax	35,505,017	6	14,276,393	1	149
83230	Gains or losses on effective instruments of cash flow hedges, before tax	117,463	-	(1,139,304)	-	110
83240	Share of other comprehensive income of associates and joint ventures accounted for using equity method -Items that are or may be reclassified subsequently to profit or loss	661,943	-	(1,827,308)	-	136
						-
83280	Reclassification of items related to income taxes	(5,475,315)	(1)	(2,120,749)	-	(158)
		30,796,832	5	1,956,197	-	1,474
83000	**Other comprehensive income (after tax)**	31,080,865	5	1,253,886	-	2,379
85000	**Comprehensive income**	$ 63,568,807	10	29,941,449	5	112
	Net profit attributable to :					
	Owners of parent	$ 32,487,942	5	28,687,563	5	
	Comprehensive income attributable to:					
	Owners of parent	$ 63,568,807	10	29,941,449	5	
97500	**Basic earnings per share (expressed in dollars) (Note 6(Q))**	$	3.92		3.46	

(See accompany notes to the consolidated financial statements)

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

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CHANGE

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
			Retained earnings				Total other equity interest					
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available for sale financial assets	Gains or losses on effective portion of cash flow hedge	Unrealized revaluation surplus	Total	Total Equity
Balance at January 1, 2016	$ 57,320,950	27,654,605	20,226,317	45,255,942	47,201,986	112,684,245	115,613	(15,558,995)	549,439	15,937	(14,878,006)	182,781,794
Net income	-	-	-	-	28,687,563	28,687,563	-	-	-	-	-	28,687,563
Other comprehensive income	-	-	-	-	(727,574)	(727,574)	(6,233,770)	9,141,508	(951,541)	25,263	1,981,460	1,253,886
Total comprehensive income	-	-	-	-	27,959,989	27,959,989	(6,233,770)	9,141,508	(951,541)	25,263	1,981,460	29,941,449
Appropriation and distribution:												
Legal reserve	-	-	8,203,627	-	(8,203,627)	-	-	-	-	-	-	-
Special reserve from profit after tax	-	-	-	4,101,813	(4,101,813)	-	-	-	-	-	-	-
Common stock dividend	12,111,800	-	-	-	(12,111,800)	(12,111,800)	-	-	-	-	-	-
Special reserve－transferred from recovered contingency risk reserves	-	-	-	501,286	(501,286)	-	-	-	-	-	-	-
Special reserve－the cost saved from hedging	-	-	-	168,514	(168,514)	-	-	-	-	-	-	-
Special reserve－major accidents and reserves of fluctuation of risks	-	-	-	831,401	(831,401)	-	-	-	-	-	-	-
Special reserve－gains from the fluctuation of subsequent fair value measurement of investment property	-	-	-	390,262	(390,262)	-	-	-	-	-	-	-
Special reserve－negative net amount of other equity interest	-	-	-	14,878,006	(14,878,006)	-	-	-	-	-	-	-
Recovered special reserve－major accidents and reserves of fluctuation of risks	-	-	-	(489,555)	489,555	-	-	-	-	-	-	-
Other changes in capital surplus:												
Changes in investments in associates and joint ventures for using equity method	-	751,128	-	-	-	-	-	-	-	-	-	751,128
Balance at December 31, 2016	69,432,750	28,405,733	28,429,944	65,637,669	34,464,821	128,532,434	(6,118,157)	(6,417,487)	(402,102)	41,200	(12,896,546)	213,474,371
Net income	-	-	-	-	32,487,942	32,487,942	-	-	-	-	-	32,487,942
Other comprehensive income	-	-	-	-	207,779	207,779	293,731	30,400,648	102,453	76,254	30,873,086	31,080,865
Total comprehensive income	-	-	-	-	32,695,721	32,695,721	293,731	30,400,648	102,453	76,254	30,873,086	63,568,807
Appropriation and distribution:												
Recovered special reserve－negative net amount of other equity interest	-	-	-	(1,981,460)	1,981,460	-	-	-	-	-	-	-
Legal reserve	-	-	5,737,512	-	(5,737,512)	-	-	-	-	-	-	-
Special reserve from profit after tax	-	-	-	2,868,756	(2,868,756)	-	-	-	-	-	-	-
Common stock cash dividend	-	-	-	-	(5,207,456)	(5,207,456)	-	-	-	-	-	(5,207,456)
Common stock dividend	13,536,940	-	-	-	(13,536,940)	(13,536,940)	-	-	-	-	-	-
Special reserve－transferred from recovered contingency risk reserves	-	-	-	458,706	(458,706)	-	-	-	-	-	-	-
Special reserve－the cost saved from hedging	-	-	-	837,868	(837,868)	-	-	-	-	-	-	-
Special reserve－major accidents and reserves of fluctuation of risks	-	-	-	821,195	(821,195)	-	-	-	-	-	-	-
Special reserve－gains from the fluctuation of subsequent fair value measurement of investment property	-	-	-	808,933	(808,933)	-	-	-	-	-	-	-
Special reserve－Other	-	-	-	143,438	(143,438)	-	-	-	-	-	-	-
Recovered special reserve－major accidents and reserves of fluctuation of risks	-	-	-	(561,160)	561,160	-	-	-	-	-	-	-
Other changes in capital surplus:												
Changes in investments in associates and joint ventures for using equity method	-	1,054,601	-	-	-	-	-	-	-	-	-	1,054,601
Balance at December 31, 2017	**$ 82,969,690**	**29,460,334**	**34,167,456**	**69,033,945**	**39,282,358**	**142,483,759**	**(5,824,426)**	**23,983,161**	**(299,649)**	**117,454**	**17,976,540**	**272,890,323**

(See accompany notes to the consolidated financial statements)

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

FUBON LIFE INSURANCE CO., LTD.AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31, 2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 30,456,375	29,273,701
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	414,970	312,067
Amortization expense	360,721	680,185
Provision for bad debt expense	355,493	345,079
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(21,404,126)	726,767
Net gain on available-for-sale financial assets	(33,650,766)	(23,416,132)
Net gain on financial assets or liabilities at cost	(15,289)	(47)
Net gain on bond investments without active market	(5,880,130)	(10,549,164)
Interest expense	1,122,796	141,486
Interest revenue	(84,941,306)	(77,388,327)
Dividend revenue	(26,392,417)	(24,738,727)
Net change in insurance liabilities	292,072,793	326,468,835
Net change in reserve for insurance with nature of financial instrument	(14,392,661)	(65,479,422)
Net change in reserve for foreign exchange fluctuation	(2,327,262)	(2,846,302)
Profit share of loss (gain) of associates and joint ventures under equity method	353,095	(13,406)
Loss on disposal of property, plant and equipment	12,501	1,491
Property, plant and equipment transferred to income	(2,555)	(4,975)
Loss on disposal of intangible assets	1,080	-
Impairment loss on financial assets	1,620,719	245,982
Reversal of impairment loss on financial assets	-	(13,071)
Reversal of impairment loss on non-financial assets	-	(6,248)
Unrealized foreign exchange loss	80,441,649	26,730,625
Loss arising from adjusting fair value of investment property	397,751	265,341
Other	28,677	-
Total adjustments to reconcile profit	188,175,733	151,462,037
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) Decrease in accounts receivable	(9,979,410)	1,642,667
Decrease in financial assets and liabilities at fair value through profit or loss	803	3,249,828
Decrease (Increase) in other financial assets	9,403,764	(2,686,491)
Increase in reinsurance assets	(134,416)	(98,709)
Decrease in available-for-sale financial assets	82,903,615	82,145,638
Increase in financial assets at cost	(183,905)	(127,078)
Increase in bond investments without active market	(370,902,260)	(338,884,252)
Increase in held-to-maturity financial assets	-	(1,491,630)
(Increase) Decrease in other assets	(1,651,769)	15,741
Total changes in operating assets	(290,543,578)	(256,234,286)
Changes in operating liabilities:		
Increase in accounts payable	6,074,727	2,109,803
Decrease in liabilities reserve	(404,914)	(1,016,540)
Increase in deferred tax liabilities and other liabilities	1,476,829	1,914,117
Total changes in operating liabilities	7,146,642	3,007,380
Total changes in operating assets and liabilities	(283,396,936)	(253,226,906)
Total adjustments	(95,221,203)	(101,764,869)
Cash outflow generated from operations	(64,764,828)	(72,491,168)
Interest received	64,093,706	57,901,782
Dividends received	27,180,004	24,490,029
Interest paid	(972,705)	(77,938)
Dividends paid	(5,207,456)	-
Income taxes paid	(5,413,698)	(244,528)
Net cash flows from operating activities	14,915,023	9,578,177
Cash flows from (used in) investing activities:		
Acquisition of investment under equity method	(2,279,648)	-
Acquisition of property, plant and equipment	(511,166)	(749,569)
Proceeds from disposal of property, plant and equipment	36	60
(Increase) Decrease in guarantee deposits paid	(265,803)	48,851
Acquisition of intangible assets	(50,417)	(125,683)
Increase in loans	(23,725,143)	(24,479,457)
Acquisition of investment property	(2,397,397)	(12,709,933)
Disposal of investment property	4,201,612	-
Net cash flows used in investing activities	(25,027,926)	(38,015,731)
Cash flows from (used in) financing activities:		
Proceeds from issuing bonds	6,500,000	28,500,000
Net cash flows from financing activities	6,500,000	28,500,000
Effect of exchange rate changes on cash and cash equivalents	(344,761)	141,174
Net (Decrease) Increase in cash and cash equivalents	(3,957,664)	203,620
Cash and cash equivalents at beginning of period	176,831,591	176,627,971
Cash and cash equivalents at end of period	$ **172,873,927**	**176,831,591**

(See accompany notes to the consolidated financial statements)

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 December 31, 2017 and 2016 comprise the Company and its subsidiaries, 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

On March 16, 2018, the consolidated financial statements were resolved by the board of directors and authorized for issuance afterward.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

(a) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(1) Classification and Measurement- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and the existing categories of available-for-sale financial assets, financial assets at cost, bond investments without active market, and held-to-maturity financial assets are eliminated. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

The Group will reclassify financial assets in accordance with IFRS 9 and "overlay approach" in Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (Note3 (B)(b)). The Group estimated the application of the abovementioned changes resulting in the increase of $11,382,364 and $283,744 in other equity items and retained earnings respectively.

(2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to rents receivables, contract assets or loan commitments and financial guarantee contracts.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. 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. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group estimated the application of IFRS 9’s impairment requirements on January 1, 2018 resulting in the increase of $382,917 in other equity items, as well as the decrease of $929,282 in retained earnings.

(3) Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to apply the new requirements of IFRS 9.

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component of a non-financial item, will be likely to qualify for hedge accounting. The Group does not currently undertake hedges of such risk components.

The types of hedge accounting relationships that the Group currently designates meet the requirements of IFRS 9 and are aligned with the entity' s risk management strategy and objective.

The Group believes that the abovementioned changes will have no material impact on other equity items as well as retained earnings.

(4) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(5) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

・The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

・The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

– The determination of the business model within which a financial asset is held.

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

– The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b)Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”

The amendments provide the following optional approaches (overlay approach and temporary exemption) to reduce the impact of the different effective dates of IFRS 9 and the forthcoming IFRS 17:

- Provide all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and

- Provide companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39.

The Group planned to adopt the first option to reduce the impact caused by different effective dates of IFRS 9 and the forthcoming IFRS 17. Please refer to NOTE 3(B)(1) for the estimated influence on other equity item, retained earnings as well as non-controlling interests.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(C) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
May 18, 2016	IFRS 17 "Insurance Contracts "	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: ・Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest. ・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.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle: ・IFRS 3 Business Combinations and IFRS 11 Joint Arrangements ・IAS 12 Income Taxes ・IAS 23 Borrowing Costs	・Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. －If a party maintain joint control, then the previously held interest is not remeasured. －If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. ・Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity. ・Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on the amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.

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

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 the international financial reporting standards, international accounting standards, and interpretations (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 (including derivative 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 interim financial statements at the same reporting date.

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

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

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

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

Investor Company	Subsidiary	Business Type	Stockholder's equity (Holding %) December 31, 2017	Stockholder's equity (Holding %) December 31, 2016
The Company	Fubon Life Insurance (Vietnam) Co., Ltd.	Life insurance	100 %	100 %
The Company	Fubon Life Insurance (Hong Kong) Co., Ltd.	Life insurance	100 %	100 %
The Company	Carter Lane (Guernsey) Ltd.	Investment property and management	100 %	100 %
The Company	Bow Bells House (Jersey) Ltd.	Investment property and management	100 %	100 %
The Company	Fubon MTL Property (Jersey) Ltd.	Investment property and management	100 %	100 %
The Company	Fubon Ellipse (Belgium) S.A.	Investment property and management	100 % (Note 2)	100 %
The Company	Fubon Ellipse (Jersey) Ltd. (Note 1)	Holding company	100 %	100 %

Note 1: Turned into a subsidiary in December 2016.

Note 2: Fubon Ellipse (Belgium) S.A. has issued 1,133,718 shares, of which 1 share is held by Fubon Ellipse (Jersey) Limited.

(D) Foreign exchange

(a) Foreign currency transaction

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

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

- Non- monetary available-for-sale equity investment;
- 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 the hedge is effective.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated to 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 to the Company’s functional currency at average rate. Foreign currency 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

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

(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

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

In accordance with International Accounting Standards 39 "Financial instruments" ("IAS 39") as endorsed by FSC, financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, hedging derivative assets, financial assets at cost, bond investments without active market, held-to-maturity financial assets, other financial assets, and loans and receivables. Financial liabilities are classified into short-term debts, financial liabilities at fair value through profit or loss, hedging derivative liabilities and bonds payable.

(a) Financial assets

(1) Daily transactions

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

(2) Loans and receivables

Loans include premium loans, life insurance loans, and secured 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 real estate and special project loans approved by the competent authority.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, excluding:

1) Financial assets held for trading if acquired principally for the purpose of selling in the near term.

2) Financial assets designated as at fair value through profit or loss at initial recognition.

3) Financial assets designated as available-for-sale at initial recognition.

4) Financial assets, other than because of credit deterioration, for which the holder may not recover all of the initial investment.

Loans and receivables, except for which discounted value has insignificant impact, are subsequently measured at amortized cost using the effective interest method and recognized in profit or loss upon disposal, impairment, or amortization.

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

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term, placing in an investment portfolio for short-term profit-taking, or holding as derivative instrument. Financial assets at fair value through profit or loss include financial assets that are held-for-trading or are designated as at fair value through profit or loss at initial recognition.

The financial asset is classified as held-for-trading under one of the following situations:

1) It is acquired primarily for the purpose of selling in the near term

2) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

3) It is a derivative financial instrument (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets are designated as at fair value through profit or loss at initial recognition under one of the following situations:

1) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

2) Performance of the financial asset is evaluated on a fair value basis.

3) Hybrid instrument contains one or more embedded derivatives.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on financial asset, including those earned in the year of investing.

Financial assets at fair value through profit or loss and designated as such at the time of initial recognition are classified as "financial assets at fair value through profit or loss" in the consolidated balance sheet. Changes in fair value are recognized in profit or loss as "gain or loss on financial assets and liabilities at fair value through profit or loss".

(4) Held-to-maturity financial assets

Debt securities which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less provision for impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and transaction costs) through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount at initial recognition.

If an entity sells or reclassifies a held-to-maturity investment other than in insignificant amounts, all of its other held-to-maturity investments must be reclassified as available-for-sale financial assets for the current and next two financial reporting years.

(5) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment, or financial assets at fair value through profit or loss.

Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, fair value changes due to gain or loss on foreign exchange on monetary available-for-sale financial assets, interest income calculated using the effective interest method and dividend income on available-for-sale investment are recognized in profit or loss. Other fair value changes were recognized in other comprehensive income until the investment was disposed of or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income were reclassified to profit or loss as a reclassification adjustment.

Dividend income is recognized in profit or loss when the Group became entitled to the dividend.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss and are recognized in a separate line item as financial assets at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

(6) Financial assets at cost

At initial recognition, the costs of the equity investments without active market are valued at fair value plus the acquisition costs. The fair value of these assets can be reliably measured if:

1) The variable interval of reasonable fair value estimates are not significant for that asset.

2) The probabilities of the various estimates within the interval can be reasonably assessed and used when measuring fair value.

If a financial asset does not meet both of above conditions, it cannot be measured at fair value. Therefore, it is classified as financial asset at cost.

(7) Bond investments without active market

Bond investments without active market are debt investments with fixed or determinable payments that are not quoted in an active market. At initial recognition, the costs of the financial assets are valued at their fair value plus the acquisition costs. Disposal gain or loss is recognized in profit or loss upon derecognition. Bond investments without active market are measured at amortized cost using the effective interest method.

(8) Other financial assets

Other financial assets not classified into the abovementioned financial assets are mainly structured deposits which have rights to collect cash or other financial instruments from counterparties through the contracts. Structured deposits that the Group engaged are recorded at cost as stated in the contracts, and the interest rates are linked to market rates and other financial benchmarks. Interest income thereon is recognized after holding the structured deposits to maturity. Impairment of principals may occur when investors terminate the contract before the maturity date.

(b) Financial liabilities

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

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

A financial liability is classified as held-for-trading if:

1) it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;

2) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liability held-for-trading also includes obligations to deliver financial assets borrowed by a short seller.

Financial liabilities at fair value through profit or loss and those designated as such at initial recognition are recognized as "financial liabilities at fair value through profit or loss" in the consolidated balance sheet. The changes in fair value are recognized as "gain or loss on financial assets and liabilities at fair value through profit or loss" in the consolidated statement 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, an entity shall present all gains or losses on that liability in profit or loss.

(2) 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 during the outstanding period of bonds.

(c) Determination of fair value

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

(d) Derecognition of financial assets and liabilities

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

When the Group conducts security lending or borrowing or uses bonds or stocks as collateral for transactions under repurchase agreement, it does not decommission the financial instruments because almost all the risk and reward of the ownership remain with the Group. When the Group executes securitization and part of the risk remains with the Group, the financial assets are not decommissioned either.

When the Group derecognizes a financial asset, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that is recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled, or expires.

(e) Reclassification of financial assets

IAS 39 as endorsed by FSC applies to the reclassification of non-derivative financial assets.

Under IAS 39 as endorsed by FSC, the following principles are adopted relating to the reclassification of financial instruments:

(1) No reclassification of derivative instrument is made out of the fair value measured through profit or loss category while it is held or issued.

(2) No reclassification is made of any financial instrument out of the fair value measured through profit or loss category if it was designated as at fair value measured through profit or loss at initial recognition.

(3) If a financial asset is no longer held for the purpose of selling or repurchasing it in the near term, it is reclassified out of the fair value measured through profit or loss category, but only in rare circumstances.

(4) No reclassification is made of any financial instrument into the fair value measured through profit or loss category subsequent to initial recognition.

(5) If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it is reclassified as available-for-sale and remeasured at fair value, and the difference between its carrying amount and fair value is recorded in other comprehensive income.

(6) No reclassification is made of any financial assets as held-to-maturity if during the current financial year or during the two preceding financial years, more than an insignificant amount of held-to-maturity investments were sold or reclassified before maturity. Any remaining held-to-maturity investments are reclassified as available-for-sale.

(f) Offsetting of financial instruments

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

(g) Interest income

Except for financial assets and liabilities reported at fair value through profit or loss, all interests of interest-bearing financial instruments are accrued using the effective interest rate method and are accounted for as interest revenue in consolidated statements of comprehensive income.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest revenue is calculated using the interest rate to discount the future cash flows for the purpose of assessing impairment.

(h) Impairment of financial assets

(1) Financial assets at amortized cost, loans and receivables

At each reporting date, a financial asset or a group of financial assets is assessed whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that a financial asset or a group of financial assets is impaired includes:

1) Significant financial difficulty of the issuer or obligor;

2) A breach of contract, such as a default or delinquency in interest or principal payments;

3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

5) The disappearance of an active market for that financial asset because of the issuer’s financial difficulties; or

6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   (I) Adverse changes in the payment status of borrowers in the group; or

   (II) Changes in national or local economic conditions that correlate with defaults on the assets in the group

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Except for estimating the allowance for bad debts arising from the impairment loss above, the allowance for doubtful accounts should 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 amount of the allowance for doubtful accounts is decided based on the aforementioned two methods, whichever results in higher allowance for doubtful accounts.

(2) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(3) Financial assets at cost

When there is objective evidence that financial assets at cost are impaired, impairment losses are recognized in profit or loss and shall not be reversed subsequently.

(4) Investments accounted for using equity method

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of profit or loss of an associate in the statement of comprehensive income as required by IAS 36 Impairment of Assets. If using the investment's value in use as the recoverable amount, the Group determines the value in use based on the following estimates:

1) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

2) 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.

Because goodwill included as part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 Impairment of Assets.

(i) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value on the contract date and are subsequently remeasured at their fair value. Fair value is determined by using quoted prices in an active market, recent market prices and valuation techniques that include discounted cash flow models and option pricing models. If the result of its valuation at fair value is positive, a derivative instrument is classified as a financial asset, otherwise it is classified as a financial liability.

An embedded derivative shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risk of the embedded derivative is not closely related to the host contract and a separated instrument with the same terms as the embedded derivative would meet the definition of a derivative, unless the hybrid instrument is designated as at fair value through profit or loss.

