FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

(with Independent Auditors' Report Thereon)

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(English Translation)
FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
JUNE 30, 2013 and 2012

Contents	Page

Independent Auditors’ Report

The Board of Directors
Fubon Life Insurance Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fubon Life Insurance Co., Ltd. (the “Company”) and its subsidiaries as of June 30, 2013 and December 31, June 30 and January 1, 2012, and the consolidated statements of comprehensive income, changes in stockholders’ equity and cash flows for the second quarter and the six months ended June 30, 2013 and 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the “Regulation Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards of the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of June 30, 2013, December 31, June 30 and January 1, 2012, and the results of their operations and their cash flows for the second quarter and the six months ended June 30, 2013 and 2012, in conformity with the ”Regulations Governing the Preparation of Financial reports by Insurance Companies”, International Financial Report Standard No.1, “First-time Adoption of International Financial Reporting Standards”, and International Accounting Standards No.34 “Interim Financial Reporting” approved by the Financial Supervisory Commission of Republic of China.

We have also audited the financial statements of Fubon Life Insurance Co., Ltd. as of June 30, 2013 and 2012, and have expressed thereon an unqualified opinion.

KPMG
Taipei, Taiwan, R.O.C.
August 16, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards, and all standards and interpretations issued by the IASB and the IFRS Interpretation Committee, endorsed by the FSC (“TIFRS”) and not those of any other jurisdictions. The standards, procedures, and practices to review such financial statements are covered by TIFRS.
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.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND DECEMBER 31, JUNE 30 AND JANUARY 1, 2012
(Expressed In Thousands of New Taiwan Dollars)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
ASSETS				
Cash and cash equivalents (Note 6-(A))	$ 155,490,214	166,557,894	233,630,150	224,734,570
Receivables	34,482,988	29,536,545	21,158,308	22,851,231
Current tax assets	2,258,174	1,326,334	942,415	1,446,132
Financial assets at fair value through profit or loss (Note 6-(B))	1,430,812	3,614,087	1,166,521	1,848,053
Available-for-sale financial assets (Note 6-(B))	1,340,279,695	1,261,039,650	881,672,706	750,781,569
Hedging derivatives assets (Note 6-(B))	276,369	336,989	377,940	401,765
Financial assets at cost (Note 6-(B))	1,041,849	1,079,639	1,164,227	1,227,666
Investments accounted for using equity method, net (Note 6-(D))	436,522	571,720	684,668	784,723
Bond investments without active market (Note 6-(B))	342,374,112	317,892,326	298,415,942	266,151,039
Held-to-maturity financial assets (Note 6-(B))	-	-	187,460,868	191,057,445
Other financial assets, net (Note 6-(B))	43,364,527	39,552,255	38,119,372	22,926,933
Investment property (Note 6-(E))	85,805,144	78,894,164	70,592,572	67,970,098
Loans (Note 6-(B))	92,230,351	84,203,062	80,528,324	79,270,264
Reinsurance assets (Note 6-(G))	1,044,732	1,830,702	1,941,230	795,787
Property, plant and equipment (Note 6-(H))	7,176,168	7,413,879	7,338,311	7,404,983
Intangible assets (Note 6-(I))	311,865	285,897	320,095	326,803
Deferred tax assets	4,577,025	5,926,435	5,454,957	5,037,059
Other assets (Note 6-(J))	11,447,144	11,070,327	10,790,008	9,717,439
Assets on insurance product, separated account (Note 6-(K))	138,734,735	147,680,879	141,492,837	143,579,257
Total assets	**$ 2,262,762,426**	**2,158,812,784**	**1,983,251,451**	**1,798,312,816**
LIABILITIES AND EQUITY				
Accounts payable	$ 32,256,320	25,859,764	15,268,365	14,438,161
Current tax liabilities	659,160	737,252	703,279	224,748
Financial liabilities at fair value through profit or loss (Note 6-(B))	4,318,318	1,523,683	3,536,697	4,052,735
Hedging derivatives liabilities (Note 6-(B))	17,453	-	-	-
Insurance liabilities (Note 6-(P))	1,835,721,816	1,695,726,377	1,576,071,169	1,409,910,393
Reserve for insurance with nature of financial instrument (Note 6-(Q))	95,730,061	98,544,225	102,562,043	103,107,324
Reserve for foreign exchange fluctuation (Note 6-(R))	853,958	1,062,830	1,315,190	-
Other liabilities	4,926,420	6,835,387	19,157,404	11,435,311
Liabilities on insurance product, separated account (Note 6-(K))	138,734,735	147,680,879	141,492,837	143,579,257
Liabilities reserve (Note 6-(L))	6,407,352	6,159,890	5,370,606	5,134,485
Deferred tax liabilities	853,851	7,773,945	3,832,507	2,896,881
Total liabilities	2,120,479,444	1,991,904,232	1,869,310,097	1,694,779,295
Equity attributable to owners of parent				
Share capital:				
Ordinary share (Note 6-(M))	29,107,390	29,107,390	22,123,170	21,123,170
Stock dividend to be distributed	7,374,090	-	6,984,220	-
Total share capital	36,481,480	29,107,390	29,107,390	21,123,170
Capital surplus：				
Capital surplus, additional paid-in capital	7,052,235	7,052,235	7,052,235	3,052,235
Capital surplus, employee share options	134,778	134,778	134,778	134,778
Capital surplus, others	20,340,460	20,340,460	20,340,460	20,340,460
Total capital surplus	27,527,473	27,527,473	27,527,473	23,527,473
Retained earnings:				
Legal reserve	9,322,877	6,728,210	6,728,210	4,707,451
Special reserve (Note 6-(Q))	10,249,060	7,983,380	7,437,366	7,268,041
Unassigned retained earnings	15,766,102	18,854,498	8,302,181	16,135,652
Total retained earnings	35,338,039	33,566,088	22,467,757	28,111,144
Other equity interest (Note 6-(M))：				
Exchange differences on translation of foreign financial statements	(107,743)	(144,270)	(118,138)	(96,745)
Unrealized gains (losses) on available-for-sale financial assets	42,828,833	76,572,170	34,643,182	30,535,014
Gains (losses) on effective portion of cash flow hedges	214,900	279,701	313,690	333,465
Total other equity interest	42,935,990	76,707,601	34,838,734	30,771,734
Total equity	142,282,982	166,908,552	113,941,354	103,533,521
TOTAL LIABILITIES AND EQUITY	**$ 2,262,762,426**	**2,158,812,784**	**1,983,251,451**	**1,798,312,816**

(See accompanying notes to the condensed consolidated interim financial statements)

FUBON LIFE INSURANCE CO., LTD AND SUBSIDIRAIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Operating Revenues:					
Written premium	$	94,576,679	119,143,994	176,882,047	230,707,593
Reinsurance premium		1,631	1,885	3,420	3,098
Total premium		94,578,310	119,145,879	176,885,467	230,710,691
Less: Reinsurance expense		2,268,507	2,141,496	4,442,410	4,346,216
Net change in unearned premiums reserve		95,985	212,035	357,143	342,957
Retained earned premium (Note 6-(T))		92,213,818	116,792,348	172,085,914	226,021,518
Reinsurance commission received		675,784	653,879	1,382,848	1,776,589
Fee income		666,429	577,113	1,289,813	1,206,107
Net income (loss) from investments					
Revenue from interest		12,503,985	11,600,880	25,065,533	22,813,448
Gains on financial assets or liabilities at fair value through profit or loss		(3,671,083)	(2,331,375)	(14,706,678)	3,059,615
Realized gains on available-for-sale financial assets		9,260,032	5,283,618	17,006,789	9,254,774
Realized gains on financial assets or liabilities at cost		24,986	82,955	24,986	82,955
Realized gains on held-to-maturity financial assets		-	-	-	(438)
Share of loss of associates and joint ventures accounted for using equity method		(111,443)	(56,455)	(160,551)	(82,513)
Foreign exchange gains (losses), investments		1,278,193	145,955	11,750,546	(7,531,695)
Net change in reserve for foreign exchange fluctuation (Note 6-(R))		477,978	38,290	208,872	702,071
Gains on investment property		312,889	254,319	743,219	608,049
Reversal of impairment loss on investments (Note 6-(B))		72,217	46,666	111,308	103,220
Other net income (loss) from investments		(37,764)	(15,662)	(89,488)	(43,635)
Other operating income		106,625	13,953	379,488	11,339
Income on insurance product, separated account (Note 6-(K))		(995,333)	(2,667,392)	4,885,181	6,882,661
Total operating revenue		112,777,313	130,419,092	219,977,780	264,864,065
Operating Costs:					
Insurance claim payment		30,023,094	35,826,045	54,174,160	68,654,224
Less: Claims recovered from reinsurers		1,368,835	1,333,061	2,650,398	2,192,413
Retained claim payment (Note 6-(T))		28,654,259	34,492,984	51,523,762	66,461,811
Net change in insurance liability		72,699,040	87,698,890	136,295,249	169,778,786
Acquisition expense		7,045	9,693	11,729	18,459
Commission expense		5,284,650	6,758,423	10,476,632	12,705,962
Fee expenses		65	75	137	124
Other operating costs		224,142	(5,502)	426,213	718,506
Disbursements on insurance product, separate account (Note 6-(K))		(995,333)	(2,667,392)	4,885,181	6,882,661
Total operating costs		105,873,868	126,287,171	203,618,903	256,566,309
Operating expenses:					
General expenses		2,513,243	3,146,344	4,745,418	5,935,732
Administrative expenses		484,389	554,556	1,009,410	1,084,500
Staff training expenses		5,204	17,689	14,854	25,571
Total Operating Expenses		3,002,836	3,718,589	5,769,682	7,045,803
Net Operating Income		3,900,609	413,332	10,589,195	1,251,953
Non-operating income and expenses:					
Gains (losses) on disposals of property and equipment		(4,894)	(3,087)	(5,595)	(4,673)
Other non-operating income and expenses		67,647	95,015	149,216	166,261
Total non-operating income and expenses		62,753	91,928	143,621	161,588
Profit from continuing operations before income tax		3,963,362	505,260	10,732,816	1,413,541
Income tax expense (income) (Note 6-(N))		244,214	172,574	1,586,775	72,708
Profit	**$**	**3,719,148**	**332,686**	**9,146,041**	**1,340,833**
Other comprehensive income:					
Exchange differences on translation, before tax	$	4,181	13,023	44,009	(25,776)
Available-for-sale financial assets, before tax		(27,241,842)	314,841	(40,568,052)	5,063,784
Cash flow hedges, before tax		(45,386)	24,564	(78,073)	(23,825)
Less: Income tax relating to components of other comprehensive income		(5,706,955)	751,973	(6,830,505)	947,183
Other comprehensive income		(21,576,092)	(399,545)	(33,771,611)	4,067,000
Comprehensive income	**$**	**(17,856,944)**	**(66,859)**	**(24,625,570)**	**5,407,833**
Profit, attributable to :					
Owners of parent	**$**	**3,719,148**	**332,686**	**9,146,041**	**1,340,833**
Comprehensive income attributable to:					
Owners of parent	**$**	**(17,856,944)**	**(66,859)**	**(24,625,570)**	**5,407,833**
Basic earnings per share (expressed in dollars) (Note 6-(O))	**$**	**1.02**	**0.09**	**2.51**	**0.38**

(See accompanying notes to the condensed consolidated interim financial statements)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIRAIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share Capital			Retained Earnings				Other equity interest				
	Ordinary Share	Stock dividend to be distributed	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 (losses) on effective portion of cash flow hedges	Total	Total equity
Balance, January 1, 2012	$ 21,123,170	-	23,527,473	4,707,451	7,268,041	16,135,652	28,111,144	(96,745)	30,535,014	333,465	30,771,734	103,533,521
Net income, January 1 to June 30, 2012	-	-	-	-	-	1,340,833	1,340,833	-	-	-	-	1,340,833
Other comprehensive income, January 1 to June 30, 2012	-	-	-	-	-	-	-	(21,393)	4,108,168	(19,775)	4,067,000	4,067,000
Total comprehensive income, January 1 to June 30, 2012	-	-	-	-	-	1,340,833	1,340,833	(21,393)	4,108,168	(19,775)	4,067,000	5,407,833
Appropriation and distribution for 2011：												
Legal reserve	-	-	-	2,020,759	-	(2,020,759)	-	-	-	-	-	-
Common stock dividend	-	6,984,220	-	-	-	(6,984,220)	(6,984,220)	-	-	-	-	-
Special reserve－Transferred from recovered reserves of fluctuation of risks	-	-	-	-	346,012	(346,012)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(176,687)	176,687	-	-	-	-	-	-
Capital increase by cash	1,000,000	-	4,000,000	-	-	-	-	-	-	-	-	5,000,000
Balance, June 30, 2012	**$ 22,123,170**	**6,984,220**	**27,527,473**	**6,728,210**	**7,437,366**	**8,302,181**	**22,467,757**	**(118,138)**	**34,643,182**	**313,690**	**34,838,734**	**113,941,354**
Balance, January 1, 2013	$ 29,107,390	-	27,527,473	6,728,210	7,983,380	18,854,498	33,566,088	(144,270)	76,572,170	279,701	76,707,601	166,908,552
Net income, January 1 to June 30, 2013	-	-	-	-	-	9,146,041	9,146,041	-	-	-	-	9,146,041
Other comprehensive income, January 1 to June 30, 2013	-	-	-	-	-	-	-	36,527	(33,743,337)	(64,801)	(33,771,611)	(33,771,611)
Total comprehensive income, January 1 to June 30, 2013	-	-	-	-	-	9,146,041	9,146,041	36,527	(33,743,337)	(64,801)	(33,771,611)	(24,625,570)
Appropriation and distribution for 2012：												
Legal reserve	-	-	-	2,594,667	-	(2,594,667)	-	-	-	-	-	-
Special reserve	-	-	-	-	1,297,333	(1,297,333)	-	-	-	-	-	-
Common stock dividend	-	7,374,090	-	-	-	(7,374,090)	(7,374,090)	-	-	-	-	-
Special reserve－Transferred from recovered reserves of fluctuation of risks	-	-	-	-	344,462	(344,462)	-	-	-	-	-	-
Special reserve－Return of the initial balance of foreign exchange fluctuation reserve	-	-	-	-	558,109	(558,109)	-	-	-	-	-	-
Special reserve－the cost saved from hedging	-	-	-	-	65,776	(65,776)	-	-	-	-	-	-
Balance, June 30, 2013	**$ 29,107,390**	**7,374,090**	**27,527,473**	**9,322,877**	**10,249,060**	**15,766,102**	**35,338,039**	**(107,743)**	**42,828,833**	**214,900**	**42,935,990**	**142,282,982**

(See accompanying notes to the condensed consolidated interim financial statements)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Expressed In Thousands of New Taiwan Dollars)

	For the six months ended	
	June 30, 2013	**June 30, 2012**
Cash flows from operating activities:		
Profit before tax	$ 10,732,816	1,413,541
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	447,767	432,581
Amortization expense	59,494	58,688
Provision (reversal of provision) for bad debt expense	35,164	(1,700)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	5,945,072	(3,031,848)
Profits of available-for-sale financial assets	(7,400,250)	(9,373,703)
Net loss (gain) on financial assets or liabilities at cost	(38,206)	-
Interest expense	9,561	4,374
Interest revenue	(24,995,772)	(22,777,531)
Dividend revenue	(5,671,477)	(1,799,734)
Net change in insurance liabilities	136,652,390	170,121,743
Net change in reserve for insurance with nature of financial instrument	(3,631,721)	(1,431,114)
Net change in reserve for foreign exchange fluctuation	(208,872)	(702,071)
Share of loss of associates and joint ventures accounted for using equity method	160,551	82,513
Loss on disposal of property and equipment	5,595	4,673
Property and equipment transferred to expenses	1,333	-
Loss on disposal of investment properties	1,041	-
Impairment loss on financial assets	2,241	5,875
Reversal of impairment loss on financial assets	(113,549)	(109,095)
Unrealized foreign exchange (gain) loss	(13,045,795)	885,506
Total adjustments to reconcile profit	88,214,567	132,369,157
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in receivables	(4,465,979)	1,539,169
Decrease (increase) in reinsurance assets	740,537	(1,150,848)
Increase in other assets	(412,784)	(1,155,356)
Total changes in operating assets	(4,138,226)	(767,035)
Changes in operating liabilities:		
Increase in payables	6,385,815	1,304,654
Increase in provisions	245,799	291,517
Decrease (increase) in other liabilities	(1,907,572)	7,877,548
Total changes in operating liabilities	4,724,042	9,473,719
Total changes in operating assets and liabilities	585,816	8,706,684
Total adjustments	88,800,383	141,075,841
Cash inflow generated from operations	99,533,199	142,489,382
Interest paid	(4,154)	(40,682)
Income taxes paid	(1,337,175)	(502,045)
Net cash flows from operating activities	98,191,870	141,946,655
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(2,150,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,201,148	3,235,723
Acquisition of available-for-sale financial assets	(455,213,653)	(320,764,330)
Proceeds from disposal of available-for-sale financial assets	351,792,227	200,255,552
Acquisition of bond investments without active market	(50,815,902)	(97,817,466)
Proceeds from repayments of bond investment without active market	43,755,956	73,493,811
Proceeds from disposal of held-to-maturity financial assets	-	2,000,000
Proceeds from disposal of financial assets at cost	38,616	-
Proceeds from capital reduction of financial assets at cost	35,137	62,341
Acquisition of property and equipment	(76,069)	(67,670)
Proceeds from disposal of property and equipment	18	20
Acquisition of intangible assets	(46,305)	(15,169)
Decrease in loans	(8,061,835)	(1,260,683)
Acquisition of investment properties	(7,048,949)	(2,920,830)
Increase in other financial assets	(3,854,505)	(15,250,005)
Interest received	15,616,771	19,269,612
Dividends received	5,551,213	1,736,253
Cash flows used in investing activities	(109,276,132)	(138,042,841)
Cash flows from financing activities		
Cash capital increase	-	5,000,000
Net cash flows from financing activities	-	5,000,000
Effect of exchange rate changes on cash and cash equivalents	16,582	(8,234)
Net (decrease) increase in cash and cash equivalents	(11,067,680)	8,895,580
Cash and cash equivalents at beginning of period	166,557,894	224,734,570
Cash and cash equivalents at end of period	**$ 155,490,214**	**233,630,150**

(See accompanying notes to the condensed consolidated interim financial statements)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Expressed In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

(1) ORGANIZATION AND BUSINESS ACTIVITY

Fubon Life Insurance Company Limited ("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, and ING Group will be paid in shares and subordinated debt securities of Fubon Financial Holding.