When a derivative instrument is designated as a hedging instrument, gains or losses arising from change in fair value is recognized based on the type of hedging relationship.

The Group designated certain derivative financial instruments as hedging instrument for cash flow hedge accounting.

(1) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income; and the ineffective portion of the gain or loss on the hedging instrument shall be recognized as "gains (losses) on financial assets or liabilities at fair value through profit or loss" in the consolidated statement of comprehensive income.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income shall be reclassified from equity to profit or loss in the same period or periods as assets obtained or liabilities borne resulting from the hedged cash flows that affect profit or loss.

When the hedging instrument is expired, sold, or no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall be reclassified from equity to profit or loss as "gains (losses) on financial assets or liabilities at fair value through profit or loss".

(2) Non-qualifying hedging derivatives

When a derivative does not meet the conditions for hedging accounting, all changes in its fair value are recognized immediately in profit or loss as "gains (losses) on financial assets or liabilities at fair value through profit or loss".

(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.

(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.

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

When the 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.

(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.

(K) Lease

(a) Lessor

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

Lease income from an operating lease ought to be recognized in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Incentives for the agreement of an operating lease shall be recognized as a reduction of rental income over the lease term on a straight-line basis.

Contingent rent is recognized as revenue when the leasing adjustment is confirmed.

(b) Lessee

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

Other leases are operating leases and are not recognized in the Group's consolidated balance sheet.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognized and amortized on a straight-line basis to decrease lease expenses over the term of the lease.

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

If a property held under an operating lease meets the definition of investment property, it may be classified as investment property and measured at fair value. This classification option is applicable upon each property interest on property-by-property basis. Furthermore, the aforementioned lease shall be accounted for as if it were a finance lease and recognized at the lower of the fair value of the asset and the present value of the minimum lease payments. The same amount of liability is recognized at the same time.

(L) Investment property

Investment property held by the Group is either to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes, including property held under operating lease. 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”.

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.

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”.

(M) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes any cost directly attributable to the asset and the initial estimated of the cost of dismantlement, removal or restoration.

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.

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

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the value of the expenditure can be measured reliably. 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.

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

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

(N) Superficies

Superficies are classified as finance leases or operating leases in accordance with IAS 17. If a superficies is classified as an operating lease, contract value and necessary expenditures should be recognized as prepaid expenses at the beginning of the contract term (on the completion day of registration) and amortized during the superficies period. If a property is developed for investment or owner-occupied purposes, the contract value amortized during the construction period should be recognized as the cost of building. For the superficies held under operating lease but accounted for as if it were a finance lease, please refer to Note 4(K) for the lease accounting policy.

(O) Reinsurance

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.

Reinsurance assets, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies are periodically assessed for impairment. If the reinsurance asset is impaired, its carrying amount is reduced accordingly and impairment loss thereon is recognized in profit or loss. A reinsurance asset is impaired if, and only if there is objective evidence that the 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 amounts that the Group will receive from the reinsurer can be measured reliably.

The Group evaluates the effects of reinsurance with another insurer to whom insurance risks are ceded. If reinsurance contracts only cede significant insurance risks (excluding the underwriter risk and time risk), the reinsurance contract is accounted for using deposit accounting. Under this deposit accounting, the insurance premium minus the 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.

(P) 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. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives; intangible assets with indefinite useful lives are not amortized. Most of the Group' s identifiable intangible assets are with finite lives and they are reviewed each reporting period to assess whether future economic benefits have impaired or changed.

The Group selects the cost model to measure subsequent to acquisition. Intangible assets with indefinite useful life are assessed for impairment when they are reviewed each reporting period or when there is an indication of impairment of an asset.

(a) Goodwill

Goodwill is not amortized, but it should be tested for impairment annually or when there is an indication of impairment of goodwill. In terms of investments under equity method, the carrying amount of good 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.

(b) Computer software

Computer software is either software acquired or cost incurred for business purposes. The cost of computer software purchased is capitalized and amortized using straight-line method over its useful life. The estimated useful life of computer software is 3 to 10 years.

(Q) Impairment – Non financial assets

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

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

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

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

(R) 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.

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.

(S) 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 assets value is determined in accordance with related government regulations and TIFRS.

Regardless of whether or not 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 IAS39. 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.

(T) Insurance liability

The reserve for both the insurance contracts and the investment contracts with or without discretionary participation feature of the Group determines 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 Executive Yuan. 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 Tai Tsai Bao No 852367814 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

(a) 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.

(b) 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).

(c) Liability reserve

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

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%.

When the Group chooses to adopt the fair value model for investment property, fair value assessment for insurance liability should also be adopted. If fair value of insurance liability exceeds book value, liability reserve should be provided by the difference and adjust retained earnings. Starting from 2014, the Group changed the measurement subsequent to initial recognition of investment property from a cost model to fair value model. Assessed in accordance with the Gin Guan Bao Tsai No. 10302501161 order issued on March 21, 2014, the fair value of insurance liability does not exceed book value; therefore, additional liability reserve is not provided.

(d) Special reserve

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

1) Special catastrophic reserve

A special catastrophic reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophic claim exceeding $30,000, the excess amount is offset against special catastrophic reserve. For special catastrophic 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 special catastrophic reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

2) Special contingency risk reserve

If the net amount of actual claim minus the related special catastrophic reserve is lower than the amount of expected claim, a special 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 special catastrophic reserve is higher than the expected claim amount, the difference is debited to special contingency risk reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special 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 special reserve for contingency risk of equity in accordance with IAS 12.

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

(2) The pre-bonus pre-tax income of participating life insurance policies sold by the Group is assessed separately at the end of the year, in accordance with the Regulations. The income and expense allocation of participating and non-participating life insurance policies is 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.

(3) In accordance with the provision of article 32 item of 4 of “Regulations Governing the Preparation of Financial reports by Insurance Companies”, except the excess amount of fixed assets measured at fair value is offset against the adverse impacts of other reserves caused by first adoption of TIFRSs, the difference generated from the revaluation surplus of fixed assets is accounted for under special reserve of liability. 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.

(e) Premium deficiency reserve

For life insurance, health insurance, and annuities contracts issued commencing from January 1, 2001, whose contract period is longer than one year, a special premium deficiency reserve is provided based on the unpaid premiums deficiency if the written premiums are less than those used for providing policy reserves.

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

(f) Liability adequacy reserve

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

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

(U) 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.

(V) Reserve for foreign exchange fluctuation

Commencing from March 1, 2012, part of the special catastrophic reserve and contingency risk reserve covering all types of insurance is transferred to serve as the initial balance of reserve for foreign exchange fluctuation. Subsequent provision or write off of this reserve is made in conformity with the “Guidance for Reserve for Foreign Exchange Fluctuation 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 Fluctuation 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.

(W) 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 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 do transfer insurance risk at a later time. In those cases, the contract is not considered an insurance contract until the risk transfer happens.

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. 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, the Group need not recognize it separately, except when the entire contract is measured at fair value through profit or loss.

(X) 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 investment-linked insurance 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.

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 (ex: front-end load), this service charge is initially treated as a deferred revenue and is recognized as revenue when the service is provided.

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

The recognition of income and expenses for the insurance industry is required to be 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 time of receipt and upon the completion of the insurance policy. Renewal premiums are recognized on receivable basis. Expenses for acquiring policy such as commission expense etc. are recognized as current expenses along with the recognition of premiums.

(Y) Employee benefits

(a) Defined contribution plans

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation in respect of defined benefit pension plans is calculated, performed annually by a qualified actuary using the projected unit credit method, separately for each plan by discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost. The fair value of any plan assets from the present value of the defined benefit obligation should be deducted.

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 improved, any related costs added in current period due to the employees' past service should be recognized in profit and loss immediately.

Determining the re-measurements of the net defined benefit liability (asset), to be recognized in other comprehensive income, comprising: (1) actuarial gains and losses; (2) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (3) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The group transfers the amount reorganized in other comprehensive income to the retained earnings.

Gains or losses on curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting from the change in the fair value of plan assets and the change in the present value of defined benefit obligation.

(c) Termination benefits

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

(d) Short term employee benefits

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

(Z) Income Tax

Income tax expense is the aggregate amount in respect of current tax and deferred tax. Current and deferred tax is recognized in profit or loss for the period, unless the tax arises from a business combination or a transaction or event that is recognized outside profit or loss, either in other comprehensive income or directly in equity.

(a) Current income tax

Current income tax is included the current taxable profits (losses) which follow the calculation of the statutory tax rate on the report date or the expected income tax payable or income tax refund receivable based on the substantive legislation tax rate, and any adjustments of income tax payable in the previous years.

The 10% income tax 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

The measurement of deferred tax assets and liabilities should be based upon realized or expected future tax assets and liabilities at the consolidated balance sheet date or the date where the tax legislation has been established. 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.

Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that the taxable profits will be available against which those deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that neither affects the taxable profit nor accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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) Combined Income Tax

The Group and its parent company, under article 49 governing financial institutions, elect the financial holding company to be the taxpayer and jointly declare and report consolidated profit-seeking enterprise income tax in accordance with the Income Tax Act.

(AA) Earnings per share

Earnings per share (EPS) is computed based on net income (or loss) 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.

(AB) Segment information

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). The result of operating segment is regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Discrete financial information is available is from operating segment.

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. The management will continue 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 risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year.

(A) Impairment losses on loans, account receivables, and financial assets measured at amortized cost

The Group reviews loan portfolios and receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recognized, the Group makes judgments as to whether there is any observable data indicating that an impairment loss occurs. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, national or local economic conditions that correlate with defaults on the assets. For the purpose of assessing impairment, the management determines the future cash flows in the portfolio using estimates based on historical loss experience for financial assets grouped on the basis of similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to decrease any difference between estimated loss and actual loss.

The inherent risks of the impairment evaluation for financial assets include the following:

(a) The actual result in the market may differ from the expectation,

(b) The event and the condition may change in the future and differ from the original estimations and assumptions, or

(c) The Group may decide to sell its related assets due to the changes in condition in the future.

(B) Fair value of financial instruments

Pricing of non-active market or non-open market financial instruments are based on pricing model and pricing quoted from counter parties. If pricing model was used to determine the fair value, the data input into the model should be based on observable information and not human inputs. The observable information is based on long-term stability of the market parameters to avoid differences caused by the changes in source data. Testing and verification has to be done repeatedly to achieve the adequate results.

Note 6(Z) for the 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(R).

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

The details of this account are as follows:

	December 31, 2017	December 31, 2016
Cash on hand	$ 35,215	31,836
Cash in bank	117,386,133	108,151,801
Cash equivalents	55,452,579	68,647,954
	$ 172,873,927	**176,831,591**

(B) Financial assets and liabilities

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

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

	December 31, 2017	December 31, 2016
Forward exchange contracts	$ 1,441,316	784,436
Foreign exchange swaps	7,238,161	200,049
Total	**$ 8,679,477**	**984,485**

(2) Available-for-sale financial assets:

	December 31, 2017	December 31, 2016
Treasury bonds	$ -	2,964,821
Stocks	496,409,859	406,434,185
Government bonds	220,731,671	276,929,925
Corporate bonds	236,771,686	279,066,689
Financial bonds	89,845,014	97,055,974
Beneficiary certificate	216,377,666	239,777,217
Asset securitization beneficiary certificate	111,727	142,456
Sub-total	1,260,247,623	1,302,371,267
Less: Accumulated impairment	(2,159,167)	(1,253,097)
Statutory deposits	(2,002,817)	-
Total	$ 1,256,085,639	1,301,118,170

For further information about the government bonds provided as pledged assets for the guarantee of derivatives and collateral for operation guarantee, please refer to Note 8 "pledged assets".

(3) Hedging derivative assets:

	December 31, 2017	December 31, 2016
Interest rate swaps	$ 421,914	282,870

(4) Financial assets at cost:

	December 31, 2017	December 31, 2016
Stock investments	$ 1,146,629	1,260,796
Less: Accumulated impairment	(101,779)	(103,247)
Total	$ 1,044,850	1,157,549

Stock investments held by the Group with no quoted market price and which fair value cannot be reliably measured, are stated at cost.

(5) Bond investments without active market:

	December 31, 2017	December 31, 2016
Government bonds	$ 97,420,917	29,868,027
Corporate bonds	642,878,114	515,636,354
Financial bonds	242,342,746	200,918,115
Zero-coupon bonds	485,027,715	415,189,710
Real estate mortgage bonds	25,686,633	32,688,848
Assets-backed securities	22,897,927	19,810,355
Asset securitization beneficiary certificate	142,453	-
Negotiable certificates of deposit	8,965,391	9,470,858
Total	**$ 1,525,361,896**	**1,223,582,267**

(6) Held-to-maturity financial assets:

	December 31, 2017	December 31, 2016
Government bonds	$ 26,676,475	26,668,623
Less: Statutory deposits	(10,333,173)	(10,331,070)
Total	**$ 16,343,302**	**16,337,553**

For more information regarding government bonds as operation guarantee, please refer to Note 8 "Pledged Assets".

(7) Other financial assets:

	December 31, 2017	December 31, 2016
Structured deposits	$ 21,571,595	31,242,824
Deposit reservation for settlement	28,381	35,455
Cash in bank	2,200,839	2,059,755
Less: statutory deposits-other	(1,294,720)	(1,298,366)
Total	**$ 22,506,095**	**32,039,668**

The deposit contracts are recorded at principal, and the interest revenue thereof is calculated at the normal market rate plus finance index (TAIBOR, or Constant Maturity Swap (CMS), etc.)

The statutory deposits mainly include demand deposit and time deposits provided as pledged assets and were reclassified to refundable deposits. Please refer to Note 8 "pledged assets" for further information.

(8) Financial liabilities at fair value through profit or loss:

		December 31, 2017	December 31, 2016
Derivatives			
Forward exchange contracts	$	448,368	1,724,460
Foreign exchange swaps		-	12,432,239
Total	$	**448,368**	**14,156,699**

(9) Hedging derivative liabilities:

		December 31, 2017	December 31, 2016
Interest rate swaps	$	**781,779**	**760,198**

(10) Loans:

		December 31, 2017	December 31, 2016
Life insurance loans	$	52,250,315	48,166,793
Premium loans		10,973,751	10,370,197
Secured loans		128,373,311	108,768,843
Overdue receivables		18,830	3,114
Less: Allowance for bad debts		(1,925,882)	(1,631,579)
Total	$	**189,690,325**	**165,677,368**

(11) The movements of allowance for bad debts of accounts receivable and loans are as follows:

	For the year ended December 31,				
	2017			2016	
		Accounts receivable	Loans	Accounts receivable	Loans
Beginning balance	$	105,890	1,631,579	93,630	1,315,564
Add: Current period bad debt expenses		43,967	294,303	29,064	316,015
Current year bad debt recovered		-	-	8	-
Current year written off		(28,013)	-	(16,807)	-
Less: Exchange influence		(9)	-	(5)	-
Ending balance	$	**121,835**	**1,925,882**	**105,890**	**1,631,579**

The impairment assessment of accounts receivable and loans are as follows:

Item	Accounts receivable December 31, 2017	Accounts receivable December 31, 2016	Allowance for doubtful debts December 31, 2017	Allowance for doubtful debts December 31, 2016
There is objective evidence of impairment				
Collective assessment of impairment	$ 131,830	116,005	120,241	104,526
There is no objective evidence of impairment				
Collective assessment of impairment	46,231,880	35,014,554	1,594	1,364
Total	**$ 46,363,710**	**35,130,559**	**121,835**	**105,890**

Item	Loans December 31, 2017	Loans December 31, 2016	Allowance for doubtful debts December 31, 2017	Allowance for doubtful debts December 31, 2016
There is objective evidence of impairment				
Collective assessment of impairment	$ 459,181	381,437	70,878	60,227
There is no objective evidence of impairment				
Collective assessment of impairment	191,157,026	166,927,510	1,855,004	1,571,352
Total	**$ 191,616,207**	**167,308,947**	**1,925,882**	**1,631,579**

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 11,495,503	12,409,056
Stocks	28,432,729	16,682,623
Beneficiary certificates	657,624	569,288
Financial bonds	7,860,575	6,578,426
Corporate bonds	125,139,957	121,741,363
Total	**$ 173,586,388**	**157,980,756**

The limits of discretionary investment management agreements are as follows:

(Unit: in thousands)

	December 31, 2017	December 31, 2016
NTD	**7,000,000**	**4,000,000**
USD	**4,900,000**	**4,600,000**

(c) The Group assesses impairment for available-for-sale financial assets, financial assets at cost, bond investments without active market, and held-to-maturity financial assets based on whether there is objective evidence of impairment. Impairment losses recognized and/or reversed are as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Impairment loss :		
Available-for-sale financial assets	$ (1,620,719)	(245,982)
Reversal of impairment losses:		
Bond investments without active market	-	13,071
Total	$ (1,620,719)	(232,911)

	December 31, 2017	December 31, 2016
Accumulated impairment	$ 2,260,946	1,356,344

(C) Derivatives and hedging accounting

(a) Derivatives

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

	December 31, 2017		December 31, 2016	
	Book Value	Principal	Book Value	Principal
Financial assets (liabilities)				
Forward exchange contracts	$ 992,948	235,320,620	(940,024)	195,545,706
Foreign exchange swaps	7,238,161	938,466,222	(12,232,190)	832,685,580
Interest rate swaps	(359,865)	34,875,554	(477,328)	37,977,923
Total	$ 7,871,244	1,208,662,396	(13,649,542)	1,066,209,209

(2) Derivatives are accounted for as follows:

	December 31, 2017			
	Forward Exchange Contracts	Foreign Exchange Swaps	Interest Rate Swaps	Total
Financial assets at fair value through profit or loss	$ 1,441,316	7,238,161	-	8,679,477
Financial liabilities at fair value through profit or loss	(448,368)	-	-	(448,368)
Hedging derivative assets	-	-	421,914	421,914
Hedging derivative liabilities	-	-	(781,779)	(781,779)
Total	$ 992,948	7,238,161	(359,865)	7,871,244

	December 31, 2016			
	Forward Exchange Contracts	Foreign Exchange Swaps	Interest Rate Swaps	Total
Financial assets at fair value through profit or loss	$ 784,436	200,049	-	984,485
Financial liabilities at fair value through profit or loss	(1,724,460)	(12,432,239)	-	(14,156,699)
Hedging derivative assets	-	-	282,870	282,870
Hedging derivative liabilities	-	-	(760,198)	(760,198)
Total	$ (940,024)	(12,232,190)	(477,328)	(13,649,542)

As of December 31, 2017 and 2016 the Group does not possess derivatives through discretionary investment management agreement.

(3) The Group enters into forward exchange contracts, foreign exchange swap contracts, and interest rate swap contracts 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 gain (loss) on financial assets or liabilities at fair value through profit or loss:

For the year ended December 31,	
2017	2016
$ 21,403,323	(617,879)

(b) Hedge accounting

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 swap contracts to hedge such risk.

The cash flow hedged items and derivatives designated as hedging instruments are as follows:

December 31, 2017				
Hedged Item	Hedging Instrument	Fair value of instrument	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in profit or loss
Floating-rate bonds	Interest rate swaps	$ (359,865)	2018.01.16~ 2024.08.11	2018.01.16~ 2024.08.11

December 31, 2016				
Hedged Item	**Hedging Instrument**	**Fair value of instrument**	**Period of anticipated cash flow**	**Period of gain (loss) expected to be recognized in profit or loss**
Floating-rate bonds and secured loans	Interest rate swaps	$ (477,328)	2017.01.16~ 2024.06.26	2017.01.16~ 2024.06.26

The gains or losses arising from the cash flow hedging were recognized as an adjustment of equity as follows:

Item	December 31, 2017	December 31, 2016
Current adjustment for shareholders' equity	$ 117,463	(1,139,304)
Transferred from shareholders' equity (recognized as deferred income tax assets (liabilities))	$ (19,969)	193,682

(D) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Associates	$ 15,338,115	12,360,630
Joint ventures	336,114	541,337
Total	$ 15,674,229	12,901,967

(a) Associates

Relevant information of associates of the Group is as follows:

	Book Value		Ownership interest and voting right percentage	
Name of associate	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
CITIC Capital Holdings Limited	$ 9,172,776	8,471,407	Percentage of ownership interests：18.00% Percentage of voting rights：21.37%	Percentage of ownership interests：18.00% Percentage of voting rights：21.37%
Hyundai Life Insurance Co., Ltd.	3,588,688	3,889,223	48.62 %	48.62 %
Fubon Financial Holdings Venture Capital Co., Ltd.	1,958,720	-	25.00 %	-
Star River Energy Co., Ltd.	318,618	-	20.00 %	-
Star Shining Energy Co., Ltd.	299,313	-	30.00 %	-
	$ 15,338,115	12,360,630		

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.

	For the year ended December 31, 2017	For the year ended December 31, 2016
Attributable to the Group:		
Profit or loss after tax from continuing operations	$ (155,935)	313,276
Other comprehensive income	736,512	(1,791,939)
Comprehensive income	$ 580,577	(1,478,663)

(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.

	December 31, 2017	December 31, 2016
Proportion of ownership interest	40 %	40 %
Assets	$ 7,049,158	7,155,938
Liabilities	$ 6,208,874	5,802,595
Net assets of the Group (carrying amount of joint venture)	$ 336,114	541,337

	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating revenue	$ 4,510,158	4,350,758
Profit or loss after tax from continuing operations	(492,900)	(749,674)
Other comprehensive income	5,968	(61,067)
Comprehensive income	$ (486,932)	(810,741)

	For the year ended December 31, 2017	For the year ended December 31, 2016
Attributable to the Group:		
Profit or loss after tax from continuing operations	$ (197,160)	(299,870)
Other comprehensive income	2,387	(24,427)
Comprehensive income	$ (194,773)	(324,297)

(c) Guarantee

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

(E) Investment property

	Land	Buildings and other facilities	Construction in progress	Prepayments for building, land and equipment	Others	Total
Balance of January 1, 2017	$ 124,046,836	44,634,327	1,290,754	26,101	1,715,683	171,713,701
Addition	1,235,471	571,419	434,663	-	-	2,241,553
Subsequent Expenditures	-	122,835	-	33,009	-	155,844
Gains (losses) on fair value adjustments	(1,159,886)	762,163	-	-	(28)	(397,751)
Disposal	(1,075,491)	(3,126,121)	-	-	-	(4,201,612)
Reclassification	(134,220)	240,768	(247,229)	(1,242)	-	(141,923)
Movement due to exchange rate differences	255,228	576,108	-	-	31,666	863,002
Balance of December 31,2017	**$ 123,167,938**	**43,781,499**	**1,478,188**	**57,868**	**1,747,321**	**170,232,814**
Balance of January 1, 2016	$ 121,121,805	42,717,925	635,510	2,524	2,428,187	166,905,951
Addition	4,241,218	7,693,763	655,244	-	-	12,590,225
Subsequent Expenditures	-	93,608	-	26,100	-	119,708
Gains (losses) on fair value adjustments	2,103,733	(2,323,374)	-	-	(45,700)	(265,341)
Reclassification	(992,337)	(99,173)	-	(2,523)	-	(1,094,033)
Other changes	-	-	-	-	(203,916)	(203,916)
Movement due to exchange rate differences	(2,427,583)	(3,448,422)	-	-	(462,888)	(6,338,893)
Balance of December 31,2016	**$ 124,046,836**	**44,634,327**	**1,290,754**	**26,101**	**1,715,683**	**171,713,701**

If a property held by the Group under an operating lease meets the definition of investment property, the operating lease is accounted for as if it were a finance lease. As of December 31, 2017 and 2016, the carrying amount of assets under finance lease was $216,786 and $212,885, respectively. (Please refer to Note 6(L) - Accounts payable - the present value of the minimum lease payments.)

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 valuate the fair value of investment properties based on the Regulations on Real Estate Appraisal, and the appraisal dates are December 31, 2017 and 2016:

(a) DTZ Cushman & Wakefield Real Estate Appraiser Office: Yang Chang Ta, Lee Ken Yuan, Tsai Chia Ho, Hu Chun Chun

(b) Savills Valuation and Professional Services: Tai Kuang Ping, Chang Hung Kai, Chang Yi Chih, Yeh Yu Fen

(c) REPro International Appraisals: Wu Hong Hsu, Wu Chih Hao, Shih Fu Hsueh

(d) Jin Han Real Estate Appraisers Joint Firm: Wu Yu Chun, Hung Chi Hsiang

(e) G-Beam Real Estate Appraisers Firm: Chang Neng Cheng, Li Fang Cheng

(f) Colliers International Valuation (Taiwan) Ltd.: Ke Fong Ru, Chan Hsiu Ying, Ku Chien Hui

(g) Cheng Da Real Estate Appraisers Joint Firm: Hsiao Li Min, Liu Shih Kai

(h) Areos Real Estate Appraisers Joint Firm: Chen Bi Yuan

(i) Colliers International Valuation (Taiwan) Ltd. and Colliers International Valuation UK LLP: Ku Chien Hui, P C Willis, Patrick Kearon

(j) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Limited：Tony Chao, Andrew Pirie, Elizabeth Levingston, James McTighe, David Holt, Roger Meeds

(k) REPro Knight Frank and Knight Frank LLP：Jackie Wu, Matthew Cripps

(l) DTZ Cushman & Wakefield Real Estate Appraiser Office and Winssinger & Associates S.A. (subsidiary of Cushman & Wakefield Group)：Charlie Yang、Emeric Inghels、Christophe Ackermans

(m) Jones Lang LaSalle Limited and Jones Lang LaSalle BVBA：Tony Chao, Roderick Scrivener

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

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

Vacant land in development with building permit are appraised by Sales Comparison Method and Cost Approach -Land Development Analysis. 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:

	December 31, 2017	December 31, 2016
	approx	approx
Capitalization rate	0.99%~5.19%	0.99%~5.11%
Capitalization rate at the period end	1.33%~6.35%	1.83%~6.35%
Discount rate	1.49%~7.10%	2.30%~8.20%

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.

The land value of Taichung Wenxin Office Building was recognized using the fair value model in 2014. During the construction period, the land was appraised by Sales Comparison Method and Land Development Analysis approach, and the building was recognized at its actual cost (construction in progress). After construction completed, as the Group obtained use permit and initial registration of construction ownership in June 2017, the appraiser used Sales Comparison Method and Direct Capitalization Method of Income Approach to assess the overall value of the real property, regarding the asset type changed from land to real property. The differences between overall fair value of the property and the value of land and construction in progress during construction period were insignificant.

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(F).

As of December 31, 2017 and 2016, investment properties owned by the Group were not pledged.

(F) Operating lease

(a) Lessee lease

For the movement of rents payable under operating lease, please refer to Note 9(A)

The Group leases a number of offices under operating leases. The leases typically run from 1 to 5 years with renewal options at the end of the lease. Some leases are subject to rent adjustment according to local price index or rental index to reflect market rent price.

The Group's rental expense for operating leases amounted to $725,892 and $651,848 for the years ended December 31, 2017 and 2016, respectively.

For the lands leased under the creation of superficies, the lease period is between 50 to 70 years. The rents are determined based on certain percentage of the government published land value or the declared land value of the current period.

The Group's operating lease expenses- superficies, including minimum lease payments and contingent rents, are amounted to $694,770 and $1,017,783 for the years ended December 31, 2017 and 2016, respectively.

(b) Lessor lease

The Group leases out investment property as operating leases, please refer to Note 6(E). For the maturity analysis of the future minimum rents receivable, please refer to Note 9(A).

	For the year ended December 31,	
	2017	2016
Rental income of investment property	$ 5,929,101	5,973,843
Direct operating expenses arising from the investment property	$ 957,778	1,131,531
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ 43,704	67,371

(G) Reinsurance assets

	December 31, 2017	December 31, 2016
Claims recoverable from reinsurers	$ 546,850	322,085
Due from reinsurers and ceding companies	385,365	475,714
Subtotal	932,215	797,799
Reinsurance reserve assets:		
Ceded reinsurance unearned premiums reserve	568,381	510,733
Ceded reinsurance claim reserve	122,918	70,039
Ceded reinsurance liability reserve	793	-
Subtotal	692,092	580,772
Total	$ **1,624,307**	**1,378,571**

(H) Property, plant and equipment- net

	December 31, 2017			
Assets	**Cost**	**Accumulated Depreciation**	**Accumulated impairment loss**	**Book value**
Land	$ 15,167,015	-	1,013,284	14,153,731
Buildings	5,055,841	686,778	45,259	4,323,804
Computer equipment	940,105	490,304	-	449,801
Transportation equipment	6,018	6,013	-	5
Other equipment	1,048,927	667,938	-	380,989
Leasehold improvements	1,025,289	794,465	-	230,824
Construction in progress	87,877	-	-	87,877
Prepayments for equipment	49,841	-	-	49,841
Total	$ **23,380,913**	**2,645,498**	**1,058,543**	**19,676,872**

	December 31, 2016			
Assets	**Cost**	**Accumulated Depreciation**	**Accumulated impairment loss**	**Book value**
Land	$ 14,950,294	-	1,013,284	13,937,010
Buildings	4,743,104	573,390	45,259	4,124,455
Computer equipment	1,011,157	572,371	-	438,786
Transportation equipment	6,018	6,010	-	8
Other equipment	965,792	634,482	-	331,310
Leasehold improvements	1,072,071	882,538	-	189,533
Construction in progress	18,716	-	-	18,716
Prepayments for equipment	45,717	-	-	45,717
Total	$ **22,812,869**	**2,668,791**	**1,058,543**	**19,085,535**

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

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

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Prepayments for equipment	Total
Cost									
Balance of January 1, 2017	$ 14,950,294	4,743,104	1,011,157	6,018	965,792	1,072,071	18,716	45,717	22,812,869
Purchase and acquisition	-	17,400	137,447	-	122,123	126,501	59,322	48,373	511,166
Estimated decommissioning cost	-	-	-	-	-	9,860	-	-	9,860
Disposal	-	-	(214,613)	-	(39,447)	(179,304)	-	-	(433,364)
Written down decommissioning cost	-	-	-	-	-	(2,476)	-	-	(2,476)
Reclassification	216,721	295,337	8,190	-	1,352	569	9,839	(44,249)	487,759
Exchange influence	-	-	(2,076)	-	(893)	(1,932)	-	-	(4,901)
Balance of December 31, 2017	15,167,015	5,055,841	940,105	6,018	1,048,927	1,025,289	87,877	49,841	23,380,913
Accumulated depreciation									
Balance of January 1, 2017	-	573,390	572,371	6,010	634,482	882,538	-	-	2,668,791
Depreciation	-	123,509	124,140	3	76,447	90,871	-	-	414,970
Disposal	-	-	(206,369)	-	(39,247)	(175,426)	-	-	(421,042)
Written down decommissioning cost	-	-	-	-	-	(2,261)	-	-	(2,261)
Reclassification	-	(10,121)	864	-	(3,340)	-	-	-	(12,597)
Exchange influence	-	-	(702)	-	(404)	(1,257)	-	-	(2,363)
Balance of December 31, 2017	-	686,778	490,304	6,013	667,938	794,465	-	-	2,645,498
Accumulated impairment loss									
Balance of January 1, 2017	**$ 1,013,284**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,058,543**
Balance of December 31, 2017	**$ 1,013,284**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,058,543**
Cost									
Balance of January 1, 2016	$ 13,931,468	4,574,732	934,410	6,018	765,083	1,019,096	1,108	43,562	21,275,477
Purchase and acquisition	-	71,643	262,735	-	228,804	124,221	17,608	44,558	749,569
Estimated decommissioning cost	-	-	-	-	-	3,828	-	-	3,828
Disposal	-	-	(192,584)	-	(52,129)	(79,659)	-	-	(324,372)
Written down decommissioning cost	-	-	-	-	-	(5,142)	-	-	(5,142)
Reclassification	1,018,826	96,729	7,239	-	24,369	10,346	-	(42,403)	1,115,106
Exchange influence	-	-	(643)	-	(335)	(619)	-	-	(1,597)
Balance of December 31, 2016	14,950,294	4,743,104	1,011,157	6,018	965,792	1,072,071	18,716	45,717	22,812,869
Accumulated depreciation									
Balance of January 1, 2016	-	468,493	666,915	6,006	647,977	900,570	-	-	2,689,961
Depreciation	-	109,590	97,424	4	38,631	66,418	-	-	312,067
Disposal	-	-	(191,779)	-	(51,987)	(79,055)	-	-	(322,821)
Written down decommissioning cost	-	-	-	-	-	(5,096)	-	-	(5,096)
Reclassification	-	(4,693)	-	-	-	-	-	-	(4,693)
Exchange influence	-	-	(189)	-	(139)	(299)	-	-	(627)
Balance of December 31, 2016	-	573,390	572,371	6,010	634,482	882,538	-	-	2,668,791
Accumulated impairment loss									
Balance of January 1, 2016	$ 1,019,730	45,259	-	-	-	-	-	-	1,064,989
Reversal of impairment loss	(6,446)	-	-	-	-	-	-	-	(6,446)
Balance of December 31, 2016	**$ 1,013,284**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,058,543**
Net									
Balance of December 31, 2017	**$ 14,153,731**	**4,323,804**	**449,801**	**5**	**380,989**	**230,824**	**87,877**	**49,841**	**19,676,872**
Balance of December 31, 2016	**$ 13,937,010**	**4,124,455**	**438,786**	**8**	**331,310**	**189,533**	**18,716**	**45,717**	**19,085,535**

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, 10, 15, 8, 5, 15 and 15 years, respectively or the remaining useful lives.

The Group arranged a finance lease of office equipments. The net book value of the leased office equipments was as follows:

	December 31, 2017	December 31, 2016
Leased office equipments	$ 212	527

(I) Intangible assets

	December 31, 2017		
Asset	Original cost	Accumulated amortization	Book value
Computer software	$ 999,808	776,141	223,667

	December 31, 2016		
Asset	Original cost	Accumulated amortization	Book value
Computer software	$ 1,056,159	781,539	274,620

The changes of the computer software are as follows:

	Computer Software
Cost:	
Balance of January 1, 2017	$ 1,056,159
Purchase and acquisition	50,417
Disposal	(129,377)
Reclassification	29,922
Exchange influence	(7,313)
Balance of December 31, 2017	$ 999,808
Balance of January 1, 2016	$ 909,480
Purchase and acquisition	125,683
Disposal	(14)
Reclassification	24,193
Exchange influence	(3,183)
Balance of December 31, 2016	$ 1,056,159
Accumulated amortization:	
Balance of January 1, 2017	$ 781,539
Amortization	127,363
Disposal	(128,297)
Reclassification	(221)
Exchange influence	(4,243)
Balance of December 31, 2017	$ 776,141

	Computer Software
Balance of January 1, 2016	$ 654,209
Amortization	128,786
Disposal	(14)
Exchange influence	(1,442)
Balance of December 31, 2016	**$ 781,539**

(J) Other assets

	December 31, 2017	December 31, 2016
Prepayments	$ 2,120,703	495,414
Prepayments- superficies	29,413,633	29,959,611
Deferred acquisition cost	421,434	361,993
Guarantee deposits paid	14,087,417	11,820,340
Other assets-other	818,921	874,014
Total	**$ 46,862,108**	**43,511,372**

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:

	December 31, 2017	December 31, 2016
Government bonds (Book value)	**$ 12,335,990**	**10,331,070**
Cash in bank	**$ 15,720**	**19,366**

(K) Insurance product-separate account

	December 31, 2017	December 31, 2016
Assets on insurance product, separate account:		
Cash in bank	$ 9,378,316	8,372,541
Securities	144,366,179	130,945,839
Accounts receivable	1,470,321	3,215,641
Total	**$ 155,214,816**	**142,534,021**

	December 31, 2017	December 31, 2016
Liabilities on insurance product, separate account:		
Reserve-Insurance contract	$ 94,670,174	81,981,447
Reserve-Investment contract	60,544,109	60,552,166
Accounts payable	533	408
Total	**$ 155,214,816**	**142,534,021**

	For the year ended December 31, 2017	2016
Income on insurance product, separate account:		
Premiums income	$ 17,742,092	14,087,294
Interest income	966,977	712,533
Gains or losses on financial assets and liabilities at fair value through profit or loss	10,052,205	1,809,428
Gains or losses on foreign exchange	(495,000)	337,392
Total	**$ 28,266,274**	**16,946,647**
Disbursements on insurance product, separate account:		
Net changes in reserve, Insurance contract	$ 13,052,846	3,844,720
Insurance claims and payment	12,480,144	10,421,101
Administrative expenses	2,733,284	2,680,826
Total	**$ 28,266,274**	**16,946,647**

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

	For the year ended December 31, 2017	2016
Sales rebate earned from counterparty for investment-linked insurance products	**$ 489,970**	**448,187**

(L) Accounts payable

	December 31, 2017	December 31, 2016
Minimum lease payments of finance leases	$ 1,258,614	1,245,816
Less: Unrecognized interests	(1,041,592)	(1,032,296)
Present value of minimum lease payments of finance leases	217,022	213,520
Notes payable	82	662
Expense payable	4,443,701	4,913,994
Commissions payable	2,452,624	4,649,555
Insurance and reinsurance claims payable	5,096,867	4,727,128
Due to reinsurers and ceding companies	1,060,580	1,015,092
Other payable	15,490,092	7,021,039
	$ 28,760,968	22,540,990

For the Group's maturity analysis of finance lease payable, please refer to Note 9(A).

(M) Bonds payable

The Group issued perpetual cumulative subordinated corporate bonds, the information was as follows:

Name	Outstanding period: Date of Issuance	Outstanding period: Maturity	Rate % (Note 1)	Face Amount	(Discount)Premium	December 31,2017	December 31,2016	Note
The first issue of 2016 perpetual cumulative subordinated corporate bond	2016.12.07	No maturity date	3.25 %	$ 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 %	6,500,000	-	6,500,000	-	Note2
Total						$ 35,000,000	28,500,000	

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

Note2: The corporate bond has no maturity date. After ten 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.

	For the year ended December 31,2017: 2017	2016
Interest Expense	$ 1,076,106	63,442

(N) Liabilities reserve

	December 31, 2017	December 31, 2016
Decommissioning liability	$ 58,565	51,321
Employee benefits liabilities	6,911,299	7,489,602
Other liabilities reserve	17,223	-
	$ 6,987,087	**7,540,923**

(a) Decommissioning liability

	Decommissioning liability
Balance of January 1, 2017	$ 51,321
Increase of liabilities reserves	9,860
Reversal of liabilities reserves	(2,476)
Discounting and amortization of liabilities reserves	194
Reclassification to other income	(79)
Exchange influence	(255)
Balance of December 31, 2017	**$ 58,565**
Balance of January 1, 2016	$ 52,977
Increase of liabilities reserves	3,828
Reversal of liabilities reserves	(5,142)
Discounting and amortization of liabilities reserves	165
Reclassification to other income	(429)
Exchange influence	(78)
Balance of December 31, 2016	**$ 51,321**

(b) Employee benefit

(1) Defined benefit plan

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

	For the year ended December 31,	
	2017	2016
Defined benefit plan	$ 6,782,585	7,365,871
Pension plan	128,714	123,731
	$ 6,911,299	**7,489,602**

1) Defined benefit plan

The Group's reconciliations of the present value of defined benefit obligation and plan assets at fair value are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	$ 11,884,605	11,917,670
Plan assets at fair value	(5,102,020)	(4,551,799)
Net defined benefit liability	**$ 6,782,585**	**7,365,871**

A. Components of plan assets

The Group contributes to pension plan which is managed by Executive Yun Council of Labor Affairs Labor Pension Fund Supervisory Committee (hereinafter referred to as the Labor Pension Fund Supervisory Committee) in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The annual distributions shall be deposited into the restricted account of the Bank of Taiwan. If the restricted bank account is inadequate to cover projected benefit payments within the following year, the deficit will be covered by the end of March next year.

Please refer to the website of Labor Pension Fund Supervisory Committee for information released by Council of Labor Affairs regarding the utilization of labor pension fund assets including allocation of fund assets and fund returns.

B. Changes in the present value of the defined benefit obligation

The Group's changes in the present value of the defined benefit obligation for the years ended December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017	2016
Defined benefit obligation at January 1	$ 11,917,670	10,838,984
Benefits paid	(349,603)	(303,441)
Payments by liabilities for defined obligations	(16,362)	(21,184)
Current service cost and interest cost	533,850	592,993
Net gains (losses) on remeasurements of defined benefit liability		
-Actuarial gains (losses) from experience adjustments	(316,315)	627,958
-Actuarial gains (losses) from changes in assumption	115,365	182,360
Defined benefit obligation at December 31	**$ 11,884,605**	**11,917,670**

C. Changes in fair value of plan assets

The Group's changes in fair value of plan assets for the Group for the years ended December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017	2016
Plan assets, at fair value at January 1	$ 4,551,799	3,326,932
Contribution from employer	847,895	1,534,733
Benefits paid	(349,603)	(303,441)
Interest income	79,492	70,794
Net gains (losses) on remeasurements of defined benefit asset		
-Expected return on plan assets, excluding current interest	(27,563)	(77,219)
Plan assets, at fair value at December 31	**$ 5,102,020**	**4,551,799**

D. The expenses under the defined benefit plan recognized in profit or loss

The Group's expenses under the defined benefit plan recognized in profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017	2016
Current service costs	$ 336,385	397,299
Net interest from net defined benefit liability	117,974	124,900
	$ 454,359	**522,199**
Operating costs	$ 293,412	339,500
Management Expense	160,947	182,699
	$ 454,359	**522,199**

E. Net gains (losses) on remeasurements of defined benefit liability recognized in other comprehensive income

The Group's net gains (losses) on remeasurements of defined benefit liability recognized in other comprehensive income as of December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017	2016
Cumulative amount at January 1	$ 1,446,066	558,529
Recognized during the period	(173,387)	887,537
Cumulative amount at December 31	**$ 1,272,679**	**1,446,066**

F. Primary actuarial assumptions

The Group's primary assumptions used in determining the present value of the defined benefit plan are shown below:

	December 31, 2017	December 31, 2016
Discount rate	1.60 %	1.70 %
Increases in future salary	3.00 %	3.00 %

The Group's projected payments for defined benefit obligation within a year from the reporting date is $664,243.

The weighted average duration of the defined benefit obligation is 10.20 years.

G. Sensitivity analysis

		The effect of changes in discount rate on defined benefit obligation	
		Increase 0.5%	**Decrease 0.5%**
As of December 31, 2017			
Discount rate	$	(580,632)	582,621
Increases in future salary		201,167	(201,347)
As of December 31, 2016			
Discount rate		(607,916)	622,996
Increases in future salary		240,282	(200,355)

The sensitivity analysis above allows for only one assumption change at a time. In real practice, a change in one assumption may lead to changes in other assumptions. The method used in sensitivity analysis is consistent with the method used in calculating net pension liability in the balance sheet.