The Company successfully accomplished its corporate restructuring with Fubon Life Assurance Co. Ltd., which ceased to legally exist, as the surviving entity and its corporate restructuring was permitted by the Financial Supervisory Commission, Executive Yuan through its letter Jin Guan Bao Li No.09802091401 issued on June 1, 2009.

The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 2013 and 2012 comprise the Company and its subsidiaries (together referred to as "the Group"), 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

These consolidated interim financial statements were authorized for issuance by the board of directors on August 16, 2013.

(3) APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(A) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") in November 2009, which is effective on January 1, 2013 (IASB revised the effective date to January 1, 2015). This standard has been endorsed by the FSC; however, the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance of the 2009 version of International Accounting Standard 39 *Financial Instruments* ("IAS 39"). Upon the adoption of this new standard, it is expected there will be significant impact to the classification and measurement of financial instruments in the consolidated financial statements.

(B) New standards and interpretations not yet endorsed by the FSC

New standards and amendments issued by the IASB that may have an impact on the consolidated financial statements not yet endorsed by the FSC:

Issue date	New standards and amendments	Description	Effective date per IASB
May 12, 2011 June 28, 2012	· IFRS 10 Consolidated Financial Statements · IFRS 11 Joint Arrangements · IFRS 12 Disclosure of Interests in Other Entities · Amended IAS 27 Separate Financial Statements · Amended IAS 28 Investments in Associates and Joint Ventures	· On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. · The new standards provide a single model for determining whether an entity has control over an investee (including special purpose entities), other than the consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (formerly known as jointly controlled assets and jointly controlled operations), and joint venture (formerly known as jointly controlled entities), and removal of the proportionate consolidation method. · On June 28, 2012, amendments were issued clarifying the guidance over the transition period.	January 1, 2013
May 12, 2011	· IFRS 13 Fair Value Measurement	Replaces fair value measurement guidance in other standards, and consolidates as one single guidance.	January 1, 2013
June 16, 2011	· Amended IAS 1 Presentation of Financial Statements	Requires entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently	July 1, 2012
June 16, 2011	· Amended IAS 19 Employee Benefits	· Eliminates the use of the 'corridor' approach · Removes from IAS 19 the option for entities to recognize in profit or loss all changes in defined benefit obligations and in the fair value of plan assets · Requires past service cost recognized immediately in profit or loss instead of amortization	January 1, 2013

Issue date	New standards and amendments	Description	Effective date per IASB
May 20, 2013	・IFRIC interpretation 21: Levies	provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2014
May 29, 2013	・Amended IAS 36 Impairment of Assets	・Amended to disclose detailed information about the estimates used to measure recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives when impairment losses recognize or reverse ・if the recoverable amount is fair value less costs of disposal, requires to disclose the key assumptions used in the measurement of fair value measurements categorized within 'Level 2' and 'Level 3' of the fair value hierarchy ・	January 1, 2014 (earlier application permitted)
June 27, 2013	・Amended IAS 39 Financial Instruments: Recognition and Measurement	Amended by Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014 (earlier application permitted)

Unless otherwise stated below, first-time application of those new standards and interpretations will not cause significant changes to accounting policies.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications: those measured at amortized cost and those measured at fair value. Financial assets can be measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. In contrast, all other financial assets must be measured at fair value through profit or loss.

The Group has been evaluating possible effects of its first-time adoption of IFRS 9.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the accompanying condensed consolidated interim financial statements are as follows:

(A) Statement of compliance

The accompanying consolidated interim financial statements have been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies" and IAS 34 Interim Financial Reporting ("IAS 34") endorsed by the FSC and do not include all of the information required for full annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, and all standards and interpretations issued by the IASB and the IFRS Interpretation Committee, endorsed by the FSC (hereinafter referred to as "TIFRS").

These financial statements are the Group's first consolidated interim financial statements for part of the period covered by the first annual financial statements prepared under TIFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") as endorsed by the FSC. An explanation of how the transition to TIFRS from previous GAAP has affected the reported financial position, financial performance and cash flows of the Group is provided in note (15).

The significant accounting policies applied in the preparation of these consolidated interim financial statements are set out as below. Unless otherwise stated, the significant accounting policies have been applied consistently to all periods presented in these consolidated interim financial statements, and the opening consolidated balance sheet as of January 1, 2012 prepared for transition to IFRSs as endorsed by the FSC.

(B) Basis of preparation

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

The consolidated interim financial statements have been prepared on a historical cost basis, except the financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments). Unless otherwise stated, all financial information is presented in New Taiwan Dollar rounded to the nearest thousand.

(C) Basis of consolidation

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

Subsidiary is an entity that is controlled by another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

Subsidiaries included in the consolidated financial statements

			Stockholder's equity (Holding %)			
Investor Company	**Subsidiary**	**Business Type**	**June 30, 2013**	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
The Company	Fubon Life Insurance (Vietnam) Co., Ltd.	Insurance	100%	100%	100%	100%

(D) Foreign exchange

(a) Foreign currency transaction

The Group translates all foreign currency items, which recorded initially at the rate of exchange at the trade day, into its functional currency. Monetary assets and liabilities are translated at the closing rate at the date of the balance sheet. Exchange differences, which arise when monetary items are translated at rates different from those initially recognized, are reported in profit or loss in the period. Non-monetary assets and liabilities measured at fair value are reported at the rate of exchange at the date of fair value determined. Non-monetary items measured at historical cost are translated at the rate of exchange at the trade day.

Exchange differences arising when they are translated at rates difference from those initially recognized, except those from available-for-sale financial assets, financial liabilities designated as hedge of a net investment in a foreign operation, or qualifies cash flow hedges are recognized in other comprehensive income, are recognized in profit or loss.

(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 exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the exchange differences on translation of foreign financial statements related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. 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 exchange differences on translation of foreign financial statements 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 while retaining significant influence or joint control, the relevant exchange differences on translation of foreign financial statements is reclassified proportionately to profit or loss.

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

(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 and cash equivalents comprise cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value).

(G) Financial instruments

Financial assets and liabilities, including derivative instruments, are recognized in the condensed 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 measured at fair value through profit or loss, available-for-sale financial assets, hedging derivative financial assets, financial assets carried at cost, debt investments in non-active market, held-to-maturity financial assets, other financial assets, and loans and receivables. Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and hedging derivative financial liabilities.

(a) Financial assets

1. Daily transactions

   Regardless of the accounting classification, financial assets are recorded on trading date.

2. Loand and receivables

   Loans include short-term advances receivable, policy loans, and collateral loans.

   The insured is automatically granted a cash advance and the loan proceeds are offset against the overdue insurance premium in accordance with the insurance contract. Policy loans are secured by insurance policies issued by the Group. Collateral loans are secured by real estate properties and are approved by the competent authority for special projects.

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

   A. Financial assets and liabilities, which are classified as held for trading as they have been acquired principally for the purpose of selling or repurchasing in the near term.

   B. Financial assets, which were classified as financial assets at fair value through profit or loss at initial recognition.

   C. Financial assets, which were classified as available-for-sale financial assets at initial recognition.

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

   In subsequent evaluation, except for insignificant discounted amounts, loan and receivables are measured at amortized cost using the effective interest rate method and gain or loss or interest income or expense is 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, for which there is a recent pattern of short-term profit taking, or as derivative financial instruments. This category comprises financial assets classified as held-for-trading and designated as at fair value through profit or loss on initial recognition.

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

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

B. 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.

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

The Group designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

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

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

C. Hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

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

4. Held-to-maturity financial assets

Financial assets in which an entity has positive intention and ability to hold to maturity are classified as hold-to-maturity financial asset. After initially acquired, these assets are measured at amortized cost using the effective interest rate method less impairment.

The effective interest rate method is a method calculating the amortize cost and interest revenue of these assets. An effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instruments.

If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, 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 any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments 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, they are measured at fair value and changes therein, other than foreign currency differences on available-for-sale debt instruments, interest income calculated using the effective interest method, and dividend income, are recognized in other comprehensive income. When impairment loss of available-for-sale financial assets is recognized or derecognized, the gain or loss accumulated in the fair value reverse in equity is reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date that an entity's right to receive payment is established.

For investments in equity instruments that do not have a quoted market price in an active market and which fair value cannot be reliably measured, as well as for derivatives that are linked to investments in equity instruments and must be settled by delivery of such an unquoted equity instruments, those assets are measured at amortized cost and included in financial assets measured at cost. Investments which fair value can be reliable measured in subsequent periods are remeasured at fair value and the differences between their carrying amounts and fair values are recorded in other comprehensive income.

6. Financial assets carried at cost

At initial recognition, the costs of the equity investments in a non-active market are valued at fair value plus the acquisition costs. These assets can be measured at fair value under one of the following conditions:

A. The variability in the range of reasonable fair value measurements is not significant for that asset.

B. The probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair value.

If a financial asset does not meet both above conditions, then it is carried at cost.

7. Debt investments without active market

Debt investments without active market are debt investments that are not quoted in an active market and are with fixed or determinable payments. At initial recognition, debt instruments without active market quote are recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these debt instruments are measured at amortized cost using the effective interest method.

8. Other financial assets

These are structured deposits, for which the Group has rights to collect cash or other financial instruments from counterparties through the contracts. Structured deposits 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 would occur when investors of structured deposits redeem structured deposits before maturity date.

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

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

Financial liabilities are classified as held-for-trading under one of the following situations:

1. Liabilities acquired primarily for the purpose of selling or repurchasing in the short term;

2. 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. Derivative financial liabilities, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument; or

4. Obligations to deliver financial assets borrowed by a short seller.

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

(c) Fair value decision

Please refer to note (6), for the fair value of financial instruments and tier information

(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

Under IAS 39 as endorsed by the FSC, the following principles are adopted concerning the non-derivative financial assets:

1. No reclassification 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

Financial assets and financial liabilities are offset and the net amount is presented in the condensed 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 bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue in profit.

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 recognized using the interest rate to discount the future cash flows for the purpose of assessing impairment.

(h) Impairment of financial assets

1. Financial assets carried 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:

A. Significant financial difficulty of the issuer or obligor;

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

C. 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;

D. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

E. The disappearance of an active market for that financial asset because of the issuer's financial difficulties; or

F. 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:

   a. Adverse changes in the payment status of borrowers in the group; or

   b. Changes in national or local economic conditions that correlate with defaults on the assets in the group

For impairment of financial assets, the Group makes judgments as to whether there is any objective evidence of impairment that a financial asset significantly declines in its fair value below its cost or financial assets that are not individually significant are collectively assessed for impairment by grouping together. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk statistics and collectively assessed for impairment. In contrast, assets that are individually assessed and for which impairment is recognized or continuously recognized are excluded from above group assessment.

Whether the Group may obtain collateral or not, calculating net present value of the estimated future cash flows of the pledged assets reflects the possible cash flows of collateral minus the acquisition costs and costs to sell.

Commencing from January 1, 2011, except for estimating the allowance for bad debts arising from the impairment loss above, the allowance for doubtful accounts, which is regulated under the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", is provided at the rate of 0.5% of the outstanding balance of Category One (normal credit assets) credit asset's claim minus the amount of life insurance loans and premium loans. Allowance for bad debts is provided in full within 3 years commencing from January 1, 2011. The allowance for the other loans and receivables is provided according to the historical accounts recovery experiences, clients' credits, aging report of non-performing loans, and relevant policies and according to the category of each of the non-performing loans as shown below.

A. 2% of principal amount of non-performing loans under notice.

B. 10% of principal amount of non-performing loans with possible recovery.

C. 50% of principal amount of non-performing loans whose recovery is difficult.

D. 100% of principal amount of non-performing loans with no chance of recovery.

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 the decrease in the fair value of an available-for-sale financial asset is recognized in other comprehensive income and an available-for-sale financial asset is considered to be impaired, the losses accumulated in the fair value reserve in equity are reclassified to profit or loss, even if the available-for-sale financial asset is not derecognized yet.

   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 and accumulated under the heading of investments revaluation reserve. 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 carried at cost

   When there is objective evidence that financial assets carried at cost are impaired, the loss amount is recognized in profit or loss and the impairment loss is non-reversible.

(i) Derivative financial instruments, including hedge accounting
Derivative financial instruments are measured at fair value at initial recognition and in the subsequent period, and attributable transaction costs are recognized in profit or loss as incurred. Fair value is determined using valuation techniques that consider using quoted prices in an active market, recent market price, 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.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivatives are not closely related and the host contract is not measured at fair value through profit or loss.

When a derivative instrument is designated as a hedging instrument, the timing of its recognition to profit or loss is determined based on the nature of hedging relationship.

The Group designated certain derivative financial instruments as hedging instrument for future cash flows of recorded assets and liabilities or expected transaction.

1. Cash flow hedges

   When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized as "gain or loss on financial assets and liabilities measured at fair value through profit or loss" in the condensed consolidated statement of comprehensive income.

If financial assets or liabilities are to be recognized due to the forecast transactions, the amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as assets obtained or liabilities beared resulting from the hedged cash flows affect profit or loss, and in the same line item in the condensed consolidated statement of comprehensive income.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction, the cumulative amount recognized in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified as "gain or loss on financial assets and liabilities measured at fair value through profit or loss" in the condensed consolidated statement of comprehensive income.

2. Derivative financial instruments which do not conform to the criteria for hedge accounting

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

The Group prepares an official document for hedge relationship, risk management target and hedge strategy when the hedge commences. The document discloses the hedge instrument, relevant hedged items or transaction, the nature of the risk that is hedged and how to evaluate the effectiveness of the hedging of the risk from fair value change when the hedging instrument offsets the hedged risk. The Group estimates the hedging instrument to be highly capable of offsetting the risk in the beginning of and during the hedge and makes the impact of fair value change to be minor. The Group also evaluates the effectiveness of the hedge continuously to ensure that hedging instrument is highly effective during the hedging process.

(H) Securities lending

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

(I) 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.

(J) Lease

(a) Lessor

The lease, of which the Group has not transferred all of the risk as well as the return of the property right, is classified as operating leases. The original direct costs, generated due to negotiation and arrangement of operating leases, are recognized as an addition of the book value of leasing assets, and are accrued in their tenancies, applying the same method of lease revenue accruing.

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 method can better represent the time mode of the decreasing effectiveness for the usage of assets. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is adjusted accordingly.

(b) Lessee

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 in the period in which it is incurred.

(K) Investment property

Investment property (including construction-in-progress) is a property that is held either to earn rental income or for capital appreciation or for both.

Part of the property could be owner-occupied, while the remaining is held either to earn rental income or for capital appreciation. If part of property can be individually sold, it is accounted for under different accounting treatment. Owner-occupied property is covered by International Accounting Standard No. 16 Property, Plant and Equipment ("IAS 16") endorsed by the FSC, and property held either to earn rental income or for capital appreciation or for both is covered by International Accounting Standard 40 Investment property ("IAS 40") endorsed by the FSC. If part of property cannot be individually sold, and owner-occupied property is insignificant, it is accounted for as investment property.

At initial recognition, investment property is measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loses. Construction-in-progress investment property is measured at cost less accumulated impairment losses. The depreciation method, useful life and residual valuation are in conformity with the guidelines of IAS 16 endorsed by the FSC.

Subsequent expenditure is capitalized only when the inflow of the economic benefits in the future associated with the expenditure is probable and relevant cost can be measured reliably. On-going repairs and maintenance are expensed as incurred.

The impairment of investment property is assessed on the difference between fair value and book value, along with the other considerations. The fair value is based on the evaluation results of the independent appraiser.

When the use of investment property is changed, it is reclassified at carrying amount to property, plant and equipment. The investment property is written off when it is disposed or no longer used and there is no future economic benefits arising from the disposition thereof. Gains (losses) on disposals of investment property are the difference between the proceeds from the disposal and the carrying amount, and are recognized in profit or loss.

(L) Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributed to the acquisition of the asset.

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, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

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

Land is not depreciated. Other assets are depreciated using straight line method. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings	3-55 years
(b) Transportation and communication equipment	5-6 years
(c) Computer and other equipment	3-8 years

Major components of property, plant and equipment comprise buildings, building constructions, engineering constructions, elevator constructions, air conditioner constructions, and decoration constructions.

The residual value and useful lives of depreciable fixed assets are reviewed at each reporting date. If expectations 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.

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(M) Superficies

The Group amortizes the superficies on a straight-line basis over the term of the contract and records the superficies on the completion day of registration.

(N) 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.

(O) Intangible assets

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

(b) Computer software

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 years.

(P) Impairment – Non-derivative 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.

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is indication that such impairment loss no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

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.

(Q) Statutory deposits

In accordance with the ROC Insurance Law, the Company 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.

(R) Separate account insurance product

The Group is engaged in selling investment-linked insurance policies. The payment of premiums, net of administrative expenses, is recorded in a separate account and is used only in the way agreed to by the insured. 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 received 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.

(S) 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 (eg: 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 (eg: 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%. In addition, in accordance with Article 19 of the "Reserving Requirements for Insurers", the recoverable amount of Special catastrophe reserve is accounted for under the "Liability reserve- Special catastrophe reserve recovered".

(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 catastrophe reserve and special risk-volatility reserve. The methods for providing these reserves are as follows:

   A. Special catastrophe reserve

      A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophe claim exceeding $30,000, the excess amount is offset against special catastrophe reserve. For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection. The above-mentioned new provision of special catastrophe reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

B. Special risk-volatility reserve

If the net amount of actual claim minus the related special catastrophe reserve is lower than the amount of expected claim, a special risk-volatility 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 catastrophe reserve is higher than the expected claim amount, the difference is debited to special risk-volatility reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special risk-volatility reserve is over 30% of the matured retention premium of the year for Fubon Life Insurance, and the total accumulated amount of the special risk-volatility reserve is over 60% of the matured retention premium of the year for Fubon 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 risk-volatility of equity in accordance with IAS 12.

The above-mentioned new provision of special reserve for risk-volatility, 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.

(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.

(T) Reserve for insurance with nature of financial instrument

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

(U) Reserve for foreign exchange fluctuation

Commencing from March 1, 2012, part of the special catastrophe reserve and special risk-volatility reserve covering all types of insurance is transferred to serve as the initial balance of foreign exchange fluctuation reserve. Subsequent provision or write off of this reserve is made in conformity with the "Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business". Commencing from 2012, a special reserve in stockholders' equity is also provided within 3 years, for similar amount transferred from special catastrophe reserve and special risk-volatility reserve. The amount provided for such special reserve in stockholders' equity in the first-year shall not be less than one-third and the accumulated amount of such special reserve for the first 2 years shall not be less than two-third both of the transferred amount, net of tax. Additional provision for special reserve in stockholders' equity is made for the cost saved from hedging, after providing for foreign exchange fluctuation reserve. If the earnings of the year are not sufficient to allow provision of this reserve, then it is provided in subsequent years when there are sufficient earnings. The related special reserve is used for capital increase or for covering accumulated deficit at least once in 3 years. In accordance with Article 9 of the "Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business", if there are earnings, net of income tax, for the year, the Group should recognize 10% of such earnings to special reserve, approved by the resolution of the shareholders.