2) Pension plan

The Group's reconciliations of liability (asset) of the pension plan were as follows:

		December 31, 2017	**December 31, 2016**
Present value of pension plan obligations	$	128,714	123,731
Fair value of plan assets		-	-
Net pension plan liability	**$**	**128,714**	**123,731**

A. Changes in the present value of the pension plan obligation

The Group's changes in the present value of the pension plan obligation for the years ended December 31, 2017 and 2016 were as follows:

		For the year ended December 31,	
		2017	**2016**
Pension plan obligation at January 1	$	123,731	106,553
Payments by liabilities for pension plan obligations		(4,053)	(1,555)
Current service cost and interest cost		10,592	9,923
Net gains (losses) on remeasurements of pension plan liability		(1,556)	8,810
Pension plan obligation at December 31	**$**	**128,714**	**123,731**

B. The expenses under the pension plan recognized in profit or loss

The Group's expenses under the pension plan recognized in profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017	2016
Current service costs	$ 8,553	8,013
Net interest from net pension plan liability	2,039	1,910
Net gains (losses) on remeasurements of pension plan liability	(1,556)	8,810
	$ 9,036	18,733

C. Primary actuarial assumptions

The Group's primary assumptions used in determining the present value of the pension plan are shown below:

	December 31, 2017	December 31, 2016
Discount rate	1.60 %	1.70 %
Increases in future salary	3.00 %	3.00 %

The weighted average duration of the defined benefit obligation is 8.81 years.

D. Sensitivity analysis

	The effect of changes in discount rate on pension plan obligation: Increase 0.5%	Decrease 0.5%
As of December 31, 2017		
Discount rate	$ (5,448)	5,834
Increases in future salary	11,214	(10,372)
As of December 31, 2016		
Discount rate	(5,417)	5,812
Increases in future salary	11,218	(10,348)

The sensitivity analysis above allows for only one assumption change at a time. In real practice, a change in one assumption may lead to changes in other assumptions. The method used in sensitivity analysis is consistent with the method used in calculating net pension liability on the balance sheet.

(2) Defined contribution plan

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

	For the year ended December 31,	
	2017	**2016**
Pension expenses	$ 743,616	689,345

(O) Shareholders' equity

(a) Common stock

As of December 31, 2017 and 2016 the Group had authorized capital of $100,000,000 issued common stock of $82,969,690 and $69,432,750, respectively, with $10 par value per share.

Resolved by the board of directors on behalf of the shareholders on June 28, 2016, the stock dividend of $12,111,800 would be reinvested in the new rights issue of 1,211,180 thousand shares. The record date for the capital increase was September 12, 2016. Registration of change in capital due to the capital increase was completed October 7, 2016.

Resolved by the board of directors on behalf of the shareholders on June 30, 2017, the stock dividend of $13,536,940 will be reinvested in the new rights issue of 1,353,694 thousand shares. The record date for the capital increase was September 4, 2017. Registration of change in capital due to the capital increase was completed September 27, 2017.

(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).

(c) Retained earnings and earnings appropriation

(1) Legal reserve

Pursuant to the Insurance Laws, the company, when appropriating its earnings, should set aside 20% of its after-tax earnings as legal reserve. Legal reserve should be appropriated until it equals the paid-in capital. 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.

(2) Special reserve

	December 31, 2017	December 31, 2016
Recovered contingency risk reserves	$ 7,341,090	6,882,384
Major accidents and reserves of fluctuation of risk	6,157,162	5,897,127
Special reserve from profit after tax	13,719,623	10,850,867
Foreign exchange fluctuation reserve	1,670,928	833,060
Real estate increment recovered	2,609,068	2,609,068
Gains from the fluctuation of subsequent fair value measurement of investment property	24,496,091	23,687,157
Negative net amount of other equity interest	12,896,545	14,878,006
Other	143,438	-
Total	$ 69,033,945	65,637,669

In accordance with Tai Tsai Pao No.0920700594, recovered special contingency risk reserves can be transferred to special reserve regardless of whether the Group 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 catastrophic 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 the special reserve provided for foreign exchange fluctuation, please refer to Note 4(V).

After the adoption of IFRS, the Group changed subsequent measurement of investment properties from a cost model to fair value model. In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Companies No.32, the Group should recognized special reserve under liabilities by the net amount of the effects of first adoption of investment properties subsequently measured at fair value model deducting incremental amounts of liability reserve and should appropriate special reserve under equity when the special reserve under liabilities is reversed. For more details, please refer to Note 4(T).

In 2014, the Group changed its accounting policy for investment property from a cost model to fair value model. In accordance with the Gin Guan Bao Tsai No. 10302501001, the Group should appropriate special reserve restricted distributed earnings, which is the net amount of the effects of first adoption of investment property subsequently measured at fair value model deducting incremental amounts of liability reserve, evaluated the effective insurance contracts by fair values approved by authorities.

The " Net gains from the fluctuation of subsequent fair value measurement of investment property" of investment property adopted subsequent fair value measurement, which is required by the Gin Guan Bao Tsai No. 10402501001 published in January 23, 2015, appropriated the reserve to special reserve for limiting the earnings distribution.

In accordance with the Gin Guan Bao Tsai No. 10102508861 dated June 5, 2012, if the net amount of other shareholders' equity 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.

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 of 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.

(3) Distribution of earnings

Under the Company's amendment, the annual earnings are first used to pay taxes, cover prior years' losses, appropriate reserves in accordance with relevant laws, and 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 of 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 $3,500 and $3,000 for the year 2017 and 2016, respectively. There is no difference between the actual distribution and the estimated amount.

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 on June 30, 2017 to distribute cash dividends which amounted to $5,207,456 from the earnings of 2016. The record date for the dividend is July 6, 2017.

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

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Unrealized revaluation surplus	Total
Balance, January 1, 2017	$	(6,118,157)	(6,417,487)	(402,102)	41,200	(12,896,546)
Foreign exchange translation difference:						
Current exchange difference		(60,105)	-	-	-	(60,105)
The translation difference in the share of associates accounted for using equity method		353,836	-	-	-	353,836
Effective portion of cash flow hedges:						
Current adjustments		-	-	97,494	-	97,494
Cash flow hedges in the share of associates accounted for using equity method		-	-	4,959	-	4,959
Unrealized gains (losses) on available-for-sale financial assets:						
Current adjustments		-	62,248,337	-	-	62,248,337
Realized amounts		-	(33,653,097)	-	-	(33,653,097)
Reclassification adjustments of impairment		-	1,620,719	-	-	1,620,719
Unrealized gains (losses) on available-for-sale financial assets in the share of associates and joint ventures accounted for using equity method		-	184,689	-	-	184,689
Revaluation surplus:						
Current increase		-	-	-	76,254	76,254
Balance, December 31, 2017	$	**(5,824,426)**	**23,983,161**	**(299,649)**	**117,454**	**17,976,540**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Unrealized revaluation surplus	Total
Balance, January 1, 2016	$ 115,613	(15,558,995)	549,439	15,937	(14,878,006)
Foreign exchange translation difference:					
Current exchange difference	(6,048,773)	-	-	-	(6,048,773)
The translation difference in the share of associates accounted for using equity method	(184,997)	-	-	-	(184,997)
Effective portion of cash flow hedges:					
Current adjustments	-	-	(945,622)	-	(945,622)
Cash flow hedges in the share of associates accounted for using equity method	-	-	(5,919)	-	(5,919)
Unrealized gains (losses) on available-for-sale financial assets :					
Current adjustments	-	33,887,177	-	-	33,887,177
Realized amounts	-	(23,416,132)	-	-	(23,416,132)
Unrealized gains (losses) on available-for-sale financial assets in the share of associates and joint ventures accounted for using equity method	-	(1,329,537)	-	-	(1,329,537)
Revaluation surplus:					
Current increase	-	-	-	25,263	25,263
Balance, December 31, 2016	**$ (6,118,157)**	**(6,417,487)**	**(402,102)**	**41,200**	**(12,896,546)**

(P) Income taxes

(a) Income tax expense (income):

	For the year ended December 31, 2017	2016
Current expense tax		
Current period	$ 8,864,060	5,298,746
Adjustments for prior period	(1,010,678)	23,191
Foreign withholding tax	558,694	233,990
Subtotal	8,412,076	5,555,927
Deferred expense tax		
(Reversal) recognition of temporary differences	(10,443,643)	(4,969,789)
Income tax expense (income)	**$ (2,031,567)**	**586,138**

The details of income tax (expense) income recognized in other comprehensive profit or loss was as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Items not reclassified into profit or loss:		
Revaluation of real estate property	$ (6,247)	(1,596)
Revaluation of defined benefit plans	(29,476)	150,881
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(13,088)	(1,860)
Items may be reclassified into profit or loss:		
Exchange differences on translation	(47,828)	1,184,061
Unrealized (losses) gains on available-for-sale financial assets	(5,289,059)	(3,805,347)
(Losses) gains on effective instruments of cash flow hedges	(19,969)	193,682
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(118,459)	306,855
	$ (5,524,126)	**(1,973,324)**

The reconciliation between tax expense (income) and profit before tax for the Group for the years ended December 31, 2017 and 2016 was as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Profit before tax	$ 30,456,375	29,273,701
Income tax calculated based on the local tax rate	5,428,436	4,759,374
Tax effects of permanent differences	(7,196,760)	(5,534,367)
Additional tax bill from the alternative minimum tax	815,686	1,478,495
Prior years income tax	(1,010,678)	(25,938)
Withholding foreign income tax, including foreign tax deductions	155,521	(347,381)
Tax effects of investment property measured at fair value	(152,590)	(72,919)
Other	(71,182)	328,874
Income tax expense (income)	**$ (2,031,567)**	**586,138**

(b) Deferred income tax asset and liability

The movements of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017					
	Beginning balance	**Recognized in profit and loss**	**Recognized in other comprehensive income or loss**	**Recognized in equity**	**Exchange differences on translation of foreign financial assets**	**Ending balance**
Temporary difference						
Unrealized (gains) losses recognized on foreign exchange	$ (3,090,488)	13,843,132	-	-	-	10,752,644
Amortization and impairment losses on goodwill	25,979	(6,495)	-	-	-	19,484
Unappropriated pension fund reserve	545,200	(78,156)	-	-	-	467,044
Valuation (gains) losses of financial assets and liabilities	2,219,639	(3,638,456)	-	-	-	(1,418,817)
Impairment losses of financial assets	12,694	273,297	-	-	-	285,991
Cumulative translation adjustments	1,198,272	-	(120,301)	-	-	1,077,971
Unrealized (gains) losses from available -for-sale financial assets	3,138,618	-	(5,334,030)	-	-	(2,195,412)
Unrealized losses from cash flow hedge transaction	82,358	-	(20,984)	-	-	61,374
Decommissioning costs	7,048	704	-	-	-	7,752
Long term employee benefit- pension funds-old system	593,072	844	(42,564)	-	-	551,352
Short term employee benefit- accumulating compensated absences	53,597	(14,925)	-	-	-	38,672
Investment property-fair values	(209,389)	88,282	-	-	(26,118)	(147,225)
Differences between financial and tax depreciation of properties	(790,098)	(73,877)	-	-	-	(863,975)
Gains on the valuation surplus of investment property -Land value increment tax	(2,368,136)	167,613	(6,247)	-	-	(2,206,770)
Recognizing lease revenues on a straight-line basis	(53,042)	366	-	-	-	(52,676)
The foreign unrealized (gains) losses on investment using equity method	138,802	(164,099)	-	-	-	(25,297)
Others	(31,135)	45,413	-	-	102	14,380
Deferred tax assets (liabilities)-net	**$ 1,472,991**	**10,443,643**	**(5,524,126)**	**-**	**(26,016)**	**6,366,492**
Information presenting below the balance sheet was as follows:						
Deferred tax assets	$ 8,059,745					13,559,234
Deferred tax liabilities	(6,586,754)					(7,192,742)
Total	**$ 1,472,991**					**6,366,492**

	For the year ended December 31, 2016					
	Beginning balance	Recognized in profit and loss	Recognized in other comprehensive income or loss	Recognized in equity	Exchange differences on translation of foreign financial assets	Ending balance
Temporary difference						
Unrealized gains recognized on foreign exchange	$ (7,993,283)	4,895,846	-	-	6,949	(3,090,488)
Amortization and impairment losses on goodwill	32,474	(6,495)	-	-	-	25,979
Unappropriated pension fund reserve	689,207	(144,007)	-	-	-	545,200
Valuation losses of financial assets and liabilities	2,055,299	164,340	-	-	-	2,219,639
Impairment losses of financial assets	14,205	(1,511)	-	-	-	12,694
Cumulative translation adjustments	(23,680)	-	1,221,952	-	-	1,198,272
Unrealized (gains) losses from available -for-sale financial assets and cash-hedge transaction	6,676,214	-	(3,537,596)	-	-	3,138,618
Unrealized (gains) losses from cash flow hedge transaction	(112,536)	-	194,894	-	-	82,358
Decommissioning costs	7,324	(276)	-	-	-	7,048
Long term employee benefit- pension funds-old system	441,131	2,919	149,022	-	-	593,072
Short term employee benefit- accumulating compensated absences	24,219	29,378	-	-	-	53,597
Investment property-fair values as opening entries	(48,382)	460,668	-	(659,735)	38,060	(209,389)
Differences between financial and tax depreciation of properties	(630,455)	(159,643)	-	-	-	(790,098)
Gains on the valuation surplus of investment property -Land value increment tax	(2,056,839)	(309,701)	(1,596)	-	-	(2,368,136)
Recognizing lease revenues on a straight-line basis	(53,060)	18	-	-	-	(53,042)
The foreign unrealized losses on investment using equity method	42,387	96,415	-	-	-	138,802
Others	29,410	(58,162)	-	-	(2,383)	(31,135)
Deferred tax assets (liabilities)-net	**$ (906,365)**	**4,969,789**	**(1,973,324)**	**(659,735)**	**42,626**	**1,472,991**
Information presenting below the balance sheet was as follows:						
Deferred tax assets	$ 9,917,951					8,059,745
Deferred tax liabilities	(10,824,316)					(6,586,754)
Total	$ (906,365)					1,472,991

(c) 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.

(d) The R.O.C. tax authority has assessed income tax returns of the Group for the years prior to 2013. The Group has filed administrative remedy for adjustments determined by the tax authority for the years of 2010, 2011, 2012 and 2013 within the statutory time limit.

(e) The information about imputation system is as follows:

	December 31, 2017	December 31, 2016
Undistributed earnings:		
Unappropriated earnings of 1998 and thereafter	Note	$ 34,464,821
Balance of deductible tax account	Note	$ 482,980

The undistributed earnings disclosed above, which are included the comparative information of different periods, are disclosed under IFRSs as endorsed by the Financial Supervisory Commission R.O.C.

	For the year ended December 31,	
	2017 (estimated)	2016 (actual)
Tax credit percentage for stock dividend	(Note)	11.95 %
Tax credit percentage for cash dividend	(Note)	1.75 %

The above-stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the R.O.C. on October 17, 2013.

Note: According to the amendments to the Income Tax Act enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(Q) Earnings per share

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

	For the year ended December 31,	
	2017	2016
Profit attributable to ordinary shareholders of the Company	$ 32,487,942	28,687,563
Weighted average number of ordinary shares (thousand shares)	8,296,969	8,296,969
Basic earnings per share (dollar)	$ 3.92	3.46

(R) Insurance liabilities

	December 31, 2017	December 31, 2016
Unearned premium reserve	$ 8,290,265	7,916,745
Claim reserve	2,362,273	2,143,281
Liability reserve	3,091,978,987	2,839,196,893
Special reserve	7,903,422	7,473,248
Premium deficiency reserve	19,937,823	22,874,210
Total	**$ 3,130,472,770**	**2,879,604,377**

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:

	December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 1,806	-	1,806
Individual injury insurance	3,134,077	-	3,134,077
Individual health insurance	3,454,290	-	3,454,290
Group insurance	1,619,282	-	1,619,282
Investment-linked insurance	80,810	-	80,810
Gross reserve	8,290,265	-	8,290,265
Deduction of provision for reinsurance ceded			
Individual life insurance	453,419	-	453,419
Individual injury insurance	21,563	-	21,563
Individual health insurance	2,325	-	2,325
Group insurance	79,615	-	79,615
Investment-linked insurance	11,459	-	11,459
Total ceded reserve	568,381	-	568,381
Net reserve	**$ 7,721,884**	**-**	**7,721,884**

	December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 1,654	-	1,654
Individual injury insurance	2,893,934	-	2,893,934
Individual health insurance	3,375,856	-	3,375,856
Group insurance	1,561,332	-	1,561,332
Investment-linked insurance	83,969	-	83,969
Gross reserve	7,916,745	-	7,916,745
Deduction of provision for reinsurance ceded			
Individual life insurance	405,044	-	405,044
Individual injury insurance	20,726	-	20,726
Individual health insurance	2,048	-	2,048
Group insurance	72,021	-	72,021
Investment-linked insurance	10,894	-	10,894
Total ceded reserve	510,733	-	510,733
Net reserve	**$ 7,406,012**	**-**	**7,406,012**

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

	For the year ended December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 7,916,745	-	7,916,745
Current provisions	8,290,352	-	8,290,352
Current reclaims	(7,916,745)	-	(7,916,745)
Gain and loss on foreign exchange	(87)	-	(87)
Ending balance	8,290,265	-	8,290,265
Less: Provision for ceded reinsurance			
Beginning balance	510,733	-	510,733
Current provision	568,423	-	568,423
Current reclaim	(510,733)	-	(510,733)
Gain and loss on foreign exchange	(42)	-	(42)
Ending balance	568,381	-	568,381
Net ending balance	**$ 7,721,884**	**-**	**7,721,884**

	For the year ended December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 7,602,907	-	7,602,907
Current provisions	7,916,762	-	7,916,762
Current reclaims	(7,602,907)	-	(7,602,907)
Gain and loss on foreign exchange	(17)	-	(17)
Ending balance	7,916,745	-	7,916,745
Less: Provision for ceded reinsurance			
Beginning balance	456,599	-	456,599
Current provision	510,760	-	510,760
Current reclaim	(456,599)	-	(456,599)
Gain and loss on foreign exchange	(27)	-	(27)
Ending balance	510,733	-	510,733
Net ending balance	**$ 7,406,012**	**-**	**7,406,012**

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

	December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
-reported but not paid	$ 463,041	2,348	465,389
-incurred but not reported	4,191	-	4,191
Individual injury insurance			
-reported but not paid	105,176	-	105,176
-incurred but not reported	363,874	-	363,874
Individual health insurance			
-reported but not paid	208,350	-	208,350
-incurred but not reported	578,424	-	578,424
Group insurance			
-reported but not paid	74,558	-	74,558
-incurred but not reported	363,183	-	363,183
Investment-linked insurance			
-reported but not paid	123,261	-	123,261
-incurred but not reported	75,867	-	75,867
Gross reserve	2,359,925	2,348	2,362,273
Deduction of provision for reinsurance ceded:			
Individual life insurance	29,192	-	29,192
Individual injury insurance	43,978	-	43,978
Group insurance	1,377	-	1,377
Investment-linked insurance	48,371	-	48,371
Total ceded reserve	122,918	-	122,918
Net reserve	**$ 2,237,007**	**2,348**	**2,239,355**

	December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
-reported but not paid	$ 406,206	8,163	414,369
-incurred but not reported	3,238	-	3,238
Individual injury insurance			
-reported but not paid	87,848	-	87,848
-incurred but not reported	388,149	-	388,149
Individual health insurance			
-reported but not paid	195,288	-	195,288
-incurred but not reported	513,070	-	513,070
Group insurance			
-reported but not paid	62,641	-	62,641
-incurred but not reported	336,892	-	336,892
Investment-linked insurance			
-reported but not paid	75,837	-	75,837
-incurred but not reported	65,949	-	65,949
Gross reserve	2,135,118	8,163	2,143,281
Deduction of provision for reinsurance ceded:			
Individual life insurance	23,030	-	23,030
Individual injury insurance	31,983	-	31,983
Group insurance	1,689	-	1,689
Investment-linked insurance	13,337	-	13,337
Total ceded reserve	70,039	-	70,039
Net reserve	**$ 2,065,079**	**8,163**	**2,073,242**

The movements in claim reserves are as follows:

	For the year ended December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 2,135,118	8,163	2,143,281
Current provisions	2,360,773	2,348	2,363,121
Current reclaims	(2,135,118)	(8,163)	(2,143,281)
Gain and loss on foreign exchange	(848)	-	(848)
Ending balance	2,359,925	2,348	2,362,273
Less: Provision for ceded reinsurance			
Beginning balance	70,039	-	70,039
Current provision	122,918	-	122,918
Current reclaim	(70,039)	-	(70,039)
Ending balance	122,918	-	122,918
Net ending balance	**$ 2,237,007**	**2,348**	**2,239,355**

	For the year ended December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 2,062,076	4,896	2,066,972
Current provisions	2,135,093	8,163	2,143,256
Current reclaims	(2,062,076)	(4,896)	(2,066,972)
Gain and loss on foreign exchange	25	-	25
Ending balance	2,135,118	8,163	2,143,281
Less: Provision for ceded reinsurance			
Beginning balance	124,180	-	124,180
Current provision	70,039	-	70,039
Current reclaim	(124,180)	-	(124,180)
Ending balance	70,039	-	70,039
Net ending balance	**$ 2,065,079**	**8,163**	**2,073,242**

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

	December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	$ 2,697,775,678	-	2,697,775,678
Injury insurance	710,276	-	710,276
Health insurance	245,531,712	-	245,531,712
Annuity insurance	1,239,584	146,615,847	147,855,431
Investment-linked insurance	105,890	-	105,890
Total	2,945,363,140	146,615,847	3,091,978,987
Less: Ceded liability reserve			
Life insurance	793	-	793
Total	793	-	793
Net ending balance	**$ 2,945,362,347**	**146,615,847**	**3,091,978,194**

	December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Life insurance	$ 2,459,634,713	-	2,459,634,713
Injury insurance	734,263	-	734,263
Health insurance	223,469,105	-	223,469,105
Annuity insurance	1,245,971	154,080,255	155,326,226
Investment-linked insurance	32,586	-	32,586
Total	**$ 2,685,116,638**	**154,080,255**	**2,839,196,893**

The movements in the liability reserves are as follows:

	For the year ended December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 2,685,116,638	154,080,255	2,839,196,893
Current provisions	487,935,831	13,685,681	501,621,512
Current reclaims	(186,664,300)	(21,150,089)	(207,814,389)
Gain and loss on foreign exchange	(41,025,029)	-	(41,025,029)
Ending balance	2,945,363,140	146,615,847	3,091,978,987
Less: Ceded liability reserve			
Current provision	805	-	805
Gain and loss on foreign exchange	(12)	-	(12)
Ending balance	793	-	793
Ending balance-net	**$ 2,945,362,347**	**146,615,847**	**3,091,978,194**

	For the year ended December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 2,377,426,666	155,660,242	2,533,086,908
Current provisions	451,683,713	22,908,954	474,592,667
Current reclaims	(132,163,004)	(24,488,941)	(156,651,945)
Gain and loss on foreign exchange	(11,830,737)	-	(11,830,737)
Ending balance	**$ 2,685,116,638**	**154,080,255**	**2,839,196,893**

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

	December 31, 2017			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	$ 7,251,155	-	-	7,251,155
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	**$ 7,251,155**	**-**	**652,267**	**7,903,422**

	December 31, 2016			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	$ 6,820,981	-	-	6,820,981
Valuation surplus gain for investment property	-	-	652,267	652,267
Total	**$ 6,820,981**	**-**	**652,267**	**7,473,248**

The movements in special reserves are as follows:

	For the year ended December 31, 2017			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	$ 6,820,981	-	652,267	7,473,248
Provision for dividend provision for participating policies	430,214	-	-	430,214
Gain and loss on foreign exchange	(40)	-	-	(40)
Ending balance	**$ 7,251,155**	**-**	**652,267**	**7,903,422**

	For the year ended December 31, 2016			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	$ 5,359,919	-	652,267	6,012,186
Provision for dividend provision for participating policies	1,461,062	-	-	1,461,062
Ending balance	$ 6,820,981	-	652,267	7,473,248

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

	December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 19,613,098	-	19,613,098
Individual injury insurance	859	-	859
Individual health insurance	319,194	-	319,194
Group insurance	4,656	-	4,656
Investment-linked instruments	16	-	16
Total	$ 19,937,823	-	19,937,823

	December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 22,461,575	-	22,461,575
Individual injury insurance	8,576	-	8,576
Individual health insurance	380,388	-	380,388
Group insurance	23,653	-	23,653
Investment-linked instruments	18	-	18
Total	$ 22,874,210	-	22,874,210

The movements in premium deficiency reserve are as follows:

	For the year ended December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 22,874,210	-	22,874,210
Current provision, net	(2,646,617)	-	(2,646,617)
Loss on foreign exchange	(289,770)	-	(289,770)
Ending balance	**$ 19,937,823**	**-**	**19,937,823**

	For the year ended December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 16,280,468	-	16,280,468
Current provision, net	6,676,932	-	6,676,932
Loss on foreign exchange	(83,190)	-	(83,190)
Ending balance	**$ 22,874,210**	**-**	**22,874,210**

(f) Liability adequacy reserve:

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

Insurance contracts	December 31, 2017	December 31, 2016
Liability reserve	$ 3,086,606,993	2,837,198,506
Unearned premium reserve	8,288,925	7,916,322
Premium deficiency reserve	19,918,723	22,806,116
Special reserve	7,901,218	7,473,248
Claim reserve	2,362,146	2,142,920
The carrying amount of the related insurance liabilities	**$ 3,125,078,005**	**2,877,537,112**
Current estimate of future cash flows under its insurance liabilities	**$ 2,384,399,834**	**2,118,064,047**
Total liability adequacy reserve	**$ -**	**-**

The liability adequacy test method adopted by the Company for December 31, 2017 and 2016:

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 excludes the provisions of the subsidiaries. The omission of such provisions 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.

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

	December 31, 2017			
	Insurance Contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Catastrophic risk reserve	$ 3,375,135	-	-	3,375,135
Contingency risk reserve	2,782,027	-	-	2,782,027
Total	**$ 6,157,162**	**-**	**-**	**6,157,162**

	December 31, 2016			
	Insurance Contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Catastrophic risk reserve	$ 3,109,067	-	-	3,109,067
Contingency risk reserve	2,788,060	-	-	2,788,060
Total	**$ 5,897,127**	**-**	**-**	**5,897,127**

(S) Reserve for insurance with nature of financial instrument

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

	December 31, 2017	December 31, 2016
Life insurance	$ **3,744,674**	**18,137,335**

	For the year ended December 31, 2017	2016
Beginning balance	$ 18,137,335	83,616,757
Current premiums collected	2,032	585
Current claims payment	(14,560,214)	(66,735,168)
Current net provision for legal reserve	165,521	1,255,161
Ending balance	$ **3,744,674**	**18,137,335**

(T) Reserve for foreign exchange fluctuation

(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 fluctuation risk.

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

	For the year ended December 31, 2017	2016
Beginning balance	$ 4,632,746	7,479,048
Current provision:		
Compulsory provision	2,058,397	2,041,911
Additional provision	669,659	3,759,058
Subtotal	2,728,056	5,800,969
Current recovery	(5,055,318)	(8,647,271)
Ending balance	$ **2,305,484**	**4,632,746**

(c) Effect of the reserve for foreign exchange fluctuation

Item	Not applied amount	Applied amount	Effect
December 31, 2017			
Foreign exchange fluctuation reserve	$ -	2,305,484	(2,305,484)
Shareholders' equity	273,129,548	272,890,323	239,225
December 31, 2016			
Foreign exchange fluctuation reserve	-	4,632,746	(4,632,746)
Shareholders' equity	215,645,223	213,474,371	2,170,852

	For the year ended December 31,2017			For the year ended December 31,2016		
Item	Not applied amount	Applied amount	Effect	Not applied amount	Applied amount	Effect
Income after tax	$ 30,556,315	32,487,942	(1,931,627)	26,325,132	28,687,563	(2,362,431)
Earnings per share	3.68	3.92	(0.24)	3.17	3.46	(0.29)

(U) 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:

	For the year ended December 31,	
	2017	2016
Beginning balance	$ 361,993	361,843
Addition	95,807	61,543
Amortization	(36,366)	(61,393)
Ending balance	**$ 421,434**	**361,993**

(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 year ended December 31, 2017	For the year ended December 31, 2016
Beginning balance	$ 968,245	895,031
Addition	252,206	161,412
Amortization	(59,501)	(88,198)
Ending balance	**$ 1,160,950**	**968,245**

(V) Premium

(a) Retained earned premium

	For the year ended December 31, 2017		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Direct written premiums	$ 470,755,820	10,820,140	481,575,960
Reinsurance premiums	-	-	-
Premium income	470,755,820	10,820,140	481,575,960
Less: reinsurance premium ceded	(1,375,027)	-	(1,375,027)
Net change in unearned premium reserves	(315,917)	-	(315,917)
Subtotal	(1,690,944)	-	(1,690,944)
Retained earned premiums	**$ 469,064,876**	**10,820,140**	**479,885,016**

	For the year ended December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	$ 450,092,471	20,030,478	470,122,949
Reinsurance premiums	87	-	87
Premium income	450,092,558	20,030,478	470,123,036
Less: reinsurance premium ceded	(1,254,891)	-	(1,254,891)
Net change in unearned premium reserves	(259,694)	-	(259,694)
Subtotal	(1,514,585)	-	(1,514,585)
Retained earned premiums	**$ 448,577,973**	**20,030,478**	**468,608,451**

(b) Retained claims payment

	For the year ended December 31, 2017		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	$ 222,265,216	21,328,112	243,593,328
Reinsurance claims payment incurred	217	-	217
Insurance claims payment	222,265,433	21,328,112	243,593,545
Less: Claims payment recovered from reinsurers	(736,105)	-	(736,105)
Retained claims payment	**$ 221,529,328**	**21,328,112**	**242,857,440**

	For the year ended December 31, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	$ 162,259,852	24,662,182	186,922,034
Reinsurance claims payment incurred	674	-	674
Insurance claims payment	162,260,526	24,662,182	186,922,708
Less: Claims payment recovered from reinsurers	(457,355)	-	(457,355)
Retained claims payment	**$ 161,803,171**	**24,662,182**	**186,465,353**

(W) Non-operating income and expenses

	For the year ended December 31,	
	2017	2016
Losses on disposal of assets	$ (13,583)	(1,491)
Reversal of impairment loss on assets	-	6,446
Other non-operating income and expenses	301,898	484,437
Total	**$ 288,315**	**489,392**

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

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

(1) The organization of risk management

A risk management committee has been set up under the jurisdiction of the board of directors and is convened by independent directors. This committee supervises the overall risk control of the Group and its subsidiary and reports to the board of directors regularly. In order to effectively handle the risk management operation, two special committees were established as follows:

1) Assets and Liabilities Management Committee: The chairman of the Group serves as the chairman of the committee. As part of its oversight responsibility, the committees consider the balance between assets and liabilities, set up strategic target of assets and liabilities and supervise the execution process.

2) Operational Risk Management Committee: This is convened by the Group president to supervise and manage the operational risk of the Group in order to ensure that management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out risk control and to coordinate other risk control affairs, the Group’ s board of directors designates a chief risk officer to handle a risk management department which is independent of all business units. This risk management department executes or assists to execute risk control in accordance with the risk management policy, rules governing the organization of risk management committee and rules governing the organization of risk related committee. The Group has established diverse risk management policy, stop-loss limit order, internal tiers authorization system and criteria for assessment to facilitate effective risk management.

(2) Risk management strategy

A Risk Management Policy was announced with the consent of the board of directors. This policy regulates the strategy and target as well as the mechanism of risk management. The risk management strategy is in line with the regulation on overall operation target, management strategy and risk management. It aims to establish appropriate risk management system and management procedures purposely to identify, evaluate, measure, supervise, respond to and report potential risk.

(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 Group 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.

(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 risk, claim risk is categorized into four management interfaces, such as reason of occurrence, frequency of occurrence of risk, classification of risk and effect of the risk. Aside from establishing the "Claim Settlement System and Procedures" based on the "Regulations Governing new insurance policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises" to enhance professional training and morality of claims personnel as well as the control procedures to lessen operational negligence, the Group also monitors the accuracy, timeliness, policy holder complaint ratio and actual loss ratio through the levels of authority set 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.

(5) Catastrophic risk and reinsurance risk

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

1) Catastrophic risk

Based on the Group'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 Group'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 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 Group 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 capital performance, management monitor compliance of the Group 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 Group to sustain adequate capital to cover the potential risk from business operation.

2) The Assets and Liabilities Management Committee holds meetings monthly and the responsible department in the Group performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to ensure the accuracy of the spot interest. 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. Except for the independent directors acting as the conveners, all other independent directors are members of the committee, which holds 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 Group meets the strategic target, the committee reviews the effectiveness and feasibility of risk management mechanism. It also submits reports to the board of directors to ensure that the risk management is enforced effectively.

(c) Information of insurance risk

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

	For the year ended December 31, 2017			
	Change of assumption		Change of income before tax	Change of stockholder's equity
Mortality/Morbidity	Increase	10 %	(2,625,907)	(2,179,503)
Rate of return	Decrease	0.1 %	(3,373,738)	(2,800,203)
Expense (fixed expense)	Increase	5 %	(380,750)	(316,023)
Lapse and surrender rate	Increase	10 %	204,807	169,990

	For the year ended December 31, 2016			
	Change of assumption		Change of income before tax	Change of stockholder's equity
Mortality/Morbidity	Increase	10 %	(2,403,510)	(1,994,913)
Rate of return	Decrease	0.1 %	(3,091,465)	(2,565,916)
Expense (fixed expense)	Increase	5 %	(361,000)	(299,630)
Lapse and surrender rate	Increase	10 %	220,030	182,625

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 was 17%, the change factors considered include mortality, morbidity, rate of return, expense rate and lapse rate. The sensitivity analysis does not include the information of the subsidiaries, such exclusion is due to the fact that the percentage of the subsidiaries' retained earned premiums 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 concentrated in Taiwan.

(3) Claim development trend

1) Development trend of claims payment incurred

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

December 31, 2017

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	4,242,225	4,244,596	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	4,358,662	-	-
2013	3,970,050	4,725,262	4,813,040	4,826,369	4,833,979	-	-	-
2014	4,172,446	5,113,019	5,173,291	5,183,758	-	-	-	1,050
2015	4,605,165	5,558,277	5,666,297	-	-	-	-	4,511
2016	5,070,166	6,224,855	-	-	-	-	-	100,453
2017	5,431,814	-	-	-	-	-	-	1,264,702
IBNR Reserve								1,370,716
Plus: RBNA Reserve								976,734
The balance of claim reserve								2,347,450

December 31, 2016

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2010	3,426,842	3,989,417	4,044,102	4,059,304	4,062,735	4,066,811	4,069,076	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	4,242,225	-	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,351,260	-	-	7,965
2013	3,970,050	4,725,262	4,813,040	4,826,369	-	-	-	8,813
2014	4,172,446	5,113,019	5,173,291	-	-	-	-	19,598
2015	4,605,165	5,558,277	-	-	-	-	-	109,511
2016	5,070,166	-	-	-	-	-	-	1,146,383
IBNR Reserve								1,292,270
Plus: RBNA Reserve								835,983
The balance of claim reserve								2,128,253

Note 1： Amount shown above excludes investment contracts.

Note 2： As of December 31, 2017 and 2016, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary, from claims payment incurred are not estimated based on claim development trend amounts to $14,823 and $15,028, respectively.

2) Development trend of retention claims payments

Cumulative claims payments from prior years are as follows:

December 31, 2017

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	4,072,317	4,074,688	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	4,279,432	-	-
2013	3,942,698	4,565,096	4,651,774	4,665,103	4,672,708	-	-	-
2014	4,166,511	4,992,049	5,052,316	5,062,783	-	-	-	991
2015	4,587,144	5,435,512	5,543,341	-	-	-	-	4,272
2016	5,068,488	6,111,210	-	-	-	-	-	98,790
2017	5,412,545	-	-	-	-	-	-	1,257,021
IBNR Reserve								1,361,074
Plus: RBNA Reserve								865,482
The balance of claim reserve								2,226,556

December 31, 2016

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2010	3,262,624	3,703,188	3,757,543	3,772,737	3,776,169	3,780,233	3,782,497	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	4,072,317	-	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,272,044	-	-	7,903
2013	3,942,698	4,565,096	4,651,774	4,665,103	-	-	-	8,523
2014	4,166,511	4,992,049	5,052,316	-	-	-	-	19,290
2015	4,587,144	5,435,512	-	-	-	-	-	107,090
2016	5,068,488	-	-	-	-	-	-	1,145,739
IBNR Reserve								1,288,545
Plus: RBNA Reserve								771,645
The balance of claim reserve								2,060,190

Note 1： Amount shown above excludes investment contracts.

Note 2： As of December 31, 2017 and 2016, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary, from claims payment incurred are not estimated based on claim development trend amounts to $12,799 and $13,052, respectively.

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 a 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 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.

The maturity analysis of Insurance Contracts of the Group is shown below:

(Unit: NT$ million)

December 31, 2017

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note)	Total
Provision	119,079	268,476	69,167	2,445,907	230,936	3,133,565
Proportion	3.8 %	8.6 %	2.2 %	78.0 %	7.4 %	100.0 %

December 31, 2016

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify (Note)	Total
Provision	131,764	262,763	186,440	2,071,208	244,914	2,897,089
Proportion	4.5 %	9.1 %	6.4 %	71.5 %	8.5 %	100.0 %

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

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

(Y) 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 instrument are measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on a recurring basis. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities. If the market is not active, the fair value of financial instruments is determined in accordance with (a) valuation techniques, (b) valuation provided by the professional information providers which are commonly used by market participants, or (c) quoted prices of the counter party.

(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 a market 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 equity and debt instruments with active market prices are categorized in Level 1.

2) Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e. derived from prices). Preferred stocks, bond investments and derivative instruments without active market 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 price from the counter party. Equity and bond instruments without active market prices but based on quoted prices from counter parties as well as investment property are categorized in Level 3.

(b) Fair value measurement

(1) Fair value hierarchy

The following table presents the fair value hierarchy levels of financial instruments and investment properties which are measured at fair value on a recurring basis.

		December 31, 2017			
Assets and liabilities items		**Total**	**Quoted prices in active markets for identical financial instruments (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring measurements:					
Non-derivative financial instruments					
Assets:					
Available-for-sale financial assets					
Security investment	$	494,262,062	482,992,373	11,224,160	45,529
Bond investment (Note)		547,460,098	328,836,037	188,753,733	29,870,328
Others		216,366,296	152,634,151	82,614	63,649,531
Investment property		170,232,814	-	-	170,232,814
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss	$	8,679,477	-	8,679,477	-
Hedging derivative assets		421,914	-	421,914	-
Liabilities:					
Financial liabilities at fair value through profit or loss		448,368	-	448,368	-
Hedging derivative liabilities		781,779	-	781,779	-

		December 31, 2016			
Assets and liabilities items		**Total**	**Quoted prices in active markets for identical financial instruments (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring measurements:					
Non-derivative financial instruments					
Assets:					
Available-for-sale financial assets					
Security investment	$	405,192,458	393,869,152	11,265,973	57,333
Bond investment		656,159,865	415,007,851	207,079,644	34,072,370
Others		239,765,847	198,722,049	-	41,043,798
Investment property		171,713,701	-	-	171,713,701
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss	$	984,485	-	984,485	-
Hedging derivative assets		282,870	-	282,870	-
Liabilities:					
Financial liabilities at fair value through profit or loss		14,156,699	-	14,156,699	-
Hedging derivative liabilities		760,198	-	760,198	-

Note: Government bonds provided as statutory deposits were included.

(2) 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-stocks in exchange, listed stocks in OTC and debt instruments with quoted prices in the active markets.

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

Except for financial instruments in the active markets, fair value of others financial instruments is determined by valuation techniques, valuation provided by professional finance information providers which are commonly used by market participants, or quoted prices of the counter party. Necessary inputs for 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, such as debt investments without active market. Parameters of valuation models are usually from 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 foreign exchange contracts is based on the discounted cash flow models using the quoted forward rate. Valuation of interest rate derivatives is based on discounted cash flow models with inputs from observable market information.

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(E) for details.

(3) 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 others parameters when necessary. The model validation process is required before the Group adopts the model price. Therefore, 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.

(4) Transfer between Level 1 and Level 2

There was no significant transfer between Level 1 and Level 2 for the years ended December 31, 2017 and 2016.

(5) Level 3 movement details

Movements of financial assets categorized in Level 3 are as follows:

	For the year ended December 31, 2017							
		Valuation profit or loss		Increase		Decrease		
Name	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issuance	Transfer to Level 3 (a)(b)	Sale, disposal or settlement	Transfer from Level 3 (b)(c)	Ending balance
Available-for-sale financial assets	$ 75,173,501	(54,986)	(1,498,337)	37,828,333	1,285,317	16,199,751	2,968,689	93,565,388
Investment property	171,713,701	(397,751)	863,002	2,397,397	-	4,201,612	141,923	170,232,814
Total	**$ 246,887,202**	**(452,737)**	**(635,335)**	**40,225,730**	**1,285,317**	**20,401,363**	**3,110,612**	**263,798,202**

(a) Transfer to Level 3 due to lack of observable market data (on such securities due to reduction in market activity).

(b) The Group's policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized at the beginning or the end of the reporting period.

(c) Transfer from Level 3 because observable market data become acquirable.

	For the year ended December 31, 2016							
		Valuation profit or loss		Increase		Decrease		
Name	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issuance	Transfer to Level 3 (a)(b)	Sale, disposal or settlement	Transfer from Level 3 (b)(c)	Ending balance
Available-for-sale financial assets	$ 68,364,053	(2,343,127)	(494,255)	18,085,197	3,106,809	6,855,426	4,689,750	75,173,501
Investment property	166,905,951	(265,341)	(6,338,893)	12,709,933	-	-	1,297,949	171,713,701
Total	**$ 235,270,004**	**(2,608,468)**	**(6,833,148)**	**30,795,130**	**3,106,809**	**6,855,426**	**5,987,699**	**246,887,202**

(a) Transfer to Level 3 due to lack of observable market data (on such securities due to reduction in market activity).