(V) Insurance contracts

An insurance contract is a "contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". The Group defines significant insurance risk as the event which might lead to additional significant payment.

An insurance contract with financial Instruments features means 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.

(W) Revenue recognition

(a) 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".

(b) 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 Group receive 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.

(X) 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.

(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 estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average vesting period until the benefits become vested. To the extent that the benefits vest immediately, an expense is recognized immediately in profit or loss.

All actuarial gains and losses at January 1, 2012, the date of transition to TIFRS, were recognized in retained earnings. All actuarial gains and losses arising subsequently from defined benefit plans are recognized in other comprehensive income. To the extent that the benefits vest immediately, prior service costs are recognized immediately. Others are amortized on a straight-line basis over the average period until the benefits become vested.

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 change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost not previously recognized.

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

(c) Terminated 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.

(Y) Income Taxes

(a) Current taxes

Income tax expense for the interim reporting period is best estimated by multiplying pretax income for the period with the effective annual tax rate as forecasted by the management. This is recognized fully as tax expense for the current period. In accordance with Income Tax Act, the Group recognized a 10% surtax on their undistributed retained earnings based on the consolidated income tax return, approved by the resolution of the shareholders. Adjustments of taxes payable from previous years are recognized as current taxes.

(b) Deferred taxes

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates or laws that have been enacted or substantively enacted by the end of the reporting period. Differences between the carrying amount and tax base of assets and liabilities are recognized as deferred taxes, such as valuation of financial instruments (including derivative financial instruments) and the appropriation of reserve for pension and other post-employment benefits reserve, etc. Differences are not recognized as deferred taxes as arising from initial recognition of goodwill or the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit

Deferred tax liabilities generally recognize for all taxable temporary differences and deferred tax assets recognize for deductible temporary differences , unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Temporary differences arising from investment in subsidiaries, associates, branches and joint ventures are recognized as deferred liabilities unless the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

In accordance with Article 49 of the Financial Holding Group Act, the Group's parent company and its qualifying subsidiaries have opted to file consolidated income tax return and pay a 10% surtax on their undistributed retained earnings based on the consolidated income tax return.

(Z) Earning 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 units in circulation as a result of retained earnings or capital surplus transferred to capital is calculated by retroactive adjustments.

(AA) 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.

(AB) Comparative information

Except for the International Financial Reporting Standards endorsed by the FSC allow or regulate, the Group discloses prior comparative information related to all current reported amounts. While changes in accounting policies or reclassification occur, related comparative information has been adjusted in order to compare with current financial information.

(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. Actual results may differ from these estimates.

The estimates and underlying assumptions, reviewed on an ongoing basis, are in conformity with IFRSs (endorsed by FSC).

(A) Major judgments that affect the application of the accounting policies

Except for judgments involved with accounting assumptions and estimates (refer to (B) below), major judgments that affect the reported amount are as follows:

Classification of financial assets
Management should make judgments about classification of financial assets, of which different classification could affect accounting calculation, financial position, and financial performance.

(B) Major sources of accounting assumptions and estimation uncertainty

Major sources of accounting assumptions and estimation uncertainty, which are expected to have an effect in future periods, are as follows:

(a) Impairment losses on loans

The Group review loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recorded in the income statement, the Group make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (e.g. payment delinquency or default), or economic conditions that correlate with defaults on assets. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly in order to decrease the difference between estimated loss and actual loss.

(b) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. Regarding credit risk (proprietary and the risk of the counterparty), management should estimate the variation and relativity. Please refer to Note 6 (W) for the sensitivity analysis of financial instruments.

(c) Income tax

The Group pays R.O.C income taxes. Because the assessment of transactions and related calculations by the R.O.C. tax authority and the Group may differ, there may be uncertainty in income taxes. The Group recognizes income taxes and deferred income taxes based on its evaluation of possible additional income tax liability. If the originally recognized amount differs with the final tax payment, the difference may impact current income tax and deferred tax items.

Differed tax assets are subject to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilized. If such estimate assumption of probable profit changes, the Group will adjust its amount of deferred tax asset related to this change.

(d) Retirement benefit

When calculating the present value of the defined benefit obligation, the Group must make judgments and estimates to determine actuarial assumptions of the end of the reporting period, such as discount rate and expected return on plan assets. If any actuarial assumptions changes, it may significantly affect the amount of define benefit obligation.

(e) Classification of insurance contract and the test of transferring significant insurance risk

The Group shall identify whether the policies it issued undertake insurance risk and other risks and judge whether the risks can be separated and calculated respectively. The judgment will affect the classification of insurance contracts. In addition, the Group shall make significant judgment about whether the insurance risks are transferred by the policies issued, whether there is commercial substance of the transfer of risk and whether the insurance risk transferred is material. Test of transferring significant insurance risk is then executed. The result of the judgment will affect the classification of insurance contracts.

The identification of insurance contract components and the classification of insurance contracts will affect the revenue recognition, liability measurement and presentation of the financial statements of the Group.

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

The Group measure 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 interest market 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 factors such as charge rate and claim management.

The estimation of liability adequacy test follows the "Code of Conduct of Actuarial Practice for the Statements of Financial Accounting Standards No 40" pronounced by the Actuarial Institute of the Republic of China. The estimated present value of the future cash flow of insurance contract when the Group assesses liability adequacy reserve is based on the reasonable estimate of future insurance payment, premium revenue and relevant expenses. Please refer to note 6 (P).

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.

(g) Reinsurance reserve assets

Reinsurance reserve assets include unearned premium reserve, provision for reinsurance ceded, liability reserve ceded, premium deficiency reserve ceded and liability adequacy reserve ceded. The above mentioned reinsurance assets are calculated in accordance with the rules of "Regulations Governing the Provision of Various Reserves" and "Notice for the Recognition of Liability Reserve on the Balance Sheet for Ceded Insurance Over 1 year For Life Insurance Business"

(6) DETAILS OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

The details of this account were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash on hand	$ 27,560	27,254	26,646	26,480
Cash in bank	103,234,305	125,800,753	158,776,359	165,731,318
Cash equivalents	52,247,176	40,748,225	74,845,945	59,003,197
Less: Statutory deposit	(18,827)	(18,338)	(18,800)	(26,425)
Total	**$ 155,490,214**	**166,557,894**	**233,630,150**	**224,734,570**

The statutory deposit refers to the time deposit that serves as collateral and is recognized as guarantee deposits paid. Please refer to Note (8) "pledged assets" for further information. Time deposits with maturities of one year or less from the acquisition date, which meet short-term cash commitments rather than for investment or other purposes and are readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value, qualify as cash and cash equivalents.

(B) Financial Assets

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

1. Financial assets at fair value through profit or loss

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic government bonds	$ 923,705	-	-	-
Convertible bonds	-	-	49,800	49,225
Foreign structured notes	-	-	-	176,310
Cross currency swaps	133,831	207,639	126,672	90,271
Forward exchange contracts	333,855	220,622	112,694	391,024
Foreign exchange swaps	39,421	3,185,826	877,355	1,141,223
Total	**$ 1,430,812**	**3,614,087**	**1,166,521**	**1,848,053**

2. Available-for-sale financial assets

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic investments				
Treasury securities	$ 207,398	206,676	4,995,158	-
Stock of listed companies	225,812,487	191,822,205	164,576,906	134,033,597
Government bonds	422,471,810	422,672,570	285,982,313	269,268,068
Corporate bonds	58,740,063	61,600,006	57,829,943	53,285,033
Financial bonds	44,927,285	40,785,178	31,477,547	30,429,597
Emerging stocks	1,726,846	1,719,177	1,782,783	1,769,405
Beneficiary certificate	66,036,925	34,713,412	35,869,940	28,787,939
Asset securitization beneficiary certificate	1,540,000	1,540,000	1,540,000	1,540,000
Foreign investments				
Stocks	38,104,169	25,359,751	19,934,525	8,622,236
Government bonds	65,401,721	105,514,851	46,715,331	33,101,526
Corporate bonds	165,687,730	106,377,903	78,941,454	85,393,550
Financial bonds	94,811,842	99,896,659	84,476,359	74,128,229
Beneficiary certificate	161,997,811	176,357,368	68,788,362	31,660,304
Sub-total	1,347,466,087	1,268,565,756	882,910,621	752,019,484
Less: Accumulated impairment	(1,289,236)	(1,366,817)	(1,237,915)	(1,237,915)
Statutory deposits	(5,897,156)	(6,159,289)	-	-
Total	**$ 1,340,279,695**	**1,261,039,650**	**881,672,706**	**750,781,569**

As of August 31, 2012, held-to-maturity financial assets were reclassified as available-for-sale financial assets. Please refer to Note (6) (B)-6.

3. Hedging derivatives assets

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Interest rate swaps	**$ 276,369**	**336,989**	**377,940**	**401,765**

4. Financial assets at cost

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Stock investments	$ 1,133,678	1,207,211	1,245,192	1,307,534
Less: Accumulated impairment	(91,829)	(127,572)	(80,965)	(79,868)
Total	**$ 1,041,849**	**1,079,639**	**1,164,227**	**1,227,666**

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

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic investments				
Corporate bonds	$ -	-	1,101,452	1,103,017
Financial bonds	6,172,521	8,357,508	8,842,522	10,228,443
Asset securitization beneficiary certificate	6,347,792	6,344,414	6,340,980	8,352,752
Preferred stock	1,000,000	1,000,000	5,200,384	5,200,384
Foreign investments				
Corporate bonds	2,914,380	2,563,685	1,519,583	1,537,416
Financial bonds	6,014,250	6,400,389	6,575,784	6,662,059
Zero-coupon bonds	257,726,384	226,764,864	196,246,373	152,576,194
Structured notes	-	-	-	5,148,842
Real estate mortgage bonds	44,903,962	47,766,082	52,673,195	55,274,134
Assets-backed securities	3,517,078	5,603,118	7,433,204	8,279,138
Preferred stock	-	-	132,291	132,291
Negotiable certificates of deposit	16,103,923	15,540,529	15,692,255	15,112,161
Subtotal	344,700,290	320,340,589	301,758,023	269,606,831
Less: Accumulated impairment	(2,326,178)	(2,448,263)	(3,342,081)	(3,455,792)
Total	**$ 342,374,112**	**317,892,326**	**298,415,942**	**266,151,039**

If there is objective evidence that the estimated future cash flow of the principal-repaid structured notes held by the Group would decrease, the Group recognize impairment loss on the structured notes, and the interests received from the structured notes which add up the value of the structured notes is recognized as reversal of impairment loss.

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Reversal of impairment loss on assets	**$ 72,217**	**52,541**	**113,549**	**109,095**

6. Held-to-maturity financial assets

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic investments				
Government bonds	$ -	-	117,949,181	118,190,967
Corporate bonds	-	-	1,000,000	3,000,000
Foreign investments	-	-		
Government bonds	-	-	72,634,896	73,816,441
Subtotal	-	-	191,584,077	195,007,408
Less: Statutory deposits	-	-	(4,123,209)	(3,949,963)
Total	**$ -**	**-**	**187,460,868**	**191,057,445**

On August 17, 2012, the Group's board of directors passed a resolution in order to avoid the spread of European debt crisis having impact on the quality of investment portfolio and the efficiency of risk diversion, to decrease the influence of risk fluctuation that changes the intention of holding securities to maturity, and to raise flexibility in investment management. Held-to-maturity financial assets of $191,943,118 were reclassified to available-for-sale assets, which were measured at fair value.

7. Other financial assets

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Futures deposits	$ 7,394	7,388	7,382	7,377
Structured deposits	43,350,638	39,544,867	38,111,990	22,919,556
Deposit Reservation for Balance	6,495	-	-	-
Total	**$ 43,364,527**	**39,552,255**	**38,119,372**	**22,926,933**

8. Financial liabilities at fair value through profit or loss

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Derivatives				
Forward exchange contracts	$ 302,914	170,567	329,395	382,617
Cross currency swaps	-	64	-	-
Foreign exchange swaps	4,015,404	656,315	2,386,377	3,419,533
Interest rate swaps	-	696,737	820,925	250,585
Total	**$ 4,318,318**	**1,523,683**	**3,536,697**	**4,052,735**

9. Hedging Derivative Liabilities

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Interest rate swaps	**$ 17,453**	**-**	**-**	**-**

10. Loans

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Life insurance loans	$ 40,629,777	40,057,402	39,571,979	39,290,038
Premium loans	6,988,089	6,719,135	6,519,999	6,470,188
Secured loans	44,836,213	37,609,387	34,609,666	33,675,693
Overdue receivables	6,866	15,188	6,165	11,208
Less: Allowance for bad debts	(230,594)	(198,050)	(179,485)	(176,863)
Total	**$ 92,230,351**	**84,203,062**	**80,528,324**	**79,270,264**

The changes of allowance for bad debts were as follows:

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Beginning balance	$ 198,050	176,863
Add: Current bad debt expense	34,572	2,622
Recovered	1,500	-
Less: Write-off	(3,528)	-
Ending balance	**$ 230,594**	**179,485**

(b) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash and cash equivalents	$ 10,028,904	17,869,513	4,813,648	2,759,656
Stock of listed companies	2,495,710	2,262,934	1,499,214	909,686
Domestic government bonds	37,488,797	37,692,717	37,757,424	40,797,531
Foreign stock	3,178,686	1,530,536	1,382,004	1,326,340
Foreign financial bonds	5,054,911	1,876,560	-	-
Foreign corporate bonds	45,013,358	13,641,737	-	-
Total	**$ 103,260,366**	**74,873,997**	**45,452,290**	**45,793,213**

The limit of other discretionary investment agreements:

(Unit:thousands dollor)

NTD	**44,862,552**	**42,000,000**	**42,000,000**	**43,000,000**
USD	**3,600,000**	**1,050,000**	**50,000**	**50,000**

(c) Structured deposits held by the Group are linked to government bonds with a put option embedded therein. Interest revenues are calculated at a fixed rate within the contract. The deposit contracts are recorded at cost, and the interest revenue thereof is calculated at the normal market rate plus finance index (rate of bonds, exchange, secondary market rate of commercial paper , London Inter Bank offered Rate (Libor)), and Constant Maturity Swap (CMS).

(d) Structured bonds are recorded at cost, and the rate of bonds is linked to the Libor of 3~6 months, mutual fund dealing foreign exchange transactions, and Constant Maturity Swap (CMS). Interest income is recognized as earned; the issuers of bonds are international banks with good credit rating.

(e) Available-for-sale financial assets, financial assets at cost, and bond investments without active market are regularly evaluated for impairment by reviewing the investee companies with or without objective evidence of impairment losses. The regular impairment evaluation resulted in the recognition and reversal of impairment loss as follows:

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Impairment losses :				
Financial assets at cost	$ -	(1,097)	(2,241)	(1,097)
Reversal of impairment losses :				
Bond investments without active market	72,217	47,763	113,549	104,317
Total	**$ 72,217**	**46,666**	**111,308**	**103,220**

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Accumulated impairment losses	**$ 3,707,243**	**3,942,652**	**4,660,961**	**4,773,575**

(C) Derivatives and hedging accounting

(a) Derivatives

1. The details of the derivatives were as follows:

	June 30, 2013		December 31, 2012	
	Book value	Principal	Book value	Principal
Derivative assets(liabilities)				
Forward Exchange Contracts	$ 30,941	45,263,850	50,055	47,922,577
Foreign Exchange Swaps	(3,975,983)	458,117,525	2,529,511	452,462,855
Cross Currency Swaps	133,831	3,349,894	207,575	3,255,849
Interest Rate Swaps	258,916	9,400,000	(359,748)	17,554,400
Total	**$ (3,552,295)**	**516,131,269**	**2,427,393**	**521,195,681**

	June 30, 2012		January 1, 2012	
	Book value	Principal	Book value	Principal
Derivative assets(liabilities)				
Forward Exchange Contracts	$ (216,701)	42,916,569	8,407	59,606,657
Foreign Exchange Swaps	(1,509,022)	364,670,958	(2,278,310)	328,438,332
Cross Currency Swaps	126,672	3,226,805	90,271	3,226,805
Interest Rate Swaps	(442,985)	20,850,000	151,180	11,958,000
Total	**$ (2,042,036)**	**431,664,332**	**(2,028,452)**	**403,229,794**

Included among of the derivatives above were derivatives belonging to discretionary investment as follows:

	June 30, 2013		December 31, 2012	
	Book value	Principal	Book value	Principal
Forward Exchange Contracts	**$ -**	**-**	**-**	**-**

	June 30, 2012		January 1, 2012	
	Book value	Principal	Book value	Principal
Forward Exchange Contracts	**$ 14,429**	**977,731**	**32,670**	**1,028,522**

2. Derivatives were accounted for as follows:

	June 30, 2013				
	Cross Currency Swaps	Interest Rate Swaps	Forward Exchange Contracts	Foreign Exchange Swaps	Total
Financial assets at fair value through profit or loss	$ 133,831	-	333,855	39,421	507,107
Financial liabilities at fair value through profit or loss	-	-	(302,914)	(4,015,404)	(4,318,318)
Hedging derivatives assets	-	276,369	-	-	276,369
Hedging derivatives liabilities	-	(17,453)	-	-	(17,453)
Total	**$ 133,831**	**258,916**	**30,941**	**(3,975,983)**	**(3,552,295)**

	December 31, 2012				
	Cross Currency Swaps	Interest Rate Swaps	Forward Exchange Contracts	Foreign Exchange Swaps	Total
Financial assets at fair value through profit or loss	$ 207,639	-	220,622	3,185,826	3,614,087
Financial liabilities at fair value through profit or loss	(64)	(696,737)	(170,567)	(656,315)	(1,523,683)
Hedging derivatives assets	-	336,989	-	-	336,989
Total	**$ 207,575**	**(359,748)**	**50,055**	**2,529,511**	**2,427,393**

	June 30, 2012				
	Cross Currency Swaps	Interest Rate Swaps	Forward Exchange Contracts	Foreign Exchange Swaps	Total
Financial assets at fair value through profit or loss	$ 126,672	-	112,694	877,355	1,116,721
Financial liabilities at fair value through profit or loss	-	(820,925)	(329,395)	(2,386,377)	(3,536,697)
Hedging derivatives assets	-	377,940	-	-	377,940
Total	**$ 126,672**	**(442,985)**	**(216,701)**	**(1,509,022)**	**(2,042,036)**

	January 1, 2012				
	Cross Currency Swaps	Interest Rate Swaps	Forward Exchange Contracts	Foreign Exchange Swaps	Total
Financial assets at fair value through profit or loss	$ 90,271	-	391,024	1,141,223	1,622,518
Financial liabilities at fair value through profit or loss	-	(250,585)	(382,617)	(3,419,533)	(4,052,735)
Hedging derivatives assets	-	401,765	-	-	401,765
Total	**$ 90,271**	**151,180**	**8,407**	**(2,278,310)**	**(2,028,452)**

As of June 30, 2013 and December 31, 2012, derivative financial instruments did not belong to discretionary investment. As of June 30 and January 1, 2012, derivative financial instruments belonging to discretionary investment were as follows:

	June 30, 2012				
	Cross Currency Swaps	**Interest Rate Swaps**	**Forward Exchange Contracts**	**Foreign Exchange Swaps**	**Total**
Financial assets at fair value through profit or loss	$ -	-	20,365	-	20,365
Financial liabilities at fair value through profit or loss	-	-	(5,936)	-	(5,936)
Total	**$ -**	**-**	**14,429**	**-**	**14,429**

	January 1, 2012				
	Cross Currency Swaps	**Interest Rate Swaps**	**Forward Exchange Contracts**	**Foreign Exchange Swaps**	**Total**
Financial assets at fair value through profit or loss	$ -	-	37,772	-	37,772
Financial liabilities at fair value through profit or loss	-	-	(5,102)	-	(5,102)
Total	**$ -**	**-**	**32,670**	**-**	**32,670**

3. Forward exchange contracts, foreign exchange swaps, interest rate swaps, and cross currency swaps are contracted primarily to hedge against exchange risk from foreign-currency denominated investments. This hedging strategy is intended to avoid most market exposure risk from interest rate fluctuation.

4. The deposits with customers' margin accounts for dealing futures transactions were accounted for as other financial assets, please refer to note(6)(B)(a)7. However, there was no futures transaction for the six months ended June 30, 2013 and 2012.

5. For the second quarter and six months ended June 30, 2013 and 2012, the valuation of financial instruments based on fair value resulted in gains of $2,300,090 and losses of $3,338,540, 5,831,038 and 62,689, respectively, and accounted for as financial assets or liabilities at fair value through profit or loss.

(b) Hedge accounting

1. Cash flow hedge

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

The cash flow hedged items and derivative financial instruments for hedging purposes were as follows:

June 30, 2013

Hedged item	Hedging instrument	Fair value of hedging instrument	The forecast period when related cash flows occur	The forecast period when related income/loss recognized in the income statement
Floating corporate bonds and floating collateral loans	Interest rate swap contracts	$ 258,916	2013.07.15~2020.03.28	2013.07.24~2020.03.28

December 31, 2012

Hedged item	Hedging instrument	Fair value of hedging instrument	The forecast period when related cash flows occur	The forecast period when related income/loss recognized in the income statement
Floating corporate bonds and floating collateral loans	Interest rate swap contracts	$ 336,989	2013.01.24~2017.12.25	2013.01.24~2017.12.25

June 30, 2012

Hedged item	Hedging instrument	Fair value of hedging instrument	The forecast period when related cash flows occur	The forecast period when related income/loss recognized in the income statement
Floating corporate bonds and floating collateral loans	Interest rate swap contracts	$ 377,940	2012.07.24~2017.12.25	2012.07.24~2017.12.25

January 1, 2012

Hedged item	Hedging instrument	Fair value of hedging instrument	The forecast period when related cash flows occur	The forecast period when related income/loss recognized in the income statement
Floating corporate bonds and floating collateral loans	Interest rate swap contracts	$ 401,765	2012.01.30~2017.12.25	2012.01.30~2017.12.25

The gain or loss arising from the cash flow hedging was recognized as an adjustment of equity were listed as follows:

Items	**June 30, 2013**	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Current adjustment for equity Shareholders' equity	**$ (78,073)**	**(64,776)**	**(23,825)**	**97,943**
Non- financial liabilities transferred from shareholders' equity (recognized as deferred income tax liabilities)	**$ (13,272)**	**(11,012)**	**(4,050)**	**16,650**

(D) Investments accounted for using equity method

Interest in significant joint ventures of the Group is as follows:

In 2010, the Group invested in subsidiary Fubon Property & Casualty Insurance Co., Ltd. in China through Fubon Insurance Co., Ltd. This subsidiary has a registered capital of RMB 400 million (US$ 58,580 thousands), obtained government approval to establish on September 17, 2010 and acquired its business license on October 8, 2010. In September, 2012, the Group signed a joint venture contract with related parties, Fubon Property & Casualty Insurance Co., Ltd. and Xiamen Port Holding Group. Under this joint venture contract, Fubon Property &

Casualty Insurance Co., Ltd. will increase its capital stock of up to RMB100 million, which will be acquired entirely by Xiamen Port Holding Group. This capital increase was approved by China Insurance Regulatory Commission on August 16, 2013. The record date for the capital increase was set on August 16, 2013. As of June 30, 2013 and December 31, June 30, and January 31, 2012, respectively, the shares of Fubon Property & Casualty Insurance Co., Ltd., which the Group held, accounted for 50% of the total shares outstanding. The financial information of Fubon Property & Casualty Insurance Co., Ltd. was as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Assets	$ 3,180,954	2,554,647	2,000,270	1,990,127
Liabilities	$ 2,307,911	1,411,206	630,932	420,681

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Revenue	$ 293,306	129,442	514,837	201,966
Expenses	$ 516,191	242,352	835,939	366,991

Note: The aforementioned financial information was not disclosed according to the proportionate equity ownership held by the Group.

The Group does not have any contingent liabilities incurred in relation to its interests in the joint ventures; nor does it incur any contingent liabilities together with the ventures or any contingent liabilities of its own. In addition, the Group does not have any obligation to bear any liabilities incurred by other ventures.

The Group does not have any capital commitments in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other ventures, and its share of the capital commitments of the joint ventures themselves.

(E) Investment properties

	June 30, 2013			
Asset	Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 63,002,434	-	-	63,002,434
Buildings and other facilities	21,347,685	1,982,358	-	19,365,327
Construction in progress	3,405,441	-	-	3,405,441
Prepayments for building, land and equipment	31,942	-	-	31,942
Total	$ 87,787,502	1,982,358	-	85,805,144

	December 31, 2012			
Asset	Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 57,886,230	-	-	57,886,230
Buildings and other facilities	19,164,668	1,660,355	-	17,504,313
Construction in progress	2,423,201	-	-	2,423,201
Prepayments for building, land and equipment	1,080,420	-	-	1,080,420
Total	$ 80,554,519	1,660,355	-	78,894,164

Asset	June 30, 2012 Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 52,963,637	-	-	52,963,637
Buildings and other facilities	17,512,081	1,352,090	-	16,159,991
Construction in progress	1,460,572	-	-	1,460,572
Prepayments for building, land and equipment	8,372	-	-	8,372
Total	**$ 71,944,662**	**1,352,090**	**-**	**70,592,572**

Asset	January 1, 2012 Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 50,782,050	-	-	50,782,050
Buildings and other facilities	17,129,893	1,049,762	-	16,080,131
Construction in progress	1,063,923	-	-	1,063,923
Prepayments for building, land and equipment	43,994	-	-	43,994
Total	**$ 69,019,860**	**1,049,762**	**-**	**67,970,098**

	Land	Buildings and other facilities	Construction in progress	Prepayments for building, land and equipment	Total
Cost or deemed cost:					
Balance of January 1, 2013	$ 57,886,230	19,164,668	2,423,201	1,080,420	80,554,519
Purchase and acquisition	4,250,150	1,753,245	1,026,574	18,980	7,048,949
Disposals	-	(1,448)	-	-	(1,448)
Reclassification	866,054	431,220	(44,334)	(1,067,458)	185,482
Balance of June 30, 2013	**$ 63,002,434**	**21,347,685**	**3,405,441**	**31,942**	**87,787,502**
Balance of January 1, 2012	$ 50,782,050	17,129,893	1,063,923	43,994	69,019,860
Purchase and acquisition	2,178,783	343,675	390,055	8,317	2,920,830
Reclassification	2,804	38,513	6,594	(43,939)	3,972
Balance of June 30, 2012	**$ 52,963,637**	**17,512,081**	**1,460,572**	**8,372**	**71,944,662**
Depreciation and impairment loss:					
Balance of January 1, 2013	$ -	1,660,355	-	-	1,660,355
Depreciation	-	319,558	-	-	319,558
Disposals	-	(407)	-	-	(407)
Reclassification	-	2,852	-	-	2,852
Balance of June 30, 2013	**$ -**	**1,982,358**	**-**	**-**	**1,982,358**
Balance of January 1, 2012	$ -	1,049,762	-	-	1,049,762
Depreciation	-	299,630	-	-	299,630
Reclassification	-	2,698	-	-	2,698
Balance of June 30, 2012	**$ -**	**1,352,090**	**-**	**-**	**1,352,090**
Book value:					
January 1, 2013	**$ 57,886,230**	**17,504,313**	**2,423,201**	**1,080,420**	**78,894,164**
June 30, 2013	**$ 63,002,434**	**19,365,327**	**3,405,441**	**31,942**	**85,805,144**
January 1, 2012	**$ 50,782,050**	**16,080,131**	**1,063,923**	**43,994**	**67,970,098**
June 30, 2012	**$ 52,963,637**	**16,159,991**	**1,460,572**	**8,372**	**70,592,572**

The investment properties of the Group, as of June 30, 2013 and December 31, June 30, and January 31, 2012, respectively, amounted to $107,512,301, $99,902,997, 82,659,526 and $81,703,892. The fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The appraisals refer to the locations and characteristics of respective investment properties to select appropriate appraising methods, such as Sales Comparison Approach, Cost Approach, and Income Approach. Sales Comparison Approach refers to the price of similar investment properties that refer to the locations and characteristics of respective investment properties for appraising modification; For Cost Approach, after evaluating total operating costs of investment property, it applies its costs to appropriate capitalization rates and development margin for appraisals; For Income Approach, it refers to the locations and characteristics of respective investment properties to evaluate reasonable rents and applies these rents to appropriate ratios of capitalization of earnings for appraisals.

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Ratios of Capitalization of earnings	approx. 1.75%~7.25%	approx. 1.75%~7.25%	approx. 1.88%~7.25%	approx. 1.88%~7.25%

In August, 2012, the Group contracted to acquire the land located at No.269 and No.279-1 Subsection 3 Fu-Hsing section, Wan-Hua district in Taipei and Wan-Gou building by negotiating with the Asia Pacific Land Co. Ltd, Taiwan Branch in British Virgin Islands. The negotiated contract price amounted to $6,700,000, which was referred to the appraisal reports issued by DTZ and Repro International Inc.

In June 2012, the Group contracted to acquire the land and the new construction located at no. 114 subsection 4 Xi Hu section Nei Hu district in Taipei by negotiating with the Chong Hong Construction Co., Ltd. The negotiated contract price amounted to $7,090,000.

In May 2012, the Group contracted to acquire through bidding the land and the whole construction of Pacific Tung Nan commercial building located at no. 407 and 408, subsection 6, Ren ai section, Da an District, Taipei City. The negotiated contract price amounted to $1,939,000, which was based on the appraisal reports of Jin Han Real Estate Appraisers Joint Firm and G-Bean Real Estate Appraisers Firms.

In March 2012, the Group contracted to acquire the land and the basement construction located at no.159 subsection 6 Tun Hwa Road Da An district in Taipei after negotiating with a non-related individual. The negotiated contract price amounted to $236,000, which was based on the appraisal report of G-Bean Real Estate Appraisers Firms.

In December 2011, the Group contracted to acquire the land and the 5th floor construction located at no.159 subsection 6 Tun Hwa Road Da An district in Taipei after negotiating with a non-related individual. The negotiated contract price amounted to $358,880, which was based on the appraisal report of G-Bean Real Estate Appraisers Firms.

(F) Operating lease

(a) Lessee lease

Operating lease rentals are payable as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Within 1 year	$ 483,264	410,439	456,832	366,419
1-5 years	398,874	340,127	502,247	315,758
Total	**$ 882,138**	**750,566**	**959,079**	**682,177**

The Group leases a number of offices under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

For the second quarter and six months ended June 30, 2013 and 2012, the rent expense for operating lease amounted to $211,165, $203,715, $419,598 and $408,050, respectively.

(b) Lessor lease

The Group lease out a few office buildings to third parties under operating lease, refer to note (6) (E). The future minimum lease payments are as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Within 1 year	$ 2,979,119	2,311,321	2,042,317	2,232,289
1-5 years	13,700,802	12,713,708	8,689,736	9,285,167
Total	**$ 16,679,921**	**15,025,029**	**10,732,053**	**11,517,456**

The rental revenue from investment properties for the second quarter and six months ended June 30, 2013 and 2012 amounted to $633,957, $520,071, $1,235,477 and $1,069,206, respectively. The direct operating expenses for the second quarter and six months ended June 30, 2013 and 2012 amounted to $322,219, $264,805, $505,455 and $433,060, of which $23,372, $14,915, $36,432 and $24,954, respectively, belong to the investment properties which did not generate rental revenue.

(G) Reinsurance assets

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Claims recoverable from reinsurers	$ 162,825	1,237,112	1,362,923	238,882
Due from reinsurers and ceding companies	350,590	16,840	26,807	-
Subtotal	513,415	1,253,952	1,389,730	238,882
Reinsurance assets:				
Ceded reinsurance unearned premiums reserve	426,824	465,347	440,337	417,865
Ceded reinsurance claim reserve	104,493	111,403	111,163	139,040
Subtotal	531,317	576,750	551,500	556,905
Total	**$ 1,044,732**	**1,830,702**	**1,941,230**	**795,787**

(H) Property, plant and equipment

Asset	June 30, 2013 Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 5,732,818	-	1,030,732	4,702,086
Buildings	2,357,724	325,598	45,259	1,986,867
Computer equipment	968,169	812,285	-	155,884
Transportation equipment	20,749	16,911	-	3,838
Other equipment	745,783	656,738	-	89,045
Leasing equity improvement	777,907	619,850	-	158,057
Prepayments for equipment	80,391	-	-	80,391
Total	**$ 10,683,541**	**2,431,382**	**1,075,991**	**7,176,168**

Asset	December 31, 2012 Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 5,852,291	-	1,030,732	4,821,559
Buildings	2,424,864	302,657	45,259	2,076,948
Computer equipment	959,277	804,377	-	154,900
Transportation equipment	26,649	20,592	-	6,057
Other equipment	734,070	649,814	-	84,256
Leasing equity improvement	737,104	565,651	-	171,453
Prepayments for equipment	98,706	-	-	98,706
Total	**$ 10,832,961**	**2,343,091**	**1,075,991**	**7,413,879**

Asset	June 30, 2012 Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 5,791,742	-	1,023,267	4,768,475
Buildings	2,390,316	272,142	45,259	2,072,915
Computer equipment	924,834	767,925	-	156,909
Transportation equipment	34,199	25,141	-	9,058
Other equipment	746,291	648,408	-	97,883
Leasing equity improvement	695,492	520,057	-	175,435
Prepayments for equipment	57,636	-	-	57,636
Total	**$ 10,640,510**	**2,233,673**	**1,068,526**	**7,338,311**

Asset	January 1, 2012 Cost	Accumulated depreciation	Accumulated impairment loss	book value
Land	$ 5,794,546	-	1,023,267	4,771,279
Buildings	2,401,412	250,317	45,259	2,105,836
Computer equipment	939,099	751,218	-	187,881
Transportation equipment	40,699	28,138	-	12,561
Other equipment	738,064	641,162	-	96,902
Leasing equity improvement	740,686	583,213	-	157,473
Prepayments for equipment	73,051	-	-	73,051
Total	**$ 10,727,557**	**2,254,048**	**1,068,526**	**7,404,983**

The changes in the investment property of the Group are as follows

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasing equity improvement	Prepayments for equipment	Total
Cost								
Balance of January 1, 2013	$ 5,852,291	2,424,864	959,277	26,649	734,070	737,104	98,706	10,832,961
Purchase and acquisition	-	-	19,811	-	7,568	12,558	36,132	76,069
Estimated decommissioning cost	-	-	-	-	-	1,581	-	1,581
Abandonment	-	-	(27,237)	(5,900)	(5,959)	(248)	-	(39,344)
Written down decommissioning cost	-	-	-	-	-	(132)	-	(132)
Reclassification	(119,473)	(67,140)	16,150	-	9,982	26,829	(54,447)	(188,099)
Exchange influence	-	-	168	-	122	215	-	505
Balance of June 30, 2013	5,732,818	2,357,724	968,169	20,749	745,783	777,907	80,391	10,683,541
Accumulated depreciation								
Balance of January 1, 2013	-	302,657	804,377	20,592	649,814	565,651	-	2,343,091
Increase	-	25,793	33,881	1,408	12,778	54,349	-	128,209
Abandonment	-	-	(25,987)	(5,089)	(5,866)	(209)	-	(37,151)
Reclassification	-	(2,852)	(14)	-	(5)	-	-	(2,871)
Exchange influence	-	-	28	-	17	59	-	104
Balance of June 30, 2013	-	325,598	812,285	16,911	656,738	619,850	-	2,431,382
Accumulated impairment loss								
Balance of January 1, 2013	1,030,732	45,259	-	-	-	-	-	1,075,991
Increase	-	-	-	-	-	-	-	-
Abandonment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Exchange influence	-	-	-	-	-	-	-	-
Balance of June 30, 2013	1,030,732	45,259	-	-	-	-	-	1,075,991
Net								
Balance of January 1, 2013	**$ 4,821,559**	**2,076,948**	**154,900**	**6,057**	**84,256**	**171,453**	**98,706**	**7,413,879**
Balance of June 30, 2013	**$ 4,702,086**	**1,986,867**	**155,884**	**3,838**	**89,045**	**158,057**	**80,391**	**7,176,168**
Cost								
Balance of January 1, 2012	$ 5,794,546	2,401,412	939,099	40,699	738,064	740,686	73,051	10,727,557
Purchase and acquisition	-	-	6,570	-	5,405	24,267	31,074	67,316
Estimated decommissioning cost	-	-	-	-	-	5,208	-	5,208
Abandonment	-	-	(26,050)	(6,500)	(7,863)	(114,133)	(46,489)	(201,035)
Written down decommissioning cost	-	-	-	-	-	(776)	-	(776)
Reclassification	(2,804)	(11,096)	5,215	-	10,744	40,284	-	42,343
Exchange influence	-	-	-	-	(59)	(44)	-	(103)
Balance of June 30, 2012	5,791,742	2,390,316	924,834	34,199	746,291	695,492	57,636	10,640,510
Accumulated depreciation								
Balance of January 1, 2012	-	250,317	751,218	28,138	641,162	583,213	-	2,254,048
Increase	-	25,258	42,017	2,520	14,148	49,008	-	132,951
Abandonment	-	-	(25,310)	(5,517)	(7,637)	(112,163)	-	(150,627)
Reclassification	-	(3,433)	-	-	735	-	-	(2,698)
Exchange influence	-	-	-	-	-	(1)	-	(1)
Balance of June 30, 2012	-	272,142	767,925	25,141	648,408	520,057	-	2,233,673
Accumulated impairment loss								
Balance of January 1, 2012	1,023,267	45,259	-	-	-	-	-	1,068,526
Increase	-	-	-	-	-	-	-	-
Abandonment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Balance of June 30, 2012	1,023,267	45,259	-	-	-	-	-	1,068,526
Net								
Balance of January 1, 2012	**$ 4,771,279**	**2,105,836**	**187,881**	**12,561**	**96,902**	**157,473**	**73,051**	**7,404,983**
Balance of June 30, 2012	**$ 4,768,475**	**2,072,915**	**156,909**	**9,058**	**97,883**	**175,435**	**57,636**	**7,338,311**