(b) The Group's policy is to recognize the transfer in and transfer out of Level 3 inputs when the item is transferred or the condition changes. Otherwise, they would have to be recognized at the beginning or the end of the reporting period.

(c) Transfer from Level 3 because observable market data become acquirable.

	For the year ended December 31, 2017	2016
Amount recognized in profit or loss for the above-mentioned unrealized gains (losses)	$ (788,681)	(1,237,833)
Amount recognized in other comprehensive income for the above-mentioned unrealized gains (losses)	$ (631,545)	(6,710,607)

(6) Valuation techniques and inputs for Level 3 fair value measurements

Financial assets designated as available-for-sale financial assets and investment property of the Group are categorized into Level 3. The Group's available-for-sale financial assets, due to lack of quoted prices in an active market, are categorized into Level 3 which fair value are based on valuation provided by the professional information providers commonly used by market participants or quoted prices of the counter party. The fair value of investment property categorized into Level 3 is determined based on the rule stipulating in 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(E) for details. Because of the inability to comprehensively manage the relationship of significant unobservable input to fair value, quantitative information is not disclosed.

	December 31, 2017	December 31, 2016
Ending balance	$ 263,798,202	246,887,202

(7) Valuation procedure of Level 3 inputs

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

(a) Prices referring from the professional finance information providers, which are not different for each acquirer and shall be acquired through specific facility.

(b) Prices referring from quoted prices of the counter party. Price information is provided on a monthly 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.

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

(8) Sensitivity and reasonableness of Level 3 fair value

The fair value measurement of financial instruments and investment property are reasonable because no self-assessment pricing model is applied. Therefore, the Group does not perform alternative or sensitivity test.

(c) Estimated fair value of financial instruments not carried at fair value

(1) Fair value information

Other than the items stated in the table below, the Group's financial instruments that are not measured at fair value include cash and cash equivalents, receivables and other financial assets - deposit reservation for settlement and cash in bank, loans and accounts payable. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure. Financial assets at cost are equity investment carried at acquisition cost since there is no quoted price in active market and fair value can not be reasonably measured.

Items	Carrying amount	Fair value
December 31, 2017		
Financial assets		
Bond investments without active market	$ 1,525,361,896	1,564,372,720
Held-to-maturity financial assets (Note 1)	26,676,475	31,463,379
Other financial assets - structured deposits	21,571,595	21,394,760
Financial liabilities		
Bonds payable	35,000,000	35,392,655
December 31, 2016		
Financial assets		
Bond investments without active market	1,223,582,267	1,217,800,048
Held-to-maturity financial assets (Note 1)	26,668,623	29,213,799
Other financial assets - structured deposits	31,242,824	30,579,692
Financial liabilities		
Bonds payable	28,500,000	28,112,400

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

Note 2: For fair value adjustments detailed information, refer to Note 6(Y)(b)(3).

(2) Fair value hierarchy

Assets and liabilities items	December 31, 2017 Total	Quoted prices in active markets for identical financial instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Bond investments without active market	$ 1,564,372,720	20,234,949	1,257,670,402	286,467,369
Held-to-maturity financial assets (Note)	31,463,379	31,463,379	-	-
Other financial assets - structured deposits	21,394,760	-	-	21,394,760
Financial liabilities:				
Bonds payable	35,392,655	-	35,392,655	-

Assets and liabilities items	December 31, 2016 Total	Quoted prices in active markets for identical financial instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Bond investments without active market	$ 1,217,800,048	37,517,720	859,624,200	320,658,128
Held-to-maturity financial assets (Note)	29,213,799	29,213,799	-	-
Other financial assets - structured deposits	30,579,692	-	-	30,579,692
Financial liabilities:				
Bonds payable	28,112,400	-	28,112,400	-

Note: Government bonds provided as statutory deposits were included.

(3) Valuation techniques

The methods and hypothesis that the Group used in estimating the financial instrument not measured at fair value are as follows:

1) Fair value of the financial instrument of which the maturity date is short or the future price is closed to the book value is estimated by using its book value. This method applies to cash and cash equivalent, other financial assets - deposit reservation for settlement and cash in bank, loans, accounts receivable and accounts payable.

2) If financial instruments have quoted prices in active market, the fair value will be market price. If there is no market price for reference, the fair value will be estimated by using the valuation technique or refer to the quoted prices of the counter party. This method applies to held-to-maturity financial assets, other financial assets - structured deposits, and bonds payable.

3) Bond investments without active market, including domestic and foreign government bonds, financial bonds, corporate bonds, structured notes, beneficiary certificates, and preferred stocks, are carried at cost because there is no market price for reference at acquisition. The fair value is estimated by using the valuation technique or by referring to the quoted prices of the counter party. Valuation technique is based on discounted cash flow method.

(Z) Financial risk management

(a) Risk management system

(1) The organization structure of risk management

The Company sets 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 serves as the chairman of the committee. The committee is to consider the balance between assets and liabilities, set up the strategic target of assets and liabilities and supervise the execution progress.

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

(3) Risk management process

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

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

2) Risk measurement: To set up quantitative and qualitative risk management methods、indices and models and generate relevant risk management reports to effectively identify, measure and monitor risk exposure and to adopt effective procedures to diminish, transfer and control the risks under an acceptable extent.

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.

(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.

(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.

The credit risk of the Group is mainly from the financial instrument transactions resulted from operating activities, including securities investments and loans.

Details are as follows:

(1) Credit risk exposure- by industry

	December 31, 2017		December 31, 2016	
Financial assets	**Amount**	**%**	**Amount**	**%**
Industrial enterprise	$ 76,885,792	3.31	75,070,054	3.57
Public business	96,497,982	4.16	89,415,855	4.25
Diversification	402,987	0.02	381,204	0.02
Mortgage backed securities	25,686,634	1.11	32,688,848	1.55
Financial sector	931,928,231	40.17	827,707,891	39.34
Consumer staples	157,844,508	6.80	142,094,554	6.75
Government	348,318,186	15.02	338,834,075	16.10
Technology	59,239,146	2.55	62,803,043	2.98
Raw material	62,468,284	2.69	60,855,833	2.89
Consumer discretionary	49,748,152	2.14	50,914,484	2.42
Energy	109,924,308	4.74	90,105,965	4.28
Assets backed securities	22,897,927	0.99	19,810,355	0.94
Telecommunication	188,329,319	8.12	148,238,773	7.04
Other	189,690,324	8.18	165,677,368	7.87
Total	**$ 2,319,861,780**	**100.00**	**2,104,598,302**	**100.00**

(2) Credit risk exposure- by geographic area

	December 31, 2017		December 31, 2016	
Financial assets	**Amount**	**%**	**Amount**	**%**
Taiwan	$ 626,080,402	26.99	643,549,528	30.58
Asia except Taiwan	224,488,288	9.68	178,776,396	8.50
North America	939,995,129	40.52	846,560,534	40.22
Middle and South America	34,428,691	1.48	19,530,197	0.93
Europe	446,034,536	19.23	395,475,237	18.79
Africa/Middle East	48,834,734	2.10	20,706,410	0.98
Total	**$ 2,319,861,780**	**100.00**	**2,104,598,302**	**100.00**

In terms of credit quality, the Group traces the credit rating data of various credit rating institutions regularly for normal assets which are not overdue and not impaired and categories the quality into three levels, which are low risk, medium risk and high risk based on the credit rating. The definition of each level is as follows:

Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.

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.

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.

The impaired amount refers to the amount provided for all financial assets based on the regulations of accounting standards. Under the principle of prudence, the impaired amount is able to reflect the current value of the impaired assets.

The credit analysis of financial assets, including overdue but not impaired financial assets and the accumulated impairment losses, is as follows:

Credit analysis of financial assets

December 31, 2017						
Low risk	**Medium risk**	**High risk**	**No credit rating**	**Overdue but not impaired**	**Impaired**	**Accumulated impairment**
$ 1,505,564,168	814,683,888	1,080,426	-	-	3,541,434	4,186,828

December 31, 2016						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
$ 1,437,667,796	663,164,775	5,015,872	-	-	2,950,180	2,987,923

Note1: Normal assets include debt assets but not funds and stocks. Impaired and accumulated impairment include debt assets and security assets.

Note2: Classified by the credit ratings of the issuers or the guarantee agencies to tier.

Note3: Adopt S&P, Moody's, Fitch and Taiwan Ratings, whichever is lower.

(3) 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. Lender preserves the right to decrease line amount, accelerate the loan rendering all loan amount due immediately upon specific credit incidents with articles on debt security, collateral, liquidation in loan agreements.

2) Enhancement of other credits

The Group regulates offsetting terms of loan contracts to define that when a credit default event occurs, the Group is entitled to use the client's money payment to offset the debt in order to mitigate the risk of loans.

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.

(4) 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.

(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 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:

	December 31, 2017				
	<1 year	**1~3 years**	**3~5 years**	**>5 years**	**Total**
Accounts payable	$ 28,542,775	1,501	71	216,621	28,760,968
Bonds payable (Note)	1,140,750	2,281,500	2,281,500	39,564,202	45,267,952
Total	**$ 29,683,525**	**2,283,001**	**2,281,571**	**39,780,823**	**74,028,920**

	December 31, 2016				
	<1 year	1~3 years	3~5 years	>5 years	Total
Accounts payable	$ 22,327,381	812	66	212,731	22,540,990
	926,250	1,852,500	1,852,500	33,067,808	37,699,058
Total	**$ 23,253,631**	**1,853,312**	**1,852,566**	**33,280,539**	**60,240,048**

Note: The disclosed amounts included estimated interests and thus cannot be equal to the relevant accounts in the financial statements. In addition, the bonds payable has no maturity date, the contractual cash flows were calculated based on a remaining maturity of 10 years.

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

	December 31, 2017				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	$ 448,368	-	-	-	448,368
Hedging derivative liabilities	-	-	33,884	747,895	781,779
Total	**$ 448,368**	**-**	**33,884**	**747,895**	**1,230,147**

	December 31, 2016				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	$ 14,156,699	-	-	-	14,156,699
Hedging derivative liabilities	-	-	-	760,198	760,198
Total	**$ 14,156,699**	**-**	**-**	**760,198**	**14,916,897**

(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 Company. 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, the Company 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. 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 Company.

The Company 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 2 instruments, the Company 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 Company applies 99% as the confidence interval to predict the VaR in the next 10 days.

The VaR model applied to manage risk shall be examined retrospectively and continuously to ensure that the Company is able to measure the maximum potential risk of the portfolios reasonably, completely and accurately.

(2) Sensitivity analysis

Except for using VaR to manage market risk, the Company 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 Company to understand how each variation of risk factors may influence the portfolios in certain extreme scenarios.

Sensitivity analysis

Units: NT$'000

December 31, 2017			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price index)	Price incline by 10%	-	52,472,208
	Price decline by 10%	-	(52,472,208)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 50BPS	(4,097)	(15,083,100)
	Interest rate curve(NTD) incline by 50BPS	2,026	(12,894,440)
	Interest rate curve(Other currency) incline by 50BPS	-	(848,914)
	Interest rate curve(USD) decline by 50BPS	4,111	16,326,678
	Interest rate curve(NTD) decline by 50BPS	(2,044)	13,917,490
	Interest rate curve(Other currency) decline by 50BPS	-	882,437
Exchange rate risk (Foreign exchange rate)	NT$ to all currency incline by 3%	(4,977,349)	(6,279,385)
	NT$ to all currency decline by 3%	4,977,349	6,279,385

December 31, 2016			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price index)	Price incline by 10%	-	41,422,938
	Price decline by 10%	-	(41,422,938)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 50BPS	41	(18,710,276)
	Interest rate curve(NTD) incline by 50BPS	(182)	(13,782,745)
	Interest rate curve(Other currency) incline by 50BPS	-	(967,449)
	Interest rate curve(USD) decline by 50BPS	(39)	20,239,515
	Interest rate curve(NTD) decline by 50BPS	184	14,757,162
	Interest rate curve(Other currency) decline by 50BPS	-	1,006,175
Exchange rate risk (Foreign exchange rate)	NT$ to all currency incline by 3%	(5,163,400)	(6,120,357)
	NT$ to all currency decline by 3%	5,163,400	6,120,357

Note1: The sensitivity analysis of equity risk and interest rate risk mainly includes financial assets at fair value through profit or loss and available-for-sale financial assets. 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 bps will affect $(41) and $(3) in profit or loss and $(598,500) and $(693,176) in equity on December 31, 2017 and 2016, respectively.

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

(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. Therefore, the Group 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

December 31, 2017					
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**
Available-for-sale financial assets – Securities lending agreements	913,064	-	913,064	-	913,064

Units: NT$'000

December 31, 2016					
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**
Available-for-sale financial assets – Securities lending agreements	1,328,390	-	1,328,390	-	1,328,390

(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:

December 31, 2017

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	$ 30,672,986	-	30,672,986	998,636	1,115,420	28,558,930
Reverse repurchase agreements	55,452,579	-	55,452,579	54,672,600	-	779,979
Securities lending agreements	913,064	-	913,064	913,064	-	-
Total	$ 87,038,629	-	87,038,629	56,584,300	1,115,420	29,338,909

December 31, 2017

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 received	
Derivative financial instruments	$ 1,230,147	-	1,230,147	998,636	243,560	(12,049)

December 31, 2016

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	$ 32,510,179	-	32,510,179	6,223,325	-	26,286,854
Reverse repurchase agreements	62,647,954	-	62,647,954	61,719,500	-	928,454
Securities lending agreements	1,328,390	-	1,328,390	1,328,390	-	-
Total	$ 96,486,523	-	96,486,523	69,271,215	-	27,215,308

December 31, 2016

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 received	
Derivative financial instruments	$ 14,916,897	-	14,916,897	6,223,325	-	8,693,572

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

(AA) 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 December 31, 2017 and 2016, the Group has provided a non-contractual obligation loan of $23,207,662 and $22,841,222 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	Invest in asset securitization products to gain profit	Investment in asset-backed securities issued by unconsolidated structured entities

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

December 31, 2017	Private fund investment	Asset securitization product
Assets held by the Group		
-Available-for-sale financial assets	$ 55,551,417	5,818,886
-Bond investments without active market	-	48,727,013
Total assets of the Group	**$ 55,551,417**	**54,545,899**

December 31, 2016	Private fund investment	Asset securitization product
Assets held by the Group		
-Available-for-sale financial assets	$ 40,211,311	6,509,526
-Bond investments without active market	-	52,499,203
Total assets of the Group	**$ 40,211,311**	**59,008,729**

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 and asset securitization products for the years ended December 31, 2017 and 2016.

(AB) 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(J) and (O).

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

In accordance with “Regulations Governing Capital Adequacy of Insurance Companies”, capital adequacy refers to the ratio of the adjusted net capital to the risk-based capital. The competent authority asks that the capital adequacy ratio of insurance companies must not be lower than 200%. The capital adequacy ratio of an insurance company which equals or exceeds 200% is classified as adequate capital. The capital adequacy ratio of an insurance company lower than 200% is divided into three categories: inadequate capital, significantly inadequate capital, and seriously inadequate capital. Where the capital adequacy ratio of an insurance company is lower than 200% or the minimum ratio prescribed by the competent authority, the insurance company shall not buy back its stock shares and distribute the net profit of the year. The competent authority may take certain supervisory procedures which include but not limited to: To request the people in charge of the insurance Group to execute capital increase in a given period of time or to submit other proposal for financial improvements, to request the insurance Group to stop selling insurance products or to limit the start of new insurance products, to limit the use of its capital, to dispatch officers to supervise its operation or conduct other necessary procedures.

The capital adequacy of the Company is located over 200% for the last two years and is above the minimum ratio requested by the competent authority.

As of December 31, 2017, the Group's method of capital management for the year remains the same.

(AC) Other

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

	December 31, 2017			December 31, 2016		
	Foreign Currency	Exchange Rate (Note 2)	NTD	Foreign Currency	Exchange Rate (Note 2)	NTD
Financial Assets						
Monetary items (Note 1)						
USD	$ 58,338,461	29.848/29.682 /29.857	1,741,286,534	45,621,315	32.279/32.263 /32.282	1,472,610,472
Non-monetary items (Note 1)						
USD	5,849,993	29.848	174,610,602	6,000,951	32.279	193,704,688
EUR	-	-	-	489,834	34.045	16,676,248
HKD	11,201,379	3.819	42,774,035	11,816,473	4.163	49,191,270
CNY	7,091,019	4.581	32,507,817	7,487,505	4.648	34,738,475
Derivatives Financial Instruments (Note 1)						
USD	-	29.848	8,679,477	-	32.279	991,975
Equity investment under equity method(Note 1)						
HKD	2,400,559	3.821	9,172,776	2,034,977	4.163	8,471,407
KRW	128,167,435	0.028	3,588,688	145,120,263	0.027	3,889,223
Financial Liabilities						
Monetary items (Note 1)						
USD	392,391	29.848	11,713,367	34,262	32.279	1,105,028
EUR	28,891	35.758	1,032,865	4,162	34.045	145,321
Derivatives Financial Instruments (Note 1)						
USD	-	29.848	1,230,147	-	32.279	14,916,897

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.

(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:

	December 31, 2017		
Assets	**Recovery within 12 months**	**Recovery beyond than 12 months**	**Total**
Cash and cash equivalents	$ 172,873,927	-	172,873,927
Receivables	45,130,792	1,111,083	46,241,875
Current tax assets	-	454,788	454,788
Financial assets at fair value through profit or loss	8,679,477	-	8,679,477
Available-for-sale financial assets	13,306,092	1,242,779,547	1,256,085,639
Hedging derivative assets	-	421,914	421,914
Financial assets at cost	-	1,044,850	1,044,850
Investments accounted for using equity method, net	-	15,674,229	15,674,229
Bond investments without active market	43,534	1,525,318,362	1,525,361,896
Held-to-maturity financial assets	-	16,343,302	16,343,302
Other financial assets, net	3,740,737	18,765,358	22,506,095
Investment property	-	170,232,814	170,232,814
Loans	3,867,386	185,822,939	189,690,325
Reinsurance assets	933,008	691,299	1,624,307
Property, plant and equipment	-	19,676,872	19,676,872
Intangible assets	-	223,667	223,667
Deferred tax assets	-	13,559,234	13,559,234
Other assets	1,079,264	45,782,844	46,862,108
Assets on insurance product, separate account	1,470,321	153,744,495	155,214,816
Total assets	$ **251,124,538**	**3,411,647,597**	**3,662,772,135**

	December 31, 2017		
Liabilities	**Recovery within 12 months**	**Recovery beyond than 12 months**	**Total**
Accounts payable	$ 28,542,775	218,193	28,760,968
Current tax liabilities	6,455,705	595,530	7,051,235
Financial liabilities at fair value through profit or loss	448,368	-	448,368
Hedging derivative liabilities	-	781,779	781,779
Bonds payable	-	35,000,000	35,000,000
Insurance liabilities	119,071,968	3,011,400,802	3,130,472,770
Reserve for insurance with nature of financial instrument	7,352	3,737,322	3,744,674
Reserve for foreign exchange fluctuation	-	2,305,484	2,305,484
Liabilities reserve	664,243	6,322,844	6,987,087
Deferred tax liabilities	-	7,192,742	7,192,742
Other liabilities	4,767,302	7,154,587	11,921,889
Liabilities on insurance product, separate account	533	155,214,283	155,214,816
Total liabilities	$ **159,958,246**	**3,229,923,566**	**3,389,881,812**

	December 31, 2016		
Assets	Recovery within 12 months	Recovery beyond than 12 months	Total
Cash and cash equivalents	$ 176,831,591	-	176,831,591
Receivables	34,041,217	983,452	35,024,669
Current tax assets	-	1,064,146	1,064,146
Financial assets at fair value through profit or loss	984,485	-	984,485
Available-for-sale financial assets	24,635,927	1,276,482,243	1,301,118,170
Hedging derivative assets	57,445	225,425	282,870
Financial assets at cost	-	1,157,549	1,157,549
Investments accounted for using equity method, net	-	12,901,967	12,901,967
Bond investments without active market	2,134,823	1,221,447,444	1,223,582,267
Held-to-maturity financial assets	-	16,337,553	16,337,553
Other financial assets, net	9,941,462	22,098,206	32,039,668
Investment property	-	171,713,701	171,713,701
Loans	3,251,541	162,425,827	165,677,368
Reinsurance assets	797,799	580,772	1,378,571
Property, plant and equipment	-	19,085,535	19,085,535
Intangible assets	-	274,620	274,620
Deferred tax assets	-	8,059,745	8,059,745
Other assets	1,305,454	42,205,918	43,511,372
Assets on insurance product, separate account	3,215,641	139,318,380	142,534,021
Total assets	**$ 257,197,385**	**3,096,362,483**	**3,353,559,868**

	December 31, 2016		
Liabilities	Recovery within 12 months	Recovery beyond than 12 months	Total
Accounts payable	$ 22,327,381	213,609	22,540,990
Current tax liabilities	3,990,061	656,333	4,646,394
Financial liabilities at fair value through profit or loss	14,156,699	-	14,156,699
Hedging derivative liabilities	-	760,198	760,198
Bonds payable	-	28,500,000	28,500,000
Insurance liabilities	117,377,673	2,762,226,704	2,879,604,377
Reserve for insurance with nature of financial instrument	14,385,897	3,751,438	18,137,335
Reserve for foreign exchange fluctuation	-	4,632,746	4,632,746
Liabilities reserve	852,434	6,688,489	7,540,923
Deferred tax liabilities	-	6,586,754	6,586,754
Other liabilities	8,438,659	2,006,401	10,445,060
Liabilities on insurance product, separate account	408	142,533,613	142,534,021
Total liabilities	**$ 181,529,212**	**2,958,556,285**	**3,140,085,497**