(I) Intangible assets

Asset	June 30, 2013 Original cost	June 30, 2013 Accumulated depreciation	June 30, 2013 Book value
Computer software	**$ 568,489**	**446,291**	122,198
Goodwill (Note)			189,667
Total			**311,865**

Asset	December 31, 2012 Original cost	December 31, 2012 Accumulated depreciation	December 31, 2012 Book value
Computer software	**$ 519,726**	**423,496**	96,230
Goodwill (Note)			189,667
Total			**285,897**

Asset	June 30, 2012 Original cost	June 30, 2012 Accumulated depreciation	June 30, 2012 Book value
Computer software	**$ 485,982**	**402,554**	83,428
Goodwill (Note)			236,667
Total			**320,095**

Asset	January 1, 2012 Original cost	January 1, 2012 Accumulated depreciation	January 1, 2012 Book value
Computer software	**$ 470,811**	**380,675**	90,136
Goodwill (Note)			236,667
Total			**326,803**

The changes in the premises and equipments of the Group are as follows

Cost:	
Balance of January 1, 2013	$ 519,726
Purchase and acquisition	46,305
Reclassification	1,845
Exchange influence	613
Balance of June 30, 2013	**$ 568,489**
Balance of January 1, 2012	$ 470,811
Purchase and acquisition	15,367
Exchange influence	(196)
Balance of June 30, 2012	**$ 485,982**

Accumulated amortization:		
Balance of January 1, 2013	$	423,496
Increase		22,682
Exchange influence		113
Balance of June 30, 2013	**$**	**446,291**
Balance of January 1, 2012	$	380,675
Increase		21,877
Exchange influence		2
Balance of June 30, 2012	**$**	**402,554**

Note: On July 19, 2000, Fubon Life Insurance entered into a "Business Transfer Agreement" (the "Agreement") with Citicorp Life Insurance Ltd., Taiwan Branch ("CitiLife"). Under this Agreement, the Group acquired the business and related assets and liabilities of CitiLife. The agreement was approved by the Ministry of Finance on November 14, 2000 and executed on January 1, 2001. It resulted in goodwill of $764,102. An impairment test was made of the goodwill. Likewise, the estimated value in use of the remaining effective policies was also assessed based on the present value of the future cash flow of the insurance policies across the insurance underwriting channel. The estimated cash inflow included premium revenue and investment profits and the estimated cash outflow included various benefits, expenses, reinsurance costs, reserve provisions and tax. The results of such evaluation disclosed that the estimated discounted future cash flow was less than the carrying amount of goodwill. Therefore, an impairment loss of $47,000 was recognized on goodwill in 2012.

(J) Other assets

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Prepayments	$	634,124	639,646	966,246	1,026,916
Prepayments- Superficies		3,859,142	3,374,353	3,411,164	3,447,975
Deferred Acquisition Cost		561,228	683,021	844,455	1,033,972
Guarantee Deposits Paid		6,118,954	6,351,953	4,301,999	4,160,307
Other assets-other		273,696	21,354	1,266,144	48,269
Total	**$**	**11,447,144**	**11,070,327**	**10,790,008**	**9,717,439**

Articles 141 and 142 of the Insurance Act require an insurance Group 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 total paid in capital in local banks in Vietnam as operating guarantee deposits. The Group used government bonds and time deposits for the operating guarantee deposits, the details of which were as follows:

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Government bonds(Book value)	**$**	**5,897,156**	**6,159,289**	**4,123,209**	**3,949,963**
Time deposit	**$**	**17,897**	**17,408**	**17,870**	**17,994**

The Group acquired the superficies of No 86-5 subsection 2 Chenggong section Zhongzheng district and 8 other superficies in April 2013 by bid. The total contract value referred to the appraisal report of DTZ and Repro International Inc. amounted to $2,608,000 (before tax). As of the date that the consolidated financial statements were submitted, the contract had not been signed yet, but the group had paid the bid bond and a portion of the contract value amounted to $30,000 and $521,600, respectively.

(K) Insurance product-separate account

The details of this account were as follows:

	June 30, 2013	December 31, 2012
Separate account insurance product assets:		
Cash in bank	$ 7,935,667	6,792,616
Securities	129,450,504	139,934,715
Account receivables	1,348,564	953,548
Total	**$ 138,734,735**	**147,680,879**
Separate account insurance product liabilities:		
Reserve-Insurance contract	$ 80,973,428	85,032,950
Reserve-Investment contract	57,761,096	62,624,648
Account payables	211	23,281
Total	**$ 138,734,735**	**147,680,879**

	June 30, 2012	January 1, 2012
Separate account insurance product assets:		
Cash in bank	$ 7,699,420	8,381,926
Securities	133,531,246	134,738,849
Account receivables	262,171	458,482
Total	**$ 141,492,837**	**143,579,257**
Separate account insurance product liabilities:		
Reserve-Insurance contract	$ 80,111,924	81,539,451
Reserve-Investment contract	61,380,672	62,039,647
Account payables	241	159
Total	**$ 141,492,837**	**143,579,257**

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Investment-linked insurance policy revenues				
Premiums income	$ 3,242,244	3,534,082	6,581,223	7,188,942
Interest income	157,489	48,595	213,645	97,699
Gain (Loss) on disposal of investments	348,426	(88,296)	841,154	93,400
Gain (Loss) on valuation of financial instruments	(4,607,802)	(5,153,306)	(2,437,753)	785,660
Foreign exchange loss	(135,690)	(1,008,467)	(313,088)	(1,283,040)
Total	**$ (995,333)**	**(2,667,392)**	**4,885,181**	**6,882,661**

		For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Investment-linked insurance policy expenses					
Net changes in reserve, Insurance contract	$	(5,742,398)	(6,766,677)	(4,069,753)	(1,419,281)
Insurance claims payment		4,062,927	3,396,874	7,585,421	6,875,677
Administrative expenses		684,138	702,411	1,369,513	1,426,265
Total	**$**	**(995,333)**	**(2,667,392)**	**4,885,181**	**6,882,661**

The Group earned sales rebate of $225,642 and $179,367 from the counterparty for promoting investment-linked insurance policy for the six months ended June 30, 2013 and 2012, respectively. The rebate was recognized as handling fee revenue.

(L) Liability reserve

(a) Decommissioning liability

Balance of January 1, 2013	$	44,632
Increase of liability reserves		1,581
Reversal of liability reserves		(132)
Discounting and amortization of liability reserves		213
Balance of June 30, 2013	**$**	**46,294**
Balance of January 1, 2012	$	42,685
Increase of liability reserves		5,208
Reversal of liability reserves		(776)
Discounting and amortization of liability reserves		(2,707)
Balance of June 30, 2012	**$**	**44,410**

For part of the real estate, the Group bears the obligation to dismantle, remove or restore the location. Therefore, the Group applies the present value of the expected cost of the locations that are going to be dismantled, removed or restored and recognized it as a liability reserve.

(b) Employee benefit

1. Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2012	January 1, 2012
Total present value of obligations	$	9,929,912	8,970,503
Fair value of planned assets		(3,814,654)	(3,878,703)
Deficit in the plan		6,115,258	5,091,800
Unamortized past service cost		-	-
Recognized liabilities for defined benefit obligations	**$**	**6,115,258**	**5,091,800**

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts received from interest rates of offered by local banks.

For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

A. Expenses recognized in profit or loss

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Expenses recognized in profit or loss	$ 132,279	168,689	264,557	292,458

B. Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	For the year ended December31, 2012
Discount rate at December 31	1.60%
Expected return on plan assets at January 1	3.50%
Future salary increases	3.00%

The overall expected long-term rate of return on asset is 3.5% as at January 1 and December 31, 2012. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The Group expected $529,114 in contributions to be paid to its benefit plans within one year after the six months ended June 30, 2013.

C. Experience adjustments based on historical information

	For the year ended December 31,	
	2012	**2011**
Present value of the defined benefit obligation	$ 9,929,912	8,970,503
Fair value of plan assets	(3,814,654)	(3,878,703)
Defined benefit obligations liabilities	**$ 6,115,258**	**5,091,800**
Experience adjustments arising on plan liabilities	**$ -**	**-**
Experience adjustments arising on plan assets	**$ -**	**-**

2. Defined contribution plans

The Group contributes at a rate of 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

Under the Labor Pension Act prescribed defined contribution plan, pension expenses amounted to $130,206, $121,399, $260,846 and $235,629 for the second quarter and six months ended June 30, 2013 and 2012, respectively.

(M) Shareholders' equity

(a) Common stock

As of June 30, 2013 and December 31, June 30, and January 31, 2012, the Group had authorized capital of all $30,000,000 and issued common stock of $29,107,390, $29,107,390, $22,123,170 and $21,123,170, respectively, with $10 par value per share.

During their meeting on December 23, 2011, the board of directors resolved to increase the Group's capital by issuing 100,000 thousand new shares of stock at a premium price of $50 per share. In May 2012, its parent Group, Fubon Financial Holding Co., Ltd., remitted its payment of $5,000,000 for the purchase of those new shares.

The record date for this capital increase was set on May 9, 2012 and the registration process thereof was completed on May 24, 2012. In addition, the board of directors resolved, on behalf of the shareholders, during their meeting-on June 8, 2012, to increase the Group's shares of stock by capitalizing its retained earnings of $6,984,220, divided into 698,422 thousand shares of stocks. This capital increase was approved by Financial Supervisory Commission on August 6, 2012. The record date for the capital increase was set on August 13, 2012, and the registration process thereof was completed on August 29, 2012.

The board of directors approved a resolution on June 7, 2013 authorizing the Company to increase its capital and to capitalize its undistributed earnings of $7,374,090 by issuing 737,409 thousands shares of stock. This capital increase was approved by the FSC on

August 7, 2013. The record date for the capital increase was set on August 14, 2013, but the registration process has not been completed yet.

(b) Capital surplus

Pursuant to the amendment of the Group Law which was published on January, 2012, except for the additional paid-in capital and capital surplus arising from donations, which can be used to increase capital or offset losses, capital surplus can only be used to offset cumulative losses. SFC regulations permit capitalization of capital surplus only once a year and the amount should not exceed 10% of outstanding capital stock.

(c) Retained earnings and earnings appropriation

1. Legal reserve

R.O.C. Group Act and Insurance Laws requires the Group to allocate 20% of its current annual net income (deducts losses of prior years) as legal reserve, until such reserve equals the amount of outstanding common stock. Except for covering losses, legal reserve cannot be used for distributing cash dividends. However, legal reserve can be converted to common stock when it reaches an amount equal to at least one-half of common stock. The capitalization of legal reserve shall not exceed 25% of the balance of legal reserve.

2. Special reserve

In accordance with Tai-Tsai-Pao No.0920700594 issued by the Ministry of Finance, recovered special risk-volatility reserves can be transferred to special reserve regardless of whether or not the Group has earnings in the following year, pursuant to the resolution of the shareholders during their meeting. Under the "Regulations Governing the Provision of Various Reserves", commencing from January 1, 2011, the catastrophe special reserve and variation special reserve for retained insurance 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) (U).

3. Distribution of earnings

The annual earnings are used cover prior years' losses. If there is still a balance of those earnings, 20% thereof is appropriated for legal reserve, and, if necessary, according to a resolution of the shareholders or related law, a special reserve is also appropriated, 0.0001%~0.01% of remaining balance is appropriated as employees bonus, and the remaining balance of such annual earnings and those of prior years are distributed as additional dividends to shareholders upon shareholders' approval.

The information of the resolutions adopted by board of directors and shareholders' meetings can be found on Market Observation Post System.

(d) Other equity items

	Exchange differences on translation of foreign financial assets	Gains (losses) on effective portion of cash flow hedges	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance, January 1, 2013	$ (144,270)	279,701	76,572,170	76,707,601
Foreign exchange translation difference (net-after tax):				
Current exchange difference	36,527	-	-	36,527
Effective portion of cash flow hedges (net-after tax):				
Current adjustments	-	(64,801)	-	(64,801)
Unrealized gains (losses) on available-for-sale financial assets:				
Current adjustments	-	-	(22,383,259)	(22,383,259)
Realized gains	-	-	(11,360,078)	(11,360,078)
Balance, June 30, 2013	**$ (107,743)**	**214,900**	**42,828,833**	**42,935,990**

	Exchange differences on translation of foreign financial assets	Gains (losses) on effective portion of cash flow hedges	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance, January 1, 2012	$ (96,745)	333,465	30,535,014	30,771,734
Foreign exchange translation difference (net-after tax):				
Current exchange difference	(21,393)	-	-	(21,393)
Effective portion of cash flow hedges (net-after tax):				
Current adjustments	-	(19,775)	-	(19,775)
Unrealized gains (losses) on available-for-sale financial assets:				
Current adjustments	-	-	11,671,656	11,671,656
Realized gains	-	-	(7,563,488)	(7,563,488)
Balance, June 30, 2012	**$ (118,138)**	**313,690**	**34,643,182**	**34,838,734**

(N) Tax expense

Income tax expense is measured and disclosed based on the estimated effective tax rate, multiplying pretax income for the interim reporting period; therefore, the reconciliation of taxable income and profit cannot be disclosed.

(a) Income tax expense

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Current income tax				
Current income tax expense	$ 112,001	(44,934)	464,328	381,437
Adjustments on prior years income tax	(695,392)	(9,751)	(695,392)	(82,573)
Foreign income tax	230,960	92,485	558,307	203,113
Subtotal	(352,431)	37,800	327,243	501,977
Deferred income tax				
Recognition (Reversal) of temporary differences	595,991	134,890	1,259,532	(429,269)
Exchange influence	654	(116)	-	-
Subtotal	596,645	134,774	1,259,532	(429,269)
Income tax expense	**$ 244,214**	**172,574**	**1,586,775**	**72,708**

The details of income tax (expense) benefit recognized under other comprehensive income for the second quarter and six months ended June 30, 2013 and 2012 are as follows:

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Exchange differences on translation of foreign financial statements	$ (711)	(2,213)	(7,482)	4,383
Unrealized gains (losses) on available-for-sale financial assets	5,699,951	(745,584)	6,824,715	(955,616)
Cash flow hedges	7,715	(4,176)	13,272	4,050
	$ 5,706,955	**(751,973)**	**6,830,505**	**(947,183)**

(b) Commencing from 2010, Fubon Financial Holding Company, the parent company of the Group, elected to be the tax payer itself. As the tax payer for the Group, Fubon Financial Holding Company files the consolidated income tax return and reports the profit-seeking enterprise income tax and 10% tax surcharge on surplus retained earnings of a profit-seeking enterprise in accordance with the relevant provision of the Income Tax Law. The loss carry forward benefits recognized by the Group can be utilized by the other Fubon Financial Holding Company's subsidiaries. Therefore, the Group recognized income tax benefit arising from the carry forward benefit of its current year's loss.

(c) The R.O.C. tax authority has assessed the Group's income tax returns through 2009. However, the Group initiated an administrative appeal because the Group disagreed with the tax authority's position of disallowing the amortization of discount or premium on bonds that was reported in its 2007 income tax returns. As the result, the Group had lost its appeal according to the court's judgment of Supreme Administrative Court and thereof recognized the most possible outcome and accrued an additional income tax liability of $63,793, as of June 30, 2013.

In addition, R.O.C. tax authority has assessed the income tax returns of Fubon Life Assurance (dissolved Group) through 2006. In its income tax returns for the years 2002, 2003, 2004, 2005 and 2006, the R.O.C. tax authority disallowed the amortization of discount or premium on bonds and reduced the tax on bond interest which was held by

Fubon Life Assurance. Fubon Group has designated the parent Group, Fubon Financial Holding, as the taxpayer to file a consolidated corporate income tax and to pay the 10% surtax on unappropriated earnings. Therefore, as a result of the assessment, the parent Group allocated income tax expense amounted to $199,364 to the Group and Fubon Financial Holding decided to apply to the tax authority for reexamination and administrative remedy concerning the difference between the reported number and the approved number.

(d) The information about imputation system was as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Undistributed earnings:				
In 1998 and thereafter	$ 15,766,102	18,854,498	8,302,181	16,135,652
Balance of imputed credit account (ICA)	$ 1,985,242	2,591,285	2,753,340	3,190,719

The undistributed earnings disclosed above and the comparative information of different periods are calculated under TIFRSs as endorsed by the Financial Supervisory Commission.

	For the year ended December 31, 2012	For the year ended December 31, 2011
Tax credit percentage	12.59%(estimated)	18.48%(actual)

The above tax credit percentage of 2012 was estimated in accordance with the provision of article 66 item 6 of the draft of Income Tax Act which was approved in the first reading by the Finance Committee of the Legislative Yuan of Republic of China on April 1, 2013. As of the balance sheet date, the draft has not passed the third reading.

(O) Earnings per share

For the second quarter and six months ended June 30, 2013 and 2012, the Group's earnings per share calculated based on simple capital structure were as follows:

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Profit attributable to ordinary shareholders of the Company	$ 3,719,148	332,686	9,146,041	1,340,833
Weighted average number of ordinary shares (thousands shares)	3,648,148	3,531,267	3,648,148	3,531,267
Basic earnings per share (dollar) (Note)	$ 1.02	0.09	2.51	0.38

Note: the Group adopted the retroactive adjustments calculating the number of units in circulation as a result of stock grants. For the six months and three months ended June 30, 2012, its basic earnings per share, net of tax, were adjusted from $0.48 to $0.38 and $0.12 to $0.09, respectively.

(P) Insurance Liability

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unearned premium reserve	$ 6,572,230	6,253,623	6,192,917	5,827,511
Claim reserve	1,481,763	1,405,638	1,463,386	1,520,018
Liability reserve	1,814,668,982	1,676,296,501	1,557,797,750	1,389,525,146
Special reserve	5,342,033	5,228,976	4,778,071	8,322,175
Premium deficiency reserve	7,656,808	6,541,639	5,839,045	4,715,543
Total	**$ 1,835,721,816**	**1,695,726,377**	**1,576,071,169**	**1,409,910,393**

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 components of liability reserves were as follows

	June 30, 2013		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	$ 1,513,791,132	-	1,513,791,132
Injury insurance	814,272	-	814,272
Health insurance	151,827,213	-	151,827,213
Annuity insurance	1,420,632	146,792,805	148,213,437
Investment-linked insurance	22,928	-	22,928
	$ 1,667,876,177	**146,792,805**	**1,814,668,982**

	December 31, 2012		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	$ 1,384,466,096	-	1,384,466,096
Injury insurance	827,956	-	827,956
Health insurance	143,131,217	-	143,131,217
Annuity insurance	1,456,861	146,410,273	147,867,134
Investment-linked insurance	4,098	-	4,098
	$ 1,529,886,228	**146,410,273**	**1,676,296,501**

	June 30, 2012		
	Insurance contracts	Financial instruments with discretionary participation	Total
Life insurance	$ 1,268,972,077	-	1,268,972,077
Injury insurance	843,749	-	843,749
Health insurance	134,425,758	-	134,425,758
Annuity insurance	3,524,334	150,022,156	153,546,490
Investment-linked insurance	9,676	-	9,676
	$ 1,407,775,594	**150,022,156**	**1,557,797,750**

	January 1, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Life insurance	$ 1,090,361,962	-	1,090,361,962
Injury insurance	859,832	-	859,832
Health insurance	126,688,690	-	126,688,690
Annuity insurance	3,724,322	167,878,957	171,603,279
Investment-linked insurance	11,383	-	11,383
	$ 1,221,646,189	**167,878,957**	**1,389,525,146**

The movements in the liability reserves were as follows:

	For the six months ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 1,529,886,228	146,410,273	1,676,296,501
Current provisions	156,108,601	21,005,231	177,113,832
Current reclaims	(22,234,099)	(20,622,699)	(42,856,798)
Gain and loss on foreign exchange	4,115,447	-	4,115,447
Ending balance	**$ 1,667,876,177**	**146,792,805**	**1,814,668,982**

	For the six months ended June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 1,221,646,189	167,878,957	1,389,525,146
Current provisions	213,255,052	12,393,720	225,648,772
Current reclaims	(27,739,365)	(30,250,521)	(57,989,886)
Gain and loss on foreign exchange	(1,037,577)	-	(1,037,577)
Other (Note)	1,651,295	-	1,651,295
Ending balance	**$ 1,407,775,594**	**150,022,156**	**1,557,797,750**

Note: "Other" refers to transfer of operating loss reserve.

(b) The unearned premium reserves for these insurance products were as follows:

	June 30, 2013		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 678	-	678
Individual injury insurance	2,046,662	-	2,046,662
Individual health insurance	2,583,065	-	2,583,065
Group insurance	1,859,635	-	1,859,635
Investment-linked insurance	82,190	-	82,190
Gross reserve	6,572,230	-	6,572,230
Deduction of provision for reinsurance ceded			
Individual life insurance	336,597	-	336,597
Individual injury insurance	30,988	-	30,988
Individual health insurance	434	-	434
Group insurance	46,459	-	46,459
Investment-linked insurance	12,346	-	12,346
Total ceded reserve	426,824	-	426,824
Net	**$ 6,145,406**	**-**	**6,145,406**

	December 31, 2012		
	Insurance contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 640	-	640
Individual injury insurance	1,884,293	-	1,884,293
Individual health insurance	2,493,194	-	2,493,194
Group insurance	1,786,653	-	1,786,653
Investment-linked insurance	88,843	-	88,843
Gross reserve	6,253,623	-	6,253,623
Deduction of provision for reinsurance ceded			
Individual life insurance	346,129	-	346,129
Individual injury insurance	27,979	-	27,979
Individual health insurance	242	-	242
Group insurance	79,152	-	79,152
Investment-linked insurance	11,845	-	11,845
Total ceded reserve	465,347	-	465,347
Net	**$ 5,788,276**	**-**	**5,788,276**

	June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance	$ 646	-	646
Individual injury insurance	1,889,374	-	1,889,374
Individual health insurance	2,433,731	-	2,433,731
Group insurance	1,782,825	-	1,782,825
Investment-linked insurance	86,341	-	86,341
Gross reserve	6,192,917	-	6,192,917
Deduction of provision for reinsurance ceded			
Individual life insurance	328,367	-	328,367
Individual injury insurance	25,554	-	25,554
Individual health insurance	164	-	164
Group insurance	74,797	-	74,797
Investment-linked insurance	11,455	-	11,455
Total ceded reserve	440,337	-	440,337
Net	**$ 5,752,580**	**-**	**5,752,580**

	January 1, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance	$ 770	-	770
Individual injury insurance	1,654,280	-	1,654,280
Individual health insurance	2,413,382	-	2,413,382
Group insurance	1,669,054	-	1,669,054
Investment-linked insurance	90,025	-	90,025
Gross reserve	5,827,511	-	5,827,511
Deduction of provision for reinsurance ceded			
Individual life insurance	298,082	-	298,082
Individual injury insurance	23,858	-	23,858
Individual health insurance	(1,099)	-	(1,099)
Group insurance	84,296	-	84,296
Investment-linked insurance	12,728	-	12,728
Total ceded reserve	417,865	-	417,865
Net	**$ 5,409,646**	**-**	**5,409,646**

The movements in unearned premium reserves were as follows:

	For the six months ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 6,253,623	-	6,253,623
Current provisions	6,572,228	-	6,572,228
Current reclaims	(6,253,623)	-	(6,253,623)
Gain and loss on foreign exchange	2	-	2
Ending balance	6,572,230	-	6,572,230
Less: Provision for ceded reinsurance			
Beginning balance, net	465,347	-	465,347
Current provision	426,809	-	426,809
Current reclaim	(465,347)	-	(465,347)
Gain and loss on foreign exchange	15	-	15
Ending balance, net	426,824	-	426,824
Net ending balance	**$ 6,145,406**	**-**	**6,145,406**

	For the six months ended June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 5,827,510	-	5,827,510
Current provisions	6,192,917	-	6,192,917
Current reclaims	(5,827,510)	-	(5,827,510)
Ending balance	6,192,917	-	6,192,917
Less: Provision for ceded reinsurance			
Beginning balance, net	417,865	-	417,865
Current provision	440,315	-	440,315
Current reclaim	(417,865)	-	(417,865)
Gain and loss on foreign exchange	22	-	22
Ending balance, net	440,337	-	440,337
Net ending balance	**$ 5,752,580**	**-**	**5,752,580**

(c) The components of claim reserves were as follows

	June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance			
-reported but not paid	$ 320,095	1,858	321,953
-incurred but not reported	3,451	-	3,451
Individual injury insurance			
-reported but not paid	146,765	-	146,765
-incurred but not reported	174,937	-	174,937
Individual health insurance			
-reported but not paid	160,348	-	160,348
-incurred but not reported	269,846	-	269,846
Group insurance			
-reported but not paid	82,255	-	82,255
-incurred but not reported	218,369	-	218,369
Investment-linked insurance			
-reported but not paid	56,435	-	56,435
-incurred but not reported	47,404	-	47,404
Gross reserve	1,479,905	1,858	1,481,763
Deduction of provision for reinsurance ceded:			
Individual life insurance	28,547	-	28,547
Individual injury insurance	59,780	-	59,780
Individual health insurance	280	-	280
Group insurance	6,226	-	6,226
Investment-linked insurance	9,660	-	9,660
Total ceded reserve	104,493	-	104,493
Net reserve	**$ 1,375,412**	**1,858**	**1,377,270**

	December 31, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance			
-reported but not paid	$ 285,699	1,367	287,066
-incurred but not reported	2,050	-	2,050
Individual injury insurance			
-reported but not paid	148,980	-	148,980
-incurred but not reported	189,269	-	189,269
Individual health insurance			
-reported but not paid	135,336	-	135,336
-incurred but not reported	274,039	-	274,039
Group insurance			
-reported but not paid	64,932	-	64,932
-incurred but not reported	189,206	-	189,206
Investment-linked insurance			
-reported but not paid	78,690	-	78,690
-incurred but not reported	36,070	-	36,070
Gross reserve	1,404,271	1,367	1,405,638
Deduction of provision for reinsurance ceded:			
Individual life insurance	35,496	-	35,496
Individual injury insurance	64,355	-	64,355
Individual health insurance	378	-	378
Group insurance	1,708	-	1,708
Investment-linked insurance	9,466	-	9,466
Total ceded reserve	111,403	-	111,403
Net reserve	**$ 1,292,868**	**1,367**	**1,294,235**

	June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance			
-reported but not paid	$ 339,113	2,992	342,105
-incurred but not reported	2,788	-	2,788
Individual injury insurance			
-reported but not paid	143,067	-	143,067
-incurred but not reported	172,834	-	172,834
Individual health insurance			
-reported but not paid	154,243	-	154,243
-incurred but not reported	252,780	-	252,780
Group insurance			
-reported but not paid	86,539	-	86,539
-incurred but not reported	180,249	-	180,249
Investment-linked insurance			
-reported but not paid	87,167	-	87,167
-incurred but not reported	41,614	-	41,614
Gross reserve	1,460,394	2,992	1,463,386
Deduction of provision for reinsurance ceded:			
Individual life insurance	28,993	-	28,993
Individual injury insurance	60,496	-	60,496
Individual health insurance	1,908	-	1,908
Group insurance	5,983	-	5,983
Investment-linked insurance	13,783	-	13,783
Total ceded reserve	111,163	-	111,163
Net reserve	**$ 1,349,231**	**2,992**	**1,352,223**

	January 1, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance			
-reported but not paid	$ 372,838	12,496	385,334
-incurred but not reported	3,011	-	3,011
Individual injury insurance			
-reported but not paid	131,194	-	131,194
-incurred but not reported	182,967	-	182,967
Individual health insurance			
-reported but not paid	157,398	-	157,398
-incurred but not reported	257,611	-	257,611
Group insurance			
-reported but not paid	75,051	-	75,051
-incurred but not reported	196,304	-	196,304
Investment-linked insurance			
-reported but not paid	87,568	-	87,568
-incurred but not reported	43,580	-	43,580
Gross reserve	1,507,522	12,496	1,520,018
Deduction of provision for reinsurance ceded:			
Individual life insurance	46,979	-	46,979
Individual injury insurance	61,255	-	61,255
Individual health insurance	3,471	-	3,471
Group insurance	2,162	-	2,162
Investment-linked insurance	25,173	-	25,173
Total ceded reserve	139,040	-	139,040
Net reserve	**$ 1,368,482**	**12,496**	**1,380,978**

The movements in claim reserves were as follows:

	For the six months ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 1,404,271	1,367	1,405,638
Current provisions	1,479,866	1,858	1,481,724
Current reclaims	(1,404,271)	(1,367)	(1,405,638)
Gain and loss on foreign exchange	39	-	39
Ending balance	1,479,905	1,858	1,481,763
Less: Provision for ceded reinsurance			
Beginning balance, net	111,403	-	111,403
Current provision	104,493	-	104,493
Current reclaim	(111,403)	-	(111,403)
Ending balance, net	104,493	-	104,493
Net ending balance	**$ 1,375,412**	**1,858**	**1,377,270**

	For the six months ended June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 1,507,522	12,496	1,520,018
Current provisions	1,460,729	2,992	1,463,721
Current reclaims	(1,507,522)	(12,496)	(1,520,018)
Gain and loss on foreign exchange	(335)	-	(335)
Ending balance	1,460,394	2,992	1,463,386
Less: Provision for ceded reinsurance			
Beginning balance, net	139,040	-	139,040
Current provision	111,163	-	111,163
Current reclaim	(139,040)	-	(139,040)
Ending balance, net	111,163	-	111,163
Net ending balance	**$ 1,349,231**	**2,992**	**1,352,223**

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

	June 30, 2013			
	Insurance contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Legal reserve				
Dividend provision for participating policies	$ (244,316)	-	-	(244,316)
Provision for risk of dividend	2,325,014	-	-	2,325,014
Other (Note)	3,261,335	-	-	3,261,335
Total	**$ 5,342,033**	**-**	**-**	**5,342,033**

	December 31, 2012			
	Insurance contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Legal reserve				
Dividend provision for participating policies	$ 46,912	-	-	46,912
Provision for risk of dividend	1,920,729	-	-	1,920,729
Other (Note)	3,261,335	-	-	3,261,335
Total	**$ 5,228,976**	**-**	**-**	**5,228,976**

	June 30, 2012			
	Insurance contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Legal reserve				
Dividend provision for participating policies	$ (1,524,780)	-	-	(1,524,780)
Provision for risk of dividend	3,041,516	-	-	3,041,516
Other (Note)	3,261,335	-	-	3,261,335
Total	**$ 4,778,071**	**-**	**-**	**4,778,071**

	January 1, 2012			
	Insurance contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Legal reserve				
Individual life insurance	$ 359,233	-	-	359,233
Individual injury insurance	580,267	-	-	580,267
Individual health insurance	607,874	-	-	607,874
Group insurance	469,887	-	-	469,887
Dividend provision for participating policies	(1,268,458)	-	-	(1,268,458)
Provision for risk of dividend	2,660,742	-	-	2,660,742
Reserve transferred from provision for operating loss	1,651,295	-	-	1,651,295
Other (Note)	3,261,335	-	-	3,261,335
Total	**$ 8,322,175**	**-**	**-**	**8,322,175**

Note: In accordance with the regulation of "Principles of Preparing Financial Reports for Insurance Companies", the Group estimated the real estate with fair value and there was increment. The Group used it to cover the disadvantageous effect of other accounts due to the transition to IFRSs. The remaining of the increment which amounted to $3,261,335 was recognized as the special reserve under the account of insurance liability on the transition date.

The movements in special reserves were as follows：

	For the six months ended June 30, 2013			
	Insurance contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Beginning balance	$ 5,228,976	-	-	5,228,976
Write-down dividend provision for participating policies	(291,228)	-	-	(291,228)
Net provision for risk of dividend	404,285	-	-	404,285
Ending balance	**$ 5,342,033**	**-**	**-**	**5,342,033**

	For the six months ended June 30, 2012			
	Insurance contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Beginning balance	$ 8,322,175	-	-	8,322,175
Write-down dividend provision for participating policies	(256,322)	-	-	(256,322)
Net provision for risk of dividend	380,774	-	-	380,774
Other (Note)	(3,668,556)	-	-	(3,668,556)
Ending balance	**$ 4,778,071**	**-**	**-**	**4,778,071**

Note: Other refers to the initial amount of foreign exchange fluctuation reserve $2,017,261 transferred to the liability reserve $1,651,295 according to the requirement of Gin Guan Bao Tsai No.10102500530 letter.

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

	June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance	$ 7,051,585	-	7,051,585
Individual health insurance	564,436	-	564,436
Group insurance	40,787	-	40,787
Gross reserve	**$ 7,656,808**	**-**	**7,656,808**

	December 31, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance	$ 5,914,192	-	5,914,192
Individual health insurance	587,437	-	587,437
Group insurance	40,010	-	40,010
Gross reserve	**$ 6,541,639**	**-**	**6,541,639**

	June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance	$ 5,186,726	-	5,186,726
Individual health insurance	608,754	-	608,754
Group insurance	43,565	-	43,565
Gross reserve	**$ 5,839,045**	**-**	**5,839,045**

	January 1, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance	$ 4,072,110	-	4,072,110
Individual health insurance	632,868	-	632,868
Group insurance	10,565	-	10,565
Gross reserve	**$ 4,715,543**	**-**	**4,715,543**

The movements in premium deficiency reserve were as follows：

	For the six months ended June 30, 2013		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 6,541,639	-	6,541,639
Current provision, net	1,024,605	-	1,024,605
Loss on foreign exchange	90,564	-	90,564
Ending balance	**$ 7,656,808**	**-**	**7,656,808**

	For the six months ended June 30, 2012		
	Insurance contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 4,715,543	-	4,715,543
Current provision, net	1,138,035	-	1,138,035
Loss on foreign exchange	(14,533)	-	(14,533)
Ending balance	**$ 5,839,045**	**-**	**5,839,045**

(f) Liability adequacy reserve

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

Insurance contracts	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Liability reserve	$ 1,814,652,832	1,676,286,474	1,557,792,779	1,389,522,853
Unearned premium reserve	6,572,158	6,253,546	6,192,831	5,827,475
Premium deficiency reserve	7,656,808	6,541,639	5,839,045	4,715,543
Special reserve	2,080,698	3,539,631	3,321,120	7,078,100
Claim reserve	1,481,755	1,405,632	1,463,381	1,520,017
The carrying amount of the related insurance liabilities	**$ 1,832,444,251**	**1,694,026,922**	**1,574,609,156**	**1,408,663,988**
Current estimate of future cash flows under its insurance liabilities	**$ 1,419,890,402**	**1,344,633,678**	**1,208,283,882**	**1,182,844,320**
Total liability adequacy reserve	**$ -**	**-**	**-**	**-**

The liability adequacy test method adopted by the Group as of June 30, 2013 and December 1, June 30, and January 1, 2012 covered the following:

Test method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant assumption	The discount rate assumption for future years was set up based on the assets allocation and the weighted average return on investments of the Group.

The above-mentioned liability adequacy test did not include the provisions of the subsidiaries. The omission of such provisions is due primarily to the fact that they only account for 0.00088% of the total provisions which will not affect the result of the liability adequacy test.