7. RELATED PARTY TRANSACTIONS

(A) Names and relationships of related parties

Names of related parties	Relationship with the Group
Fubon Financial Holding Co., Ltd.	Parent company
Fubon Property & Casualty Insurance Co., Ltd.	The Group which held 40%
CITIC Capital Holdings Ltd.	The associate
Hyundai Life Insurance Co., Ltd.	The associate
Star River Energy Co., Ltd.	The associate
Star Shining Energy Co., Ltd.	The associate
Fubon Financial Holdings Venture Capital Co., Ltd.	The same 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 Assets Management Co., Ltd.	The same parent company
Fubon Direct Marketing Consulting Co., Ltd.	The same parent company
Fubon Bank (Hong Kong) Limited	The same parent company
Taiwan Sports Lottery	The same parent company
Fubon Securities Investment Trust Co., Ltd.	The same parent company and investee company under equity method
Fubon Futures Co., Ltd.	The same parent company and investee company under equity method
Fubon Securities Investment Consulting Co., Ltd.	The same parent company and investee company under equity method
Fusheng Insurance Agent Co., Ltd.	The same parent company and investee company under equity method
Fubon Sports & Entertainment Co., Ltd.	The same parent company and investee company under equity method
Fusheng Life Insurance Agent Co., Ltd.	The same parent company and investee company under equity method
Fubon Securities Venture Capital	The same parent company and investee company under equity method
Fubon Mintou Venture Capital Co., Ltd.	The same parent company and investee company under equity method
Fubon Insurance Brokers Co., Ltd.	The same parent company and investee company under equity method
Fulee Life Insurance Agent Co., Ltd.	Affiliates
Fubon Property Management Co., Ltd.	Affiliates

Names of related parties	Relationship with the Group
Fubon Construction Co., Ltd.	Affiliates
Fubon Real Estate Management Co., Ltd.	Affiliates
Fubon Multimedia Technology Co., Ltd.	Affiliates
Taipei City Government	Affiliates
TFN Media Co., Ltd.	Affiliates
Taiwan Mobile Co., Ltd.	Affiliates
Taiwan Fixed Network Co., Ltd.	Affiliates
Taiwan Customer Service Technology Co., Ltd.	Affiliates
Taiwan High Speed Railway Co., Ltd.	Affiliates
World Vision Taiwan	Affiliates (Note3)
Fubon Culture and Education Foundation	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Art Foundation	Affiliates
Chung Hsing Construction Co., Ltd.	Affiliates
Ming Tung Investment Co., Ltd.	Affiliates
WinTV Broadcasting Co., Ltd.	Affiliates
Taiwan Academy of Banking and Finance	Affiliates
Taipei New Horizon Co., Ltd.	Affiliates
The Non-Life Insurance Association of the R.O.C.	Affiliates
Taiwan Insurance Institute	Affiliates
One Production Film Co., Ltd.	Affiliates
Safety and Health Technology Center	Affiliates
Taiwan Digital Communications Co., Ltd.	Affiliates
PHYCOS International Co., Ltd.	Affiliates
Formosa Cancer Foundation	Affiliates
Easycard Corporation	Affiliates
China Evangelical Seminary	Affiliates
Taiwan Cogeneration Corporation	Affiliates
China University of Technology	Affiliates
Kbro Media Co., Ltd.	Affiliates
Taiwan Telecommunication Industry Development Association	Affiliates
Taiwan Bio-Development Foundation	Affiliates
Taiwan Private Equity Association	Affiliates

Names of related parties	Relationship with the Group
Life Insurance Management Institute of the Republic of China	Affiliates
Capital Securities Corporation	Affiliates (Note2)
Formosa Plastics Corporation	Affiliates
Insurance Anti-Fraud Institute	Affiliates
The Institute of Internal Auditors	Affiliates (Note3)
Chinese Insurance Service Association	Affiliates
Clevo Co., Ltd.	Affiliates
Chinese Christian Evangelistic Association	Affiliates (Note4)
Taipei Fubon Commercial Bank Charity Foundation	Affiliates
Straits Exchange Foundation	Affiliates
Taiwan Arts & Culture Television Co., Ltd.	Affiliates
Taroko Development Co., Ltd.	Affiliates
Fupen Construction Co., Ltd.	Affiliates
Fubon Hotels Management Co., Ltd.	Affiliates
DETEKT Technology Inc.	Affiliates
Sunny Pharmtech Inc.	Affiliates
Life Insurance Educational Foundation	Affiliates
HiTi Digital, Inc.	Affiliates
Viewpoint Electronics Co., Ltd.	Affiliates
Chinese Christian Relief Association	Affiliates (Note4)
CR Classification Society	Affiliates
YAHOO! Taiwan Holdings Limited	Affiliates
Lion Travel Service Co., Ltd.	Affiliates
Chinese Taipei Basketball Association	Affiliates
Taipei Young Women’s Christian Association	Affiliates (Note1)
The Association of Police's Friends of the Republic of China	Affiliates (Note4)
Sheng Yen Education Foundation	Affiliates (Note1)
Taiwan Ratings Corp.	Affiliates (Note4)
Taiwan Pelican Express Co., Ltd.	Affiliates
The Life Insurance Association of the Republic of China	Affiliates
Convoy Financial Service Ltd.	Affiliates
Kbro Co., Ltd.	Affiliates
Full Wang International Development Co., Ltd.	Affiliates
Chien Kuo Construction Co., Ltd.	Affiliates

Names of related parties	Relationship with the Group
Lotus Chemical & Pharmaceutical Co., Ltd.	Affiliates
SinoPac Leasing Co., Ltd.	Affiliates
Le-Young Construction Co., Ltd.	Affiliates
Julian Investment Co., Ltd.	Affiliates
Other related parties	Directors, supervisors, managers and their close relatives, etc.

Note1: No longer a related party commencing from the fourth quarter of 2016.

Note2: No longer a related party commencing from the third quarter of 2016.

Note3: No longer a related party commencing from the second quarter of 2016.

Note4: No longer a related party commencing from the fourth quarter of 2017.

(B) Significant related party transactions

(a) Deposits with related parties

Nature	December 31, 2017	December 31, 2016
Taipei Fubon Commercial Bank Co., Ltd.		
Check deposits	$ 50,173	258,517
Demand deposits	5,471,350	5,604,484
Time deposits	1,360,172	4,179,000
Structured deposits	1,766,861	2,822,978
Fubon Bank (Hong Kong) Co., Ltd.		
Demand deposits	987,926	1,004,437
Time deposits	-	12,489
Total	**$ 9,636,482**	**13,881,905**

Deposits mentioned above exclude investment-linked insurance policy assets. Otherwise, structured deposits were accounted for other financial assets.

(b) Interest receivable with related parties

Name of related party	December 31, 2017	December 31, 2016
Taipei Fubon Commercial Bank Co., Ltd.	**$ 12,072**	**329,270**

(c) Other receivable (payable)

Names of related parties	December 31, 2017	December 31, 2016
Taipei Fubon Commercial Bank Co., Ltd.	$ (399,518)	(729,159)
Fubon Insurance Co., Ltd.	121,707	97,130
Fusheng Life Insurance Agent Co., Ltd.	(37,897)	(46,742)
Chien Kuo Construction Co., Ltd.	(25,252)	-
Fubon Securities Investment Consulting Co., Ltd.	(13,815)	(19,895)
Convoy Financial Service Ltd.	(230)	(10,744)
Other (accounts with balance of less than $10,000 or 10% of total transaction balance)	(1,470)	(9,482)
Total	**$ (356,475)**	**(718,892)**

(d) Joint declaration of tax

The Company 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.)

	December 31, 2017	December 31, 2016
Joint declaration of tax-receivables (current income tax assets)	$ 77,051	90,119
Joint declaration of tax-payable (current income tax liabilities)	6,991,303	4,595,354

(e) Bonds transactions

(1) Purchases

Name of related party	For the year ended December 31, 2017	2016
Taipei Fubon Commercial Bank Co., Ltd.	$ 476,876	8,129,544
Fubon Securities Co., Ltd.	-	725,252
Total	**$ 476,876**	**8,854,796**

(2) Sales

Names of related parties	For the year ended December 31, 2017	2016
Taipei Fubon Commercial Bank Co., Ltd.	$ 22,840,636	19,840,007
Fubon Securities Co., Ltd.	1,119,635	1,593,052
Total	**$ 23,960,271**	**21,433,059**

(3) Bonds purchased under resell agreements

Name of related party	For the year ended December 31, 2017 Interest Revenue	For the year ended December 31, 2016 Interest Revenue
Capital Securities Corporation	$ -	2,879
Fubon Securities Co., Ltd.	$ 197	445
Taipei Fubon Commercial Bank Co., Ltd.	$ -	920

(4) Derivatives (at Principal Value)

The contract amounts：

Names of related parties	Financial Instruments	December 31, 2017	December 31, 2016
Taipei Fubon Commercial Bank Co., Ltd.	Foreign Exchange SWAP	$ 2,686,320	-

(f) Certain investment funds purchased from Fubon Securities Investment Trust Co., Ltd. are as follows:

Names of funds	December 31, 2017	December 31, 2016
Fubon Fund	$ 73,980	56,520
Fubon Chi-Hsiang Money Market Fund	2,405,344	1,500,183
Fubon China Money Market Fund	-	28,747
Fubon Technology ETF Fund	218,165	175,853
Fubon Morgan ETF Fund	138,746	118,483
Fubon Taiwan Eight Industries ETF Fund	155,724	133,939
Fubon Taiwan Finance ETF Fund	161,162	138,242
Fubon Strategic High Income-Type B	44,918	45,776
Fubon 7-10 Years US Treasury Bond ETF	234,158	-
Fubon 20+ Years US Treasury Bond ETF	241,954	-
Fubon S&P US Preferred Stock ETF	410,348	-
Fubon SZSE 100 ETF	153,729	124,664
Fubon FB NASDAQ Fund	32,098	26,608
FB H-Share L2XI	32,210	21,390
Fubon Taiwan 50	979,860	-
Fubon NASDAQ L2XI	16,878	-
Fubon Corporate Governance	1,042,000	-
Total	$ 6,341,274	2,370,405

(g) The Group recognized Fubon No.1 REIT and Fubon No.2 REIT in Available for Sales Financial Assets:

Names of related parties	December 31, 2017	December 31, 2016
Fubon No.1 Real Estate Investment Trust	$ 731,417	854,644
Fubon No.2 Real Estate Investment Trust	829,043	977,061
	$ 1,560,460	1,831,705

(h) Property transactions

(1) Payments of investment property are as follows:

Names of related parties	Nature	For the year ended December 31, 2017	2016
Fubon Construction Co., Ltd.	Consulting fees and etc.	$ 27,860	42,580
Taipei City Government	Prepaid superficies rent, project contract, etc.	17,357	238
Chien-kuo	Project contract	240,494	-
Total		$ 285,711	42,818

(2) The Group purchased computer equipment from Taiwan Fixed Network Co., Ltd. the years ended December 31, 2017 and 2016 and the proceeds amounted to $46,336 and $1,075.

(3) The Group purchased lease improvements from Taiwan Fixed Network Co., Ltd. the year ended December 31, 2017 and the proceeds amounted to $34,280.

(i) Loans to related parties are as follows:

(1) Secured loans

December 31, 2017

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	51 affiliates	$ 356,741	348,046	Normal	Real estate	No

December 31, 2016

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	39 affiliates	$ 287,572	278,727	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:

December 31, 2017						
Category	**Name of related party**	**Maximum Amount**	**Ending Balance**	**Performing situation**	**Collateral**	**Collateral terms are the same with other regular clients**
Life insurance loans	120 affiliates	$ 49,720	40,842	Normal	Policy value	No

December 31, 2016						
Category	**Name of related party**	**Maximum Amount**	**Ending Balance**	**Performing situation**	**Collateral**	**Collateral terms are the same with other regular clients**
Life insurance loans	101 affiliates	$ 49,233	35,719	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.

(j) Prepayment

Names of related parties	Nature	December 31, 2017	December 31, 2016
Taipei Fubon Commercial Bank Co., Ltd.	Incentives and temporary payments for the year-end party	$ 7,015	45,987
Fubon Insurance Co., Ltd.	Prepaid insurance expenses and temporary payments for the year-end party	11,107	18,047
Fubon Financial Holdings Co., Ltd.	Temporary payments and temporary payments for the year-end party	473	10,538
Other (accounts with balance of less than $10,000 or 10% of total transaction balance)		(10,363)	4,367
Total		$ 8,232	78,939

(k) Rental expense and refundable deposits

The details of rental expenses and guarantee deposit paid to the related parties for the years ended December 31, 2017 and 2016, are as follows:

Guarantee deposit paid

Names of related parties	December 31, 2017	December 31, 2016	Note
Fubon Insurance Co., Ltd.	$ 22,739	13,893	Office rent
Taipei City Government	1,127,204	1,119,124	Bid Bond / Superficies performance bond
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	8,105	8,039	Office rent
Total	$ 1,158,048	1,141,056	

Rental expense

Names of related parties	For the year ended December 31, 2017	For the year ended December 31, 2016	Note
Fubon Insurance Co., Ltd.	$ 88,414	82,950	Office rent
Taipei City Government	326,604	326,657	Superficies rent
Affiliates	35,025	34,678	Office rent
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	13,601	12,562	Office rent
Total	$ 463,644	456,847	

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

(l) Refundable deposits and rental revenue and unearned rental revenue

	December 31, 2017	December 31, 2016
Guarantee deposits received		
Fubon Multimedia Technology Co., Ltd.	$ 27,219	27,219
Taroko Development Co., Ltd.	35,000	35,000
Taiwan Fixed Network Co., Ltd.	10,597	10,597
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	33,679	23,196
	-	-
Total	$ 106,495	96,012

The above-mentioned guarantee deposits are for rental investment properties, a performance guarantee of $52,689 from Kbro Media Co., Ltd. and $191,280 from Chien Kuo Construction Co., Ltd.

	For the year ended December 31,	
	2017	**2016**
Rental revenue		
Fubon Multimedia Technology Co., Ltd.	$ 108,170	106,807
Fubon Insurance Co., Ltd.	10,990	7,826
Taiper Fubon Commercial Bank Co., Ltd.	27,672	24,189
Fubon Securities Co., Ltd.	12,126	4,503
Taroko Development Co., Ltd.	115,000	115,000
Taiwan Fixed Network Co., Ltd.	40,568	33,971
Taiwan Mobile Co., Ltd.	31,575	27,737
TFN Media Co., Ltd.	11,582	11,438
Kbro Media Co., Ltd.	51,438	-
Kbro Co., Ltd.	23,306	-
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	11,846	10,495
Total	**$ 444,273**	**341,966**

Rental revenues from real estate investment amounted to $443,368 and $341,452 for the years ended December 31, 2017 and 2016, respectively. Rental revenues from real investment property are accounted for gains on investment property.

Unearned rental revenue, accounted for other liabilities, amounted to $8,544, and $1,223 as of December 31, 2017 and 2016, respectively.

(m) Gross Written Premiums

	For the year ended December 31,	
	2017	**2016**
Fubon Insurance Co., Ltd.	$ 38,548	45,201
Fubon Securities Co., Ltd.	36,038	38,120
Taipei Fubon Commercial Bank Co., Ltd.	97,409	95,619
Taiwan High-Speed Railway Co., Ltd.	13,508	13,426
Fubon Multimedia Technology Co., Ltd.	11,163	11,245
Affiliates	94,222	137,497
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	971,213	1,011,859
Total	**$ 1,262,101**	**1,352,967**

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

(n) Commission revenues from investment-linked insurance policy

Name of related party	For the year ended December 31, 2017	2016
Fubon Securities Investment Trust Co., Ltd.	$ 5,871	5,068

(o) Commission expense

Names of related parties	For the year ended December 31, 2017	2016
Taipei Fubon Commercial Bank Co., Ltd.	$ 4,645,711	6,514,793
Fusheng Life Insurance Agent Co., Ltd.	288,482	341,077
Fubon Insurance Brokers	11,071	4,711
Fubon Bank (Hong Kong) Co., Ltd.	115,037	83,214
Convoy Financial Service Ltd.	30,395	17,583
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	392	1,392
Total	$ 5,091,088	6,962,770

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

Names of related parties	December 31, 2017	December 31, 2016
Taipei Fubon Commercial Bank Co., Ltd.	$ 10,240	14,456
Fusheng Life Insurance Agent Co., Ltd.	95,541	107,506
Total	$ 105,781	121,962

(p) Interest revenue with related parties

Names of related parties	For the year ended December 31, 2017	2016
Taipei Fubon Commercial Bank Co., Ltd.	177,893	214,130
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	4,548	4,264
Total	$ 182,441	218,394

(q) Marketing revenue

Names of related parties	For the year ended December 31, 2017	2016
Fubon Insurance Co., Ltd.	$ 448,632	400,836
Taipei Fubon Commercial Bank Co., Ltd.	28,093	27,505
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	1,805	1,310
Total	$ 478,530	429,651

(r) Marketing expense

Names of related parties	For the year ended December 31, 2017	2016
Fubon Insurance Co., Ltd.	$ 15,251	26,083
Fubon Securities Co., Ltd.	76,277	100,657
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)	75	336
Total	**$ 91,603**	**127,076**

(s) Other revenues

Names of related parties	Nature	For the year ended December 31, 2017	2016
Fubon Securities Co., Ltd.	Security lending handling fee income	$ 42,012	12,167
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)		172	105
Total		**$ 42,184**	**12,272**

(t) Other expenses

Names of related parties	Nature	For the year ended December 31, 2017	2016
Fubon Securities Co., Ltd.	Entrusted with the sale of fee and consignment trading handling fees	$ 84,599	68,872
Fubon Real Estate Management Co., Ltd.	Building management fees, investment property fees, etc.	100,909	113,290
Fubon Insurance Co., Ltd.	Property insurance, parking fees, etc.	46,214	41,237
Taiwan Fixed Network Co., Ltd.	Telephone fees/telecommunication fees, exchange board rental, etc.	174,439	67,322
Taipei Fubon Commercial Bank Co., Ltd.	Bank charge, custodian fees, exhibition cost, etc.	911,452	786,246
Fubon Culture and Education Foundation	Donation fees and advertisement expenses	30,144	38,568
Fubon Charity Foundation	Donation fees	34,734	43,089
Fubon Art Foundation	Other expenses	32,955	30,235
Fubon Sports & Entertainment Co., Ltd.	Advertisement, stationery and printing, etc.	133,435	56,721
Taiwan Mobile Co., Ltd.	Telephone fees and telecommunication fees	11,558	5,146
Others (accounts with balance of less than $10,000 or 10% of total transaction balance)		32,604	28,565
Total		**$ 1,593,043**	**1,279,291**

(C) Major management remuneration information

	For the year ended December 31, 2017	2016
Remuneration and other short-term contract employees	$ 462,632	417,642
Other long-term contract employees	1,971	2,054
Post-employment benefits	13,827	25,484
Total	**$ 478,430**	**445,180**

8. PLEDGED ASSETS

Pledged assets are as follows:

Pledged assets	December 31, 2017	December 31, 2016
Government bonds (Available-for-sale financial assets)	$ -	213,536
Government bonds (Statutory deposits)	12,335,990	10,331,070
Savings deposits (Statutory deposits)	15,720	19,366
Time deposits (Guarantee deposits)	1,279,000	1,279,000
Total	**$ 13,630,710**	**11,842,972**

Pursuant to the requirements of Articles 141 and 142 of the Insurance Law, government bonds were deposited in the Central Bank 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) The Group's maturity analysis of lease contractual commitments is as follows:

December 31,2017	< 1 year	1~5 years	> 5 years	Total
Lease contractual commitments				
Operating lease expenditure (Lessee)	447,529	396,433	-	843,962
Operating lease expenditure - Superficies (Lessee)	328,751	1,315,005	14,372,667	16,016,423
Operating lease revenue (Lessor)	5,572,631	20,039,853	32,038,725	57,651,209
Total finance lease expenditure (Lessee)	9,791	38,914	1,209,909	1,258,614
Present value of finance lease expenditure (Lessee)	101	300	216,621	217,022

December 31,2016	< 1 year	1~5 years	> 5 years	Total
Lease contractual commitments				
Operating lease expenditure (Lessee)	481,111	307,016	-	788,127
Operating lease expenditure - Superficies (Lessee)	328,751	1,315,005	14,701,418	16,345,174
Operating lease revenue (Lessor)	5,698,110	20,297,150	33,779,395	59,774,655
Total finance lease expenditure (Lessee)	9,980	38,350	1,197,486	1,245,816
Present value of finance lease expenditure (Lessee)	407	382	212,731	213,520

(B) 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.

(C) Significant unrecognized commitments

(a) The Group's unrecognized contracts of superficies are as follows:

	December 31, 2017(Note)	December 31, 2016
Acquisition of superficies	$ 703,249	718,509

Note: The Group acquired the creation of superficies of the city-owned land of Parcel No.472, Subsection 2nd, Xinmin Rd., Beitou Dist., Taipei City with a bid price of $1,401,000 in July 2014. As of the reporting date, the contract has not yet been signed. However, the urban renewal business implementation contract was signed in October 2014 and $700,500 was paid according to the contract.
The Group acquired the creation of superficies of the city-owned land of Parcel No.6, Subsection 3rd, Xinyi Rd., Xinyi Dist., Taipei City with a bid price of $17,288,000 in June 2014. The contract was signed in August 2014, and the right of superficies recognized started to amortize from November 2014. In accordance with the contract, except for some special conditions exempted from Taipei City government, the Group shall finish the migration and underground construction of water pump stations and gas stations within the area before obtaining the building use permit. The budget for the construction is limited to $110,000. As of December 31, 2017, the construction expense incurred amounted to $107,251.

(b) The Group's unrecognized new construction contracts of investment and owner-occupied properties are as follows:

	December 31, 2017	December 31, 2016
New construction contracts	$ 3,639,049	1,348,439

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

	December 31, 2017	December 31, 2016
USD	$ 1,536,449	1,837,940
EUR	$ 234,560	223,488

Note: The unfunded commitments excluded unsettled trades.

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT SUBSEQUENT EVENT

(A) According to the amendments to the Income Tax Act enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by 2,391,942 and 786,334, respectively.

(B) The Group was approved by the regulation of Jing Shen Letter No. 10720710970 by MOEA to increase HKD 775,000 thousands for capital injection by cash in Fubon Life Insurance (Hong Kong) Co., Ltd. on January 31, 2018. The record date was February 26, 2018.

(C) The Group acquired Kaohsiung City "MRT Aozihdi Station Commercial District Development Project" and got the right of 18 superficies for 70 years on March 7th, 2018. The total contract value is amounted to 7,807,800 and is determined based on the appraisal reports issued by Euro-Asia Estate Joint Appraiser Office and those by Cushman & Wakefield Real Estate Appraiser Office.

12. OTHER

(A) Personnel expenses, depreciation and amortization for the periods ended December 31, 2017 and 2016 are categorized by function as follows:

Units: $'000

Function / Nature	For the year ended December 31, 2017			2016		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees Benefits						
Salaries and wages	11,557,880	4,556,139	16,114,019	14,089,940	4,314,493	18,404,433
Insurance	-	1,648,952	1,648,952	-	1,511,223	1,511,223
Pension	293,412	904,678	1,198,090	339,571	894,683	1,234,254
Other	-	1,320,130	1,320,130	-	1,682,353	1,682,353
Depreciation	-	414,970	414,970	-	312,067	312,067
Amortization	233,358	127,363	360,721	551,399	128,786	680,185

(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 year ended December 31, 2017 as follows:

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

Units:$'000

Acquiring Company	Property Name	Occurrence Date	Amount (Note)	Amount Paid	Counterparty	Relationship	Previous transfer information, as counterparty is a related party,				Reference for price	Purpose and usage	other
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Life Insurance Co., Ltd.	Land: Parcel No. 129 and 129-1, subsection 5th, Wende section, Neihu District, Taipei City Building: No. 60, Lane 321, Sunshine Street, Neihu District, Taipei City.	2017.09.29	1,300,000	Paid in accordance with the contract	Les enphants Co.,Ltd.	Not related party	-	-	-	-	Referred to market price and appraisal reports	Investment Property	None

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

(b) Disposal of real property over $100,000 or 20% of capital：

Units:$'000

Disposing Company	Property Name	Occurrence Date	Original Acquiring Date	Carrying Amount (Note 1)	Amount (Note 2)	Received Details	Gain on Disposal of Property	Counter party	Relationship	Purpose	Reference for price	Other
Fubon Life Insurance Co., Ltd.	Land: Parcel No. 715, Zhongzhuang section, Chiayi City. Building: The whole buildings of No. 600, Zhongxiao Road and No. 836, Xinsheng Road, Chiayi City	2017.9.29	2009.09.08	4,690,034	4,830,700	Received in accordance with contract	488,372	Nice Plaza Co., Ltd.	Not related party	To realize gains and to activate asset allocation	Referred to market price and appraisal reports	None

Note1: It is the total selling price of the contract (including accumulated fair value valuation $488,422) and the Group has derecognized the real property in October 2017.

Note2: It is the total selling price of the contract (VAT included). Transaction cost is separately counted.

(c) Sales and purchase with related party over $100,000 or 20% of capital： Note 7 and 13(A)(f).

(d) Accounts receivable with related party over $100,000 or 20% of capital: Please refer to Note 7.

(e) Information on derivative transactions：Please refer to Note 6(C) and (Y).

(f) Business relationship and significant transactions with the subsidiaries:

Units:NT$'000

No	Company	Counterparty	Relationship	Transaction details			
				Accounts	Amount	Trading terms	Percentage ratio against total operating income or total assets
0	Fubon Life Insurance Co., Ltd.	Fubon (Hong Kong) Co., Ltd.	1	Receivables	2,719	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon (Hong Kong) Co., Ltd.	1	Non-operating income & expense	12,276	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Loans	2,491,621	Same as non related-party transactions	0.07 %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Receivables	28,641	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Interest income	111,478	Same as non related-party transactions	0.02 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Loans	6,033,413	Same as non related-party transactions	0.16 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Receivables	69,407	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Interest income	270,147	Same as non related-party transactions	0.04 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Loans	10,057,369	Same as non related-party transactions	0.27 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Receivables	116,610	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Interest income	453,872	Same as non related-party transactions	0.07 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Loans	4,625,259	Same as non related-party transactions	0.13 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Receivables	40,804	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Interest income	159,033	Same as non related-party transactions	0.02 %
1	Fubon (Hong Kong) Co., Ltd.	Fubon Life Insurance Co., Ltd.	2	Accounts payable	2,719	Same as non related-party transactions	- %
1	Fubon (Hong Kong) Co., Ltd.	Fubon Life Insurance Co., Ltd.	2	Operating expense	12,276	Same as non related-party transactions	- %
2	Carter Lane (Guernsey) Limited	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	2,491,621	Same as non related-party transactions	0.07 %
2	Carter Lane (Guernsey) Limited	Fubon Life Insurance Co., Ltd.	2	Accounts payable	28,641	Same as non related-party transactions	- %
2	Carter Lane (Guernsey) Limited	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	111,478	Same as non related-party transactions	0.02 %
3	Bow Bells House (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	6,033,413	Same as non related-party transactions	0.16 %
3	Bow Bells House (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Accounts payable	69,407	Same as non related-party transactions	- %
3	Bow Bells House (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	270,147	Same as non related-party transactions	0.04 %
4	Fubon MTL Property (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	10,057,369	Same as non related-party transactions	0.27 %
4	Fubon MTL Property (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Accounts payable	116,610	Same as non related-party transactions	- %
4	Fubon MTL Property (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	453,872	Same as non related-party transactions	0.07 %
5	Fubon Ellipse (Belgium) S.A.	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	4,625,259	Same as non related-party transactions	0.13 %
5	Fubon Ellipse (Belgium) S.A.	Fubon Life Insurance Co., Ltd.	2	Accounts payable	40,804	Same as non related-party transactions	- %
5	Fubon Ellipse (Belgium) S.A.	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	159,033	Same as non related-party transactions	0.02 %

Note1: Each number represents the following definitions:

(1) Zero stands for the parent company

(2) Subsidiaries are coded from No.1 per respective companies.

Note2: Transaction relationship is as follows:

(1) Parent company to subsidiary company

(2) Subsidiary company to parent company

(3) Subsidiary company with subsidiary company

(B) Disclosure on Business Investments Outside of Mainland China:

Disclosure on business investments for the year ended December 31, 2017 is as follows:

Units:NT$'000

				Original Investment		Held by the Company				Income	
Investor Company	Investee Company	Location	Major Business	Period-end	End of prior year	Shares	Percentage (%)	Book Value	Income (losses) of investee company	(losses) recognized from investee company	Note
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Vietnam) Co., Ltd.	Hanoi Vietnam	Life insurance business	2,153,217	2,153,217	-	100.00 %	1,658,046	15,763	15,763	Subsidiary Note 1
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Hong Kong) Co., Ltd.	Hong Kong	Life insurance business	2,157,707	2,157,707	500,000,000	100.00 %	1,681,253	(378,998)	(378,998)	Subsidiary Note1
Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	Guernsey	Investment property lease	3,348,784	3,348,784	41,514,743	100.00 %	2,717,215	107,683	107,683	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	Jersey	Investment property lease	2,186,556	2,186,556	46,172,931	100.00 %	1,744,313	203,409	203,409	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	Jersey	Investment property lease	4,708,389	4,708,389	92,581,000	100.00 %	3,823,901	570,023	570,023	Subsidiary Note 1 Note 2 Note 4
Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	Brussels, Belgium	Investment property lease	2,579,461	2,579,463	1,133,717	100.00 %	2,662,563	263,968	263,968	Subsidiary Note 1 Note 3 Note 4 Note 5
Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Jersey) Limited	Jersey	Holding Company	3,027	3,025	90,059	100.00 %	2,300	(853)	(853)	Subsidiary Note 1 Note 5
Fubon Life Insurance Co., Ltd.	CITIC Capital Holdings Limited	Hong Kong	Holding Company	7,046,304	7,046,304	13,979,798	18.00 %	9,172,776	3,482,411	626,620	Affiliate company
Fubon Life Insurance Co., Ltd.	Hyundai Life Insurance Co., Ltd.	Korea	Life insurance business	6,168,561	6,168,561	37,009,000	48.62 %	3,588,688	(1,451,159)	(805,563)	Affiliate company
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings Venture Capital Co., Ltd.	ROC	Venture capital service	1,979,650	-	116,450,000	25.00 %	1,958,720	114,061	16,366	Affiliate company

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.	Star River Energy Co., Ltd.	ROC	Energy technology service	296,000	-	29,600,000	20.00 %	318,618	99,724	7,329	Affiliate company
Fubon Life Insurance Co., Ltd.	Star Shining Energy Co., Ltd.	ROC	Energy technology service	300,000	-	30,000,000	30.00 %	299,313	(2,289)	(687)	Affiliate company

Note 1: Write off under consolidated financial statements.

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

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

Note 4: Investee does not have external debt(s), neither is a guarantor nor provide its assets as a security for the indebtedness of others, and there is no encumbrances on the property that the investee owns except pledging the property as collateral to secure the shareholder loan for its parent company.

Note 5: Fubon Ellipse (Belgium) S.A. has 1,133,718 shares issued, of which 1 share is held by Fubon Ellipse (Jersey) Limited.

(C) Disclosure on Investments in Mainland China：

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

Units:$'000

Investee company	Main business	Paid-in capital	Method of investment	Accumulated outward fund of investment from Taiwan at the beginning	Outward remittance or inward recovery		Accumulated outward fund of investment from Taiwan at the balance sheet date	Investee company gains/(losses) in current period	Directly or indirectly share holding percentage	Income(losses) recognized from investee company	Book value of investment at period end	Recovery investment profit
					Outward	Inward						
Fubon Property & Casualty Insurance Co., Ltd.	Property Insurance	4,579,500 (CNY 1,000,000)	(a)	1,940,016	-	-	1,940,016	(492,900) (CNY(109,332))	40.00 %	(197,160) Note2	336,114	-
Shenzhen Teng Fu Bo Investment Limited	Investment Consultancy	915,900 (CNY 200,000)	(c)	-	-	-	-	(329,762) (CNY (73,145))	12.44 %	(41,022) (CNY (9,099))	72,268	-
CITIC Full Joy (Da Lian) Co., Ltd.	Real estate investment	1,375,596 (HKD 360,000)	(b)	-	-	-	-	99,222 (CNY 22,009)	18.00 %	17,860 (CNY 3,962)	Note3	-
Xiang Xin Real Estate (Shenyang) Co., Ltd.	Real estate leasing	1,910,550 (HKD 500,000)	(b)	-	-	-	-	(158,328) (CNY (35,120))	18.00 %	(28,499) (CNY (6,322))	Note3	-
CITIC Capital Equity Investment Management (Tianjin) Co., Ltd.	Investment Consultancy	20,591,406 (CNY 4,496,431)	(b)	-	-	-	-	124,171 (CNY 27,543)	12.27 %	15,236 (CNY 3,379)	Note3	-
Shenzhen Huizhi Juxin Investment Management Co., Ltd.	Investment Management	22,898 (CNY 5,000)	(b)	-	-	-	-	168,064 (CNY 37,279)	12.27 %	20,621 (CNY 4,574)	Note3	-
Zhong An Taixin (Shenzhen) Equity Investment Fund Management Co., Ltd.	Investment Consultancy	45,795 (CNY 10,000)	(b)	-	-	-	-	217,841 (CNY 48,320)	8.82 %	19,214 (CNY 4,262)	Note3	-
CITIC Capital (Shenzhen) Asset Management Co., Ltd.	Investment Consultancy	45,795 (CNY 10,000)	(b)	-	-	-	-	161,028 (CNY 35,719)	18.00 %	28,985 (CNY 6,429)	Note3	-
CITIC Capital Cultural Tourism (Chengdu) Co., Ltd	Real estate leasing	1,373,850 (CNY 300,000)	(b)	-	-	-	-	(3,714) (CNY (824))	12.84 %	(477) (CNY (106))	Note3	-
Chengdu Jinruitong Investment Management Co., Ltd.	Real estate leasing	841,131 (CNY 183,673)	(b)	-	-	-	-	(135,882) (CNY (30,141))	5.63 %	(7,653) (CNY (1,697))	Note3	-

Note 1: The method of investment is defined based on the following three methods, indicating in the following categories:
(a) Direct investments in Mainland China.
(b) Investment in Mainland China companies through a company invested, CITIC Capital Holdings Limited, in a third region.
(c) Other method of investing in Mainland China.

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

Note 3: The audited financial statements of a company invested in a third region obtained by the Group cannot distinguish the carrying amount of individual investments at the end of each period.

Note 4: There are some more investees the Group invested through CITIC Capital Holdings Limited, which are Peng Yu Investment Consulting (Shanghai) Co., Ltd., Peng Yu Investment Advisory (Shanghai) Co., Ltd. Pudong Branch, Beijing Sino-Run Investment Management Co., Ltd., Shenzhen Peng Yu Investment Management Co., Ltd., Shenzhen Xin Peng Yu Investment Management Co., Ltd., Beijing Peng Yu Investment Management Co., Ltd., Jia Qiang (Shanghai) Consulting Co., Ltd., Jia Qiang Equity Investment Management (Shenzhen) Co., Ltd., Shanghai Xunqi Investment Management Consulting Co., Ltd., Pengwei Investment Consulting (Shanghai) Co., Ltd., Pengwei Investment Consulting (Shanghai) Co., Ltd. Jing'an Branch, CITIC Capital (China) Investment Co., Ltd., CITIC Capital Equity Investment (Tianjin) Co., Ltd. Beijing Branch, CITIC Capital Equity Investment (Tianjin) Co., Ltd. Shanghai Branch, Beijing Yuexin Investment Management Co., Ltd., Shenzhen Jiaqiang Xiaofeng Equity Investment Management Co., Ltd., Shenzhen Jiaqiang Yiheng Equity Investment Management Co., Ltd., Shenzhen Yuzhi Juxin Investment Management Co., Ltd. Beijing Branch, Shenzhen Yixin Management Consulting Co., Ltd. , Source Investment Advisors (Beijing) Co., Ltd., Shanghai Yuanlong Engineering Services Co., Ltd., Shanghai Longyu Management Consulting Co., Ltd., CITIC Capital (Qingdao) Investment Management Co., Ltd., Deqin Mountain Bingzhuang Hotel Co., Ltd., Shangri-La High Mountain Village, Yunnan Hotel Co., Ltd., Shenzhen Shengin Consulting Co., Ltd., Shenzhen Shengyu Equity Investment Management Co., Ltd., Shenzhen Jiashidatong Industrial Co., Ltd., Shenzhen Haoshengxin Consulting Co., Ltd., and Tianjin Xinze Equity Investment Fund Management Co., Ltd., Hisite Real Estate Co., Ltd., Cosmopolitan Management Consulting (Shanghai) Co., Ltd., Kangquan (Nanjing) Storage Services Co., Ltd., Shenzhen SinoLux Consulting Co., Ltd., Shanghai Cosmo Business Consulting Co., Ltd., Shanghai XinMing Investment Co., Ltd. Company, Kaixin Venture Capital Management (Beijing) Co., Ltd., CITIC Fengyue (Dalian) Real Estate Development Co., Ltd, CITIC Capital (Shenzhen) Investment Management Co., Ltd, CITIC Capital (Zhuhai) Asset Management Co., Ltd., Hunan Yuefang Property Management Co., Ltd., and Zhongyu Ruixin (Beijing) Asset Management Co., Ltd. , Letter Efficiency Business Management (Shanghai) Co., Ltd., CITIC Guoke Asset Management Co., Ltd., Shanghai Haoxuan Business Information Consulting Co., Ltd., Fujian Xintai Qianlong Investment Co., Ltd., CITIC Capital (Ningbo) Investment Management Co., Ltd., Shanghai Hanglu Investment Management Co., Ltd., Tibet Yuzexin Investment Service Co., Ltd., Tibet Qi Daxin Investment Management Co., Ltd., Tibet Xinyi Investment Service Co., Ltd., Chengdu Ruite Tourism Resources Development Co., Ltd., Zhejiang Xinwei Investment Management Co., Ltd., Tibet Juli Hexin Investment Management Co., Ltd., Shanghai Zhongxing Enterprise Management Co., Ltd., CITIC Jiuan (Ningbo) Equity Investment Fund Management Co., Ltd., Zhuhai Zhongrui Zhixin Investment Management Co., Ltd., Ningbo Dingxin Gugli Investment Management Co., Ltd., Shanghai Jingrong Industry Co., Ltd. Development Co., Ltd., Xinyi (Shanghai) Asset Management Co., and Beijing Jianyuan Tiandi Real Estate Co., Ltd.

Note 5: For the part of the table which involves foreign currencies, it is calculated based on the spot rate on December 31, 2017 or the average exchange rate for the year ended December 31, 2017.

The Group and its affiliate company, 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 investment contract with Fubon Insurance Co., Ltd, and Xiamen Port Holding Group in September 2012. The board of directors of the group in June 2017 agreed on participating in the capital increase by cash in Fubon Property and Casualty Insurance Co., Ltd. The group was approved by the Investment Commission, MOEA, Jing Shen (2) Letter No. 10600236350 to invest CNY 60 million in Fubon Property and Casualty Insurance Co., Ltd. As of March 16, 2018, the group has not yet remitted the capital. As of December 31, 2017, the paid-in capital of Fubon Property & Casualty Insurance Co., Ltd was CNY 1 billion. The investment of the Group amounted to CNY 400 million.

The Group and Fubon Insurance Co., Ltd had signed a joint investment contract with Nanjing Zijin Investment Co., Ltd. to set up a life insurance company in Mainland China. The project had been approved by the Financial Supervisory Commission, Executive Yuan in January, 2011. However, the board of directors of the Group had approved to terminate the joint investment agreement in January, 2016.

The Group indirectly invested in 8 companies such as CITIC Full Joy (Da Lian) Co., Ltd through CITIC Capital Holdings Limited.

(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 for mentioned.

	December 31, 2017	December 31, 2016
Unearned premium reserve	$ 2,644,225	2,773,054
Claim reserve	1,597,101	1,624,064
Premium deficiency reserve	527,806	317,596
Total	**$ 4,769,132**	**4,714,714**

(3) Ratio accounted for the total premium revenue of the Group: 0.87%

(4) Ratio accounted for the total claim payment of the Group: 1.06%

(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.	19,569,982	26,474,657	163,734,194

Note: The limit of investment is $109,156,129 according to the Regulations Governing Foreign Investments by the Group.

(d) Significant transactions with the investee in China：None

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 year ended December 31, 2017				
	Taiwan Insurance Business	**Asia Insurance Business (Note 1)**	**Europe Investment property Business**	**Adjustments and Eliminations (Note 2)**	**Total**
Revenue					
Gains from external customers	$ 629,931,797	4,269,406	2,137,054	-	636,338,257
(Losses) gains from internal segments	1,771,009	-	-	(1,771,009)	-
Total revenue	**$ 631,702,806**	**4,269,406**	**2,137,054**	**(1,771,009)**	**636,338,257**
Net income	**$ 32,487,942**	**(363,236)**	**1,144,231**	**(780,995)**	**32,487,942**
Total assets	**$3,650,011,288**	**14,740,439**	**35,775,845**	**(37,755,437)**	**3,662,772,135**

	For the year ended December 31, 2016				
	Taiwan Insurance Business	**Asia Insurance Business (Note 1)**	**Europe Investment property Business**	**Adjustments and Eliminations (Note 2)**	**Total**
Revenue					
Gains from external customers	$ 609,914,035	2,370,417	214,744	-	612,499,196
(Losses) gains from internal segments	(22,197)	-	-	22,197	-
Total revenue	**$ 609,891,838**	**2,370,417**	**214,744**	**22,197**	**612,499,196**
Net income	**$ 28,687,563**	**(198,805)**	**(880,424)**	**1,079,229**	**28,687,563**
Total assets	**$3,347,174,872**	**8,532,928**	**33,929,755**	**(36,077,687)**	**3,353,559,868**

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.