(g) Special reserve (Special catastrophe and cumulative risk variation special reserve)

	June 30, 2013			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Special catastrophe reserve	$ 968,335	-	-	968,335
Cumulative risk variation special reserve	7,917,616	-	-	7,917,616
Total	**$ 8,885,951**	**-**	**-**	**8,885,951**

	December 31, 2012			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Special catastrophe reserve	$ 456,694	-	-	456,694
Cumulative risk variation special reserve	7,526,686	-	-	7,526,686
Total	**$ 7,983,380**	**-**	**-**	**7,983,380**

	June 30, 2012			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Special catastrophe reserve	$ 223,117	-	-	223,117
Cumulative risk variation special reserve	7,214,249	-	-	7,214,249
Total	**$ 7,437,366**	**-**	**-**	**7,437,366**

	January 1, 2012			
	Insurance contracts	Financial instruments with discretionary participation	Others	Total
Special catastrophe reserve	$ 223,117	-	-	223,117
Cumulative risk variation special reserve	7,044,924	-	-	7,044,924
Total	**$ 7,268,041**	**-**	**-**	**7,268,041**

(Q) Reserve provision for financial instruments without discretionary participation features

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

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Life insurance	**$ 95,730,061**	**98,544,225**	**102,562,043**	**103,107,324**

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Beginning balance	$ 98,544,225	103,107,324
Current premiums collected	948	(4,294)
Current claims payment	(3,632,698)	(1,426,959)
Current net provision for legal reserve	817,557	885,833
Current commission and agency fees	29	139
Ending balance	**$ 95,730,061**	**102,562,043**

(R) Foreign exchange fluctuation reserve

(a) Hedging strategy and risk exposure

The hedging strategy is primarily perfect hedge, together with currency proxy hedge and natural hedge. To ensure the effectiveness and appropriateness of hedging, the rationality of the hedging cost is considered and the hedging strategy and hedging proportion are vigorously adjusted. The frequency and level of foreign exchange hedge considers the foreign exchange fluctuation risk.

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

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Beginning balance	$ 1,062,830	2,017,261
Current provision:		
Compulsory provision	443,274	226,151
Additional provision	228,167	442,265
Subtotal	671,441	668,416
Recovered	(880,313)	(1,370,487)
Ending balance	**$ 853,958**	**1,315,190**

(c) Effect of foreign exchange fluctuation reserve

Item	Not applied amount	Applied amount	Effect
June 30, 2013			
Foreign exchange fluctuation reserve	$ -	853,958	(853,958)
Shareholders' equity	141,317,441	142,282,983	(965,542)
December 31, 2012			
Foreign exchange fluctuation reserve	-	1,062,830	(1,062,830)
Shareholders' equity	166,116,374	166,908,552	(792,178)
June 30, 2012			
Foreign exchange fluctuation reserve	-	1,315,190	(1,315,190)
Shareholders' equity	113,358,635	113,941,354	(582,719)
January 1, 2012			
Foreign exchange fluctuation reserve	-	-	-
Shareholders' equity	-	-	-

Item	For the six months ended June 30, 2013			For the six months ended June 30, 2012		
	Not applied amount	Applied amount	Effect	Not applied amount	Applied amount	Effect
Income after tax	$ 8,972,677	9,146,041	(173,364)	758,114	1,340,833	(582,719)
Earnings per share	2.46	2.51	(0.05)	0.21	0.38	(0.17)

(S) 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 were as follows:

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Beginning balance	$ 683,021	1,033,972
Addition	45,978	4,067
Amortization	(167,771)	(193,584)
Ending balance	**$ 561,228**	**844,455**

(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 were as follows:

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Beginning balance	$ 796,262	1,085,954
Addition	141,069	8,830
Amortization	(173,324)	(197,133)
Ending balance	**$ 764,007**	**897,651**

(T) Premium

(a) Retained earned premium

	For the second quarter ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Direct written premiums	$ 86,613,489	7,963,190	94,576,679
Reinsurance premiums	1,631	-	1,631
Premium income	86,615,120	7,963,190	94,578,310
Less: reinsurance premium ceded	2,268,507	-	2,268,507
Net change in unearned premium reserves	95,985	-	95,985
Subtotal	2,364,492	-	2,364,492
Retained earned premiums	**$ 84,250,628**	**7,963,190**	**92,213,818**

	For the second quarter ended June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Direct written premiums	$ 114,207,499	4,936,495	119,143,994
Reinsurance premiums	1,885	-	1,885
Premium income	114,209,384	4,936,495	119,145,879
Less: reinsurance premium ceded	2,141,496	-	2,141,496
Net change in unearned premium reserves	212,035	-	212,035
Subtotal	2,353,531	-	2,353,531
Retained earned premiums	**$ 111,855,853**	**4,936,495**	**116,792,348**

	For the six months ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Direct written premiums	$ 163,902,281	12,979,766	176,882,047
Reinsurance premiums	3,420	-	3,420
Premium income	163,905,701	12,979,766	176,885,467
Less: reinsurance premium ceded	4,442,410	-	4,442,410
Net change in unearned premium reserves	357,143	-	357,143
Subtotal	4,799,553	-	4,799,553
Retained earned premiums	**$ 159,106,148**	**12,979,766**	**172,085,914**

	For the six months ended June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Direct written premiums	$ 219,420,516	11,287,077	230,707,593
Reinsurance premiums	3,098	-	3,098
Premium income	219,423,614	11,287,077	230,710,691
Less: reinsurance premium ceded	4,346,216	-	4,346,216
Net change in unearned premium reserves	342,957	-	342,957
Subtotal	4,689,173	-	4,689,173
Retained earned premiums	**$ 214,734,441**	**11,287,077**	**226,021,518**

(b) Retained claims payment

	For the second quarter ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 18,272,115	11,750,406	30,022,521
Reinsurance claims payment incurred	573	-	573
Insurance claims payment	18,272,688	11,750,406	30,023,094
Less: Claims payment recovered from reinsurers	1,368,835	-	1,368,835
Retained claims payment	**$ 16,903,853**	**11,750,406**	**28,654,259**

	For the second quarter ended June 30, 2012		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 19,952,329	15,873,090	35,825,419
Reinsurance claims payment incurred	626	-	626
Insurance claims payment	19,952,955	15,873,090	35,826,045
Less: Claims payment recovered from reinsurers	1,333,061	-	1,333,061
Retained claims payment	**$ 18,619,894**	**15,873,090**	**34,492,984**

	For the six months ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 33,330,094	20,842,949	54,173,043
Reinsurance claims payment incurred	1,117	-	1,117
Insurance claims payment	33,331,211	20,842,949	54,174,160
Less: Claims payment recovered from reinsurers	2,650,398	-	2,650,398
Retained claims payment	**$ 30,680,813**	**20,842,949**	**51,523,762**

	For the six months ended June 30, 2013		
	Insurance contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 38,331,439	30,321,531	68,652,970
Reinsurance claims payment incurred	1,254	-	1,254
Insurance claims payment	38,332,693	30,321,531	68,654,224
Less: Claims payment recovered from reinsurers	2,192,413	-	2,192,413
Retained claims payment	**$ 36,140,280**	**30,321,531**	**66,461,811**

(U) 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:

A. 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.

B. 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:

A. Risk of policyholder concealment

B. Risk of insurance content

C. Occupational and financial risk

D. Risk of health conditions

E. Risk of the lack of experience of the underwriter

F. Risk of retention

G. 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. The property of the claim risk is assessed through the multiple-dimension table and risk tolerance level to control the claim risk. Aside from establishing the "Claim Settlement System and Procedures" based on the "Regulations Governing new insurance policy Soliciting, Underwriting and Claim Settlement of Insurance Enterprises" to enhance professional training and morality of claims personnel as well as the control procedures to lessen operational negligence, 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 convene, which takes into the characteristics of the requirement of asset and liabilities management, and conforms 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. Catastrophe risk and reinsurance risk

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

   A. Catastrophe 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 catastrophe losses that may arise from life insurance and accident insurance are likewise considered in evaluation of catastrophe risk.

   B. 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 (BBB or higher from Standard & Poor's Corporation) 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

   A. To enhance the overall assets and liabilities allocation, maintain adequate liquidity, and improve capital performance for the purpose of maximizing the risk management reward, management monitor compliance of the Group with the relevant government regulations. In addition, 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.

   B. 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 test the Group's liquidity. In addition, the Risk-Based Capital ratio is examined and simulated via important elements to execute sensitivity analysis which serves as the reference for capital adequacy decision. Furthermore, the change between Venture Capital and equity fund is analyzed to identify the reason for such changes and capital liquidity risk analysis is performed by using the accumulated net cash flow in a year and the accumulated net cash flow in 5 years as the benchmark for risk management.

7. Risk management report

   A. 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

      a. Set up and modify policy and structure of risk management

      b. Set up and modify the quantitative and qualitative criteria for risk measurement.

      c. Adjust risk types as environment change

      d. Set up risk limit allocation and the way of undertaking risk

      e. Submit risk management report to the board of directors regularly and authorize to competent departments.

   B. 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

	June 30, 2013			
	Change of assumption		**Change of income before tax**	**Change of stockholder's equity**
Mortality/Morbidity	Increase	10%	(929,943)	(771,853)
Rate of return	Decrease	0.1%	(1,007,885)	(836,545)
Expense (fixed expense)	Increase	5%	(151,400)	(125,662)
Decrement and elapsing rate	Increase	10%	58,434	48,500

	December 31, 2012			
	Change of assumption		**Change of income before tax**	**Change of stockholder's equity**
Mortality/Morbidity	Increase	10%	(1,832,356)	(1,520,855)
Rate of return	Decrease	0.1%	(1,785,592)	(1,482,041)
Expense (fixed expense)	Increase	5%	(306,632)	(254,505)
Decrement and elapsing rate	Increase	10%	102,535	85,104

	June 30, 2012			
	Change of assumption		**Change of income before tax**	**Change of stockholder's equity**
Mortality/Morbidity	Increase	10%	(885,666)	(735,103)
Rate of return	Decrease	0.1%	(850,712)	(706,091)
Expense (fixed expense)	Increase	5%	(135,550)	(112,507)
Decrement and elapsing rate	Increase	10%	44,672	37,708

	January 1, 2012			
	Change of assumption		**Change of income before tax**	**Change of stockholder's equity**
Mortality/Morbidity	Increase	10%	(1,704,882)	(1,415,052)
Rate of return	Decrease	0.1%	(1,518,703)	(1,260,523)
Expense (fixed expense)	Increase	5%	(328,800)	(272,904)
Decrement and elapsing rate	Increase	10%	51,258	42,544

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 influence on stockholderuires evaluating the impact to income before tax/stockholders' equity in which only one element changes are considered include Mortality, Morbidity, Rate of return, Expense rate and Lapse rate. The sensitivity analysis does not include the information of the Vietnam subsidiary. Such exclusion is due to the fact that the retention of earned premiums accounted for only 0.0046% of the consolidated retention of earned premiums and is not expected to affect the result of the sensitivity analysis.

2. Insurance risk concentration

The Group sells insurances, which includes life insurance, annuity insurance, accident insurance and health insurance. As all of these insurance contracts are issued from Taiwan, the insurance risk is concentrated in Taiwan.

3. Claim development trend

A. Development trend of claims payment incurred

June 30, 2013

Occurrence Year	Development year											Claim Reserve
	1	2	3	4	5	6	7	8	9	10	11	
≦2003	2,474,493	2,802,432	2,827,043	2,802,148	2,797,629	2,810,358	2,789,698	2,799,567	2,805,910	2,818,293	2,822,732	-
2004	2,108,282	2,415,243	2,457,485	2,477,910	2,473,751	2,476,094	2,477,024	2,478,254	2,478,667	2,479,610	-	-
2005	2,244,901	2,646,390	2,643,705	2,654,702	2,651,739	2,648,342	2,649,571	2,650,765	2,651,427	-	-	-
2006	2,218,250	2,653,620	2,695,417	2,695,474	2,694,399	2,696,639	2,698,943	2,700,162	-	-	-	-
2007	2,636,095	2,998,778	3,044,513	3,048,815	3,053,987	3,057,538	3,059,531	-	-	-	-	1,440
2008	3,020,586	3,528,026	3,560,745	3,564,356	3,571,232	3,571,524	-	-	-	-	-	3,761
2009	3,002,570	3,389,116	3,429,856	3,438,866	3,444,651	-	-	-	-	-	-	4,765
2010	3,426,842	3,989,417	4,044,102	4,056,173	-	-	-	-	-	-	-	9,500
2011	3,500,731	4,151,270	4,190,278	-	-	-	-	-	-	-	-	37,165
2012	3,534,236	4,170,061	-	-	-	-	-	-	-	-	-	372,083
2013	1,597,869	-	-	-	-	-	-	-	-	-	-	269,221
IBNR Reserve												697,935
Plus: RBNA Reserve												767,756
The balance of claim reserve												1,465,691

December 31, 2012

Occurrence Year	Development year										Claim Reserve
	1	2	3	4	5	6	7	8	9	10	
≦ 2003	2,474,493	2,802,432	2,827,043	2,802,148	2,797,629	2,810,358	2,789,698	2,799,567	2,805,910	2,818,293	-
2004	2,108,282	2,415,243	2,457,485	2,477,910	2,473,751	2,476,094	2,477,024	2,478,254	2,478,667	-	-
2005	2,244,901	2,646,390	2,463,705	2,654,702	2,651,739	2,648,342	2,649,571	2,650,765	-	-	-
2006	2,218,250	2,653,620	2,695,417	2,695,474	2,694,399	2,696,639	2,698,943	-	-	-	-
2007	2,636,095	2,998,778	3,044,513	3,048,815	3,053,987	3,057,538	-	-	-	-	-
2008	3,020,586	3,528,026	3,560,745	3,564,356	3,571,232	-	-	-	-	-	-
2009	3,002,570	3,389,116	3,429,856	3,438,866	-	-	-	-	-	-	-
2010	3,426,842	3,989,417	4,044,102	-	-	-	-	-	-	-	826
2011	3,500,731	4,151,270	-	-	-	-	-	-	-	-	60,739
2012	3,534,236	-	-	-	-	-	-	-	-	-	612,828
IBNR Reserve											674,393
Plus: RBNA Reserve											715,003
The balance of claim reserve											1,389,396

June 30, 2012

Occurrence Year	Development year										Claim Reserve
	1	2	3	4	5	6	7	8	9	10	
≦ 2003	2,474,493	2,802,432	2,827,043	2,802,148	2,797,629	2,810,358	2,789,698	2,799,567	2,805,910	2,807,822	-
2004	2,108,282	2,415,243	2,457,485	2,477,910	2,473,751	2,476,094	2,477,024	2,478,254	2,478,820	-	-
2005	2,244,901	2,646,390	2,643,705	2,654,702	2,651,739	2,648,342	2,649,571	2,650,233	-	-	-
2006	2,218,250	2,653,620	2,695,417	2,695,474	2,694,399	2,696,639	2,697,311	-	-	-	-
2007	2,636,095	2,998,778	3,044,513	3,048,815	3,053,987	3,055,122	-	-	-	-	-
2008	3,020,586	3,528,026	3,560,745	3,564,356	3,566,184	-	-	-	-	-	-
2009	3,002,570	3,389,116	3,429,856	3,433,452	-	-	-	-	-	-	344
2010	3,426,842	3,989,417	4,030,362	-	-	-	-	-	-	-	29,047
2011	3,500,731	4,039,365	-	-	-	-	-	-	-	-	357,391
2012	1,430,286	-	-	-	-	-	-	-	-	-	247,127
IBNR Reserve											633,909
Plus: RBNA Reserve											813,121
The balance of claim reserve											1,447,030

January 1, 2012

Occurrence Year	Development year									Claim Reserve
	1	2	3	4	5	6	7	8	9	
≦ 2003	2,474,493	2,802,432	2,827,043	2,802,148	2,797,629	2,810,358	2,789,698	2,799,567	2,805,910	-
2004	2,108,282	2,415,243	2,457,485	2,477,910	2,473,751	2,476,094	2,477,024	2,478,254	-	-
2005	2,244,901	2,646,390	2,643,705	2,654,702	2,651,739	2,648,342	2,649,571	-	-	-
2006	2,218,250	2,653,620	2,695,417	2,695,474	2,694,399	2,696,639	-	-	-	-
2007	2,636,095	2,998,778	3,044,513	3,048,815	3,053,987	-	-	-	-	-
2008	3,020,586	3,528,026	3,560,745	3,564,356	-	-	-	-	-	-
2009	3,002,570	3,389,116	3,429,856	-	-	-	-	-	-	691
2010	3,426,842	3,989,417	-	-	-	-	-	-	-	57,149
2011	3,500,731	-	-	-	-	-	-	-	-	609,038
IBNR Reserve										666,878
Plus: RBNA Reserve										836,545
The balance of claim reserve										1,503,423

Note 1： Amount shown above excludes investment contracts

Note 2： As of June 30, 2013 and December 31, June 30, and January 1, 2012, respectively, except for the IBNR Reserve of Investment-linked products, from claims payment incurred are not estimated based on claim development trend amounts to $16, 072, $16,242, $16, 356 and $16,595.

B. Development trend of retained claims payment

June 30, 2013

Occurrence Year	Development year											Claim Reserve
	1	2	3	4	5	6	7	8	9	10	11	
≦ 2003	1,477,837	1,715,475	1,720,639	1,716,133	1,706,101	1,718,962	1,708,069	1,717,384	1,723,648	1,736,663	1,741,103	-
2004	1,330,611	1,541,454	1,575,502	1,581,446	1,576,226	1,578,421	1,579,245	1,580,460	1,580,870	1,581,814	-	-
2005	1,468,590	1,753,911	1,759,730	1,768,646	1,770,364	1,766,922	1,768,142	1,769,335	1,769,997	-	-	-
2006	1,743,835	2,035,971	2,057,430	2,058,034	2,056,937	2,059,140	2,061,243	2,062,462	-	-	-	-
2007	1,937,347	2,185,713	2,228,739	2,232,620	2,237,640	2,241,185	2,242,779	-	-	-	-	692
2008	2,546,849	2,972,473	3,001,734	3,006,979	3,013,816	3,014,106	-	-	-	-	-	2,843
2009	2,692,917	3,000,037	3,038,956	3,047,944	3,054,253	-	-	-	-	-	-	3,877
2010	3,262,624	3,703,188	3,757,543	3,769,593	-	-	-	-	-	-	-	8,523
2011	3,437,890	3,981,026	4,020,372	-	-	-	-	-	-	-	-	35,146
2012	3,526,249	4,153,789	-	-	-	-	-	-	-	-	-	369,775
2013	1,594,229	-	-	-	-	-	-	-	-	-	-	268,510
IBNR Reserve												689,366
Plus: RBNA Reserve												673,974
The balance of claim reserve												1,363,340

December 31, 2012

Occurrence Year	Development year										Claim Reserve
	1	2	3	4	5	6	7	8	9	10	
≦ 2003	1,477,837	1,715,475	1,720,639	1,716,133	1,706,101	1,718,962	1,708,069	1,717,384	1,723,648	1,736,663	-
2004	1,330,611	1,541,454	1,575,502	1,581,446	1,576,226	1,578,421	1,579,245	1,580,460	1,580,870	-	-
2005	1,468,590	1,753,911	1,759,730	1,768,646	1,770,364	1,766,922	1,768,142	1,769,335	-	-	-
2006	1,743,835	2,035,971	2,057,430	2,058,034	2,056,937	2,059,140	2,061,243	-	-	-	-
2007	1,937,347	2,185,713	2,228,739	2,232,620	2,237,640	2,241,185	-	-	-	-	-
2008	2,546,849	2,972,473	3,001,734	3,006,979	3,013,816	-	-	-	-	-	-
2009	2,692,917	3,000,037	3,038,956	3,047,944	-	-	-	-	-	-	-
2010	3,262,624	3,703,188	3,757,543	-	-	-	-	-	-	-	568
2011	3,437,890	3,981,026	-	-	-	-	-	-	-	-	58,235
2012	3,526,249	-	-	-	-	-	-	-	-	-	610,621
IBNR Reserve											669,424
Plus: RBNA Reserve											610,699
The balance of claim reserve											1,280,123

June 30, 2012

Occurrence Year	Development year										Claim Reserve
	1	2	3	4	5	6	7	8	9	10	
≦ 2003	1,477,837	1,715,475	1,720,639	1,716,133	1,706,101	1,718,962	1,708,069	1,717,384	1,723,648	1,725,560	-
2004	1,330,611	1,541,454	1,575,502	1,581,446	1,576,226	1,578,421	1,579,245	1,580,460	1,581,026	-	-
2005	1,468,590	1,753,911	1,759,730	1,768,646	1,770,364	1,766,922	1,768,142	1,768,804	-	-	-
2006	1,743,835	2,035,971	2,057,430	2,058,034	2,056,937	2,059,140	2,059,813	-	-	-	-
2007	1,937,347	2,185,713	2,228,739	2,232,620	2,237,640	2,238,776	-	-	-	-	-
2008	2,546,849	2,972,473	3,001,734	3,006,979	3,008,743	-	-	-	-	-	-
2009	2,692,917	3,000,037	3,038,956	3,042,892	-	-	-	-	-	-	248
2010	3,262,624	3,703,188	3,743,838	-	-	-	-	-	-	-	27,190
2011	3,437,890	3,913,380	-	-	-	-	-	-	-	-	345,495
2012	1,426,967	-	-	-	-	-	-	-	-	-	246,259
IBNR Reserve											619,192
Plus: RBNA Reserve											718,789
The balance of claim reserve											1,337,981

January 1, 2012

Occurrence Year	Development year									Claim Reserve
	1	2	3	4	5	6	7	8	9	
≦ 2003	1,477,837	1,715,475	1,720,639	1,716,133	1,706,101	1,718,962	1,708,069	1,717,384	1,723,648	-
2004	1,330,611	1,541,454	1,575,502	1,581,446	1,576,226	1,578,421	1,579,245	1,580,460	-	-
2005	1,468,590	1,753,911	1,759,730	1,768,646	1,770,364	1,766,922	1,768,142	-	-	-
2006	1,743,835	2,035,971	2,057,430	2,058,034	2,056,937	2,059,140	-	-	-	-
2007	1,937,347	2,185,713	2,228,739	2,232,620	2,237,640	-	-	-	-	-
2008	2,546,849	2,972,473	3,001,734	3,006,979	-	-	-	-	-	-
2009	2,692,917	3,000,037	3,038,956	-	-	-	-	-	-	498
2010	3,262,624	3,703,188	-	-	-	-	-	-	-	53,676
2011	3,437,890	-	-	-	-	-	-	-	-	594,837
IBNR Reserve										649,011
Plus: RBNA Reserve										717,469
The balance of claim reserve										1,366,480

Note 1： Amount shown above excludes investment contracts

Note 2： As of June 30, 2013 and December 31, June 30, and January 1, 2012, respectively, except for the IBNR Reserve of Investment-linked products, from claims payment are not estimated based on claim development trend amounts to $13,929, $14,112, $14,242 and $14,498.

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.

4. The credit risk, liquidity risk and market risk of insurance contracts

A. 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. Furthermore, the assets related to reinsurance only account for extremely little part of the Group's assets. For these reasons, management is not expecting significant credit risk.

B. 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 inadequate liquidity.

The maturity analysis of Insurance Contracts of the Group is shown below：(Unit: NT$ million)

June 30, 2013

Maturity date	**<1 year**	**1~3 years**	**3~5 years**	**>5 years**	**Unable to classify(note)**	**Total**
Provision	50,787	96,995	300,027	1,186,974	293,408	1,928,191
Proportion	2.60%	5.00%	15.60%	61.60%	15.20%	100.00%

December 31, 2012

Maturity date	**<1 year**	**1~3 years**	**3~5 years**	**>5 years**	**Unable to classify(note)**	**Total**
Provision	29,180	85,304	266,857	1,113,709	295,960	1,791,010
Proportion	1.60%	4.80%	14.90%	62.20%	16.50%	100.00%

June 30, 2012

Maturity date	**<1 year**	**1~3 years**	**3~5 years**	**>5 years**	**Unable to classify(note)**	**Total**
Provision	17,881	56,350	89,653	1,209,739	301,749	1,675,372
Proportion	1.10%	3.40%	5.30%	72.20%	18.00%	100.00%

January 1, 2012

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify(note)	Total
Provision	19,763	28,904	84,701	1,053,306	323,082	1,509,756
Proportion	1.30%	1.90%	5.60%	69.80%	21.40%	100.00%

Note: The "Unable to classify" includes interest-linked product, authorized additional provision and provision for bad debt allowance. The amounts above exclude provision for separate account, foreign exchange fluctuation reserve and appraisal increment of real estate.

C. 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 and its subsidiary measure market risk from insurance contract according to discount rate assumption prescribed by the authorities. This assumption may not be consistent with changes in market interest rates. Unless the liability adequacy test disclosed the need to provide more reserve, 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.

(V) Financial Instruments

(a) Fair value of financial instruments

	June 30, 2013		December 31, 2012	
Non-derivatives	**Book value**	**Principal**	**Book value**	**Principal**
Financial assets				
Cash and cash equivalents	$ 155,490,214	155,490,214	166,557,894	166,557,894
Receivables	34,482,988	34,482,988	29,536,545	29,536,545
Current tax assets	2,258,174	2,258,174	1,326,334	1,326,334
Financial assets at fair value through profit or loss	923,705	923,705	-	-
Available-for-sale financial assets	1,340,279,695	1,340,279,695	1,261,039,650	1,261,039,650
Financial assets at cost	1,041,849	1,041,849	1,079,639	1,079,639
Bond investments without active market	342,374,112	325,159,690	317,892,326	317,871,146
Other financial assets	43,364,527	43,925,553	39,552,255	39,552,255
Loans	92,230,351	92,230,351	84,203,062	84,203,062
Claims recoverable from reinsurers	162,825	162,825	1,237,112	1,237,112
Due from reinsurers and ceding companies	350,590	350,590	16,840	16,840
Guarantee deposits paid	6,118,954	6,118,954	6,351,953	6,351,953
Financial liabilities				
Accounts payable	32,256,320	32,256,320	25,859,764	25,859,764
Current tax liabilities	659,160	659,160	737,252	737,252
Guarantee deposits and margins received	977,730	977,730	744,429	744,429
Derivatives				
Financial assets				
Financial assets at fair value through profit or loss	$ 507,107	507,107	3,614,087	3,614,087
Derivative financial assets for hedging	276,369	276,369	336,989	336,989
Financial liabilities				
Financial liabilities at fair value through profit or loss	4,318,318	4,318,318	1,523,683	1,523,683
Derivative financial liabilities for hedging	17,453	17,453	-	-

		June 30, 2012		January 1, 2012	
Non-derivatives		**Book value**	**Principal**	**Book value**	**Principal**
Financial assets					
Cash and cash equivalents	$	233,630,150	233,630,150	224,734,570	224,734,570
Receivables		21,158,308	21,158,308	22,851,231	22,851,231
Current tax assets		942,415	942,415	1,446,132	1,446,132
Financial assets at fair value through profit or loss		49,800	49,800	225,535	225,535
Available-for-sale financial assets		881,672,706	881,672,706	750,781,569	750,781,569
Financial assets at cost		1,164,227	1,164,227	1,227,666	1,227,666
Bond investments without active market		298,415,942	294,841,778	266,151,039	259,961,260
Held-to-maturity financial assets		187,460,868	209,526,699	191,057,445	191,057,445
Other financial assets		38,119,372	39,171,301	22,926,933	22,926,933
Loans		80,528,324	80,528,324	79,270,264	79,270,264
Claims recoverable from reinsurers		1,362,923	1,362,923	238,882	238,882
Due from reinsurers and ceding companies		26,807	26,807	-	-
Guarantee deposits paid		4,301,999	4,301,999	4,160,307	4,160,307
Financial liabilities					
Accounts payable		15,268,365	15,268,365	14,438,161	14,438,161
Current tax liabilities		703,279	703,279	224,748	224,748
Guarantee deposits and margins received		662,691	662,691	622,932	622,932
Derivatives					
Financial assets					
Financial assets at fair value through profit or loss	$	1,116,721	1,116,721	1,622,518	1,622,518
Derivative financial assets for hedging		377,940	377,940	401,765	401,765
Financial liabilities					
Financial liabilities at fair value through profit or loss		3,536,697	3,536,697	4,052,735	4,052,735

(b) Methods and assumptions used in estimating the fair values of financial instruments are specified below:

1. The fair value of short-term financial instruments is determined by their carrying amount on the consolidated balance sheet. As these instruments have short-term maturities, their carrying amount is used as a reasonable basis for establishing the fair value. This method is applied to cash and cash equivalents, notes receivables, accounts receivables, and accounts payable.

2. Market quotes of financial assets are used as their fair values if available; otherwise valuation reports from financial institutions are used as references.

3. "Debts instruments without active market" consist of financial bonds, corporate bonds, credit linked notes, beneficiary certificates, and preferred stocks without active market, therefore, are measured at cost. In addition, the disclosed fair value of hold-to-maturity financial assets is based on the price quote of the counter parties.

4. Financial assets carried at cost consist of the Group's investments in unlisted equity shares without active market, therefore, are measured at cost.

5. Each loan is a financial asset that bears interest; therefore, its carrying amount after deducting the bad debt allowance approximates current fair value.

6. Refundable deposits do not have specific maturity date; therefore, its market value is estimated based on its carrying amount on the balance sheet.

7. Fair value of financial derivatives is determined by the amount of cash to be paid or to receive, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gains or losses on outstanding contracts of the current period. Valuation reports from financial institutions are used as reference for valuing most of the financial derivatives held by the Group.

(c) Fair value hierarchy

1. The table below analyses financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

A. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

C. Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial products measured at fair value through profit or loss	June 30, 2013 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	$ 923,705	923,705	-	-
Held for trading bond investment	923,705	923,705	-	-
Available-for-sale financial assets	1,340,279,695	1,176,809,530	111,911,234	51,558,931
Security investment	264,488,119	264,384,313	-	103,806
Bond investment	846,261,159	693,163,937	110,371,234	42,725,988
Other	229,530,417	219,261,280	1,540,000	8,729,137
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	507,107	-	374,088	133,019
Derivative financial assets for hedging	276,369	-	276,369	-
Liabilities:				
Financial liabilities at fair value through profit or loss	4,318,318	-	4,318,318	-
Derivative financial liabilities for hedging	17,453	-	17,453	-

Financial products measured at fair value through profit or loss	December 31, 2012 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Available-for-sale financial assets	$ 1,261,039,650	1,104,109,967	98,524,091	58,405,592
Security investment	217,668,168	217,570,259	-	97,909
Bond investment	830,805,022	681,317,569	96,984,091	52,503,362
Other	212,566,460	205,222,139	1,540,000	5,804,321
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	3,614,087	-	3,406,448	207,639
Derivative financial assets for hedging	336,989	-	336,989	-
Liabilities:				
Financial liabilities at fair value through profit or	1,523,683	-	1,523,683	-

loss

Financial products measured at fair value through profit or loss	June 30, 2012 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	$ 49,800	49,800	-	-
Designated at initial recognition	49,800	49,800	-	-
Available-for-sale financial assets	881,672,706	749,701,984	84,483,289	47,487,433
Security investment	185,190,151	185,190,151	-	-
Bond investment	590,328,571	462,932,824	82,943,289	44,452,458
Other	106,153,984	101,579,009	1,540,000	3,034,975
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	1,116,721	-	990,050	126,671
Derivative financial assets for hedging	377,940	-	377,940	-
Liabilities:				
Financial liabilities at fair value through profit or loss	3,536,697	-	3,536,697	-

Financial products measured at fair value through profit or loss	January 1, 2012 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	$ 225,535	49,225	-	176,310
Designated at initial recognition	225,535	49,225	-	176,310
Available-for-sale financial assets	750,781,569	630,845,974	75,398,003	44,537,592
Security investment	143,321,176	143,321,176	-	-
Bond investment	545,516,468	429,363,495	73,858,003	42,294,970
Other	61,943,925	58,161,303	1,540,000	2,242,622
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	1,622,518	-	1,532,247	90,271
Derivative financial assets for hedging	401,765	-	-	401,765
Liabilities:				
Financial liabilities at fair value through profit or loss	4,052,735	-	3,802,150	250,585

2. The movements in fair value measurements of financial assets in Level 3

	For the six months ended June 30, 2013							
		Valuation profit or loss		Increase		Decrease		
Name	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issuance	Transfer to Level 3 from other tiers	Sale, disposal or settlement	Transferring to other tiers from Level 3	Balance at the end of the year
Financial assets at fair value through profit or loss								
Held for trading	$ 207,639	(74,620)	-	-	-	-	-	133,019
Available-for-sale financial assets	58,405,592	(3,204,096)	(1,375,127)	4,077,133	585,074	4,812,103	2,117,542	51,558,931
Total	**$ 58,613,231**	**(3,278,716)**	**(1,375,127)**	**4,077,133**	**585,074**	**4,812,103**	**2,117,542**	**51,691,950**

	For the six months ended June 30, 2012							
		Valuation profit or loss		Increase		Decrease		
Name	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issuance	Transfer to Level 3 from other tiers	Sale, disposal or settlement	Transferring to other tiers from Level 3	Balance at the end of the year
Financial assets at fair value through profit or loss								
Held for trading	$ 90,271	36,400	-	-	-	-	-	126,671
Designated at initial recognition	176,310	-	-	-	-	-	176,310	-
Available-for-sale financial assets	44,537,592	(277,923)	1,075,344	3,633,909	1,102,088	83,950	2,499,627	47,487,433
Derivative financial assets for hedging	401,765	-	-	-	-	-	401,765	-
Total	**$ 45,205,938**	**(241,523)**	**1,075,344**	**3,633,909**	**1,102,088**	**83,950**	**3,077,702**	**47,614,104**

3. The movements in fair value measurements of financial liabilities in Level 3

	For the six months ended June 30, 2012							
		Valuation profit or loss		Increase		Decrease		
Name	Balance at the beginning of the year	Recognized in profit or loss	Recognized in current income	Purchase or issuance	Transfer to Level 3 from other tiers	Sale, disposal or settlement	Transferring to other tiers from Level 3	Balance at the end of the year
Financial assets at fair value through profit or loss								
Held for trading	**$ 250,585**	**-**	**-**	**-**	**-**	**250,585**	**-**	

There is no disclosure required for six months ended June 30, 2013.

4. Sensitivity analysis of fair value to other reasonably possible assumptions for fair value measurements of financial instruments in Level 3

The fair value measurements of financial instruments are reasonable. However, the results of the measurements may vary in different valuation models or data are applied.

For financial instruments in Level 3, if the price quote of counterparties or valuation models increased or decreased by 10%, the effects of current income or other comprehensive income were as follows:

(Unit: NT$ thousands)

June 30, 2013	Valuation profit or loss recognized in current income		Valuation profit or loss recognized in other comprehensive income	
Classification	Favorable changes	Unfavorable change	Favorable changes	Unfavorable change
Financial assets at fair value through profit or loss				
Held for trading	$ 13,302	(13,302)	-	-
Available-for-sale financial assets	-	-	5,159,706	(5,159,706)
Total	**$ 13,302**	**(13,302)**	**5,159,706**	**(5,159,706)**

December 31, 2012	Valuation profit or loss recognized in current income		Valuation profit or loss recognized in other comprehensive income	
Classification	Favorable changes	Unfavorable change	Favorable changes	Unfavorable change
Financial assets at fair value through profit or loss				
Held for trading	$ 20,764	(20,764)	-	-
Available-for-sale financial assets	-	-	5,845,431	(5,845,431)

Total	**$ 20,764**	**(20,764)**	**5,845,431**	**(5,845,431)**

June 30, 2012	Valuation profit or loss recognized in current income		Valuation profit or loss recognized in other comprehensive income	
Classification	**Favorable changes**	**Unfavorable change**	**Favorable changes**	**Unfavorable change**
Financial assets at fair value through profit or loss				
Held for trading	$ 12,667	(12,667)	-	-
Available-for-sale financial assets	-	-	4,750,564	(4,750,564)
Total	**$ 12,667**	**(12,667)**	**4,750,564**	**(4,750,564)**

January 1, 2012	Valuation profit or loss recognized in current income		Valuation profit or loss recognized in other comprehensive income	
Classification	**Favorable changes**	**Unfavorable change**	**Favorable changes**	**Unfavorable change**
Financial assets at fair value through profit or loss				
Held for trading	$ 9,027	(9,027)	-	-
Available-for-sale financial assets	-	-	4,454,942	(4,454,942)
Hedging Derivatives Assets	-	-	40,177	(40,177)
Financial liabilities at fair value through profit or loss	25,058	(25,058)	-	-
Total	**$ 34,085**	**(34,085)**	**4,495,119**	**(4,495,119)**

(W) Financial risk management

(a) Risk management system

1. The organization structure of risk management

The Group set up a risk management committee which is under the jurisdiction of the board of directors and was convened by independent directors. It is to supervise the overall risk control of the Group and report to the board of directors regularly. In order to effectively examine the Group's risk management operation, two special committees were established.

a. Assets and Liabilities Management Committee: The chairman of the Group 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.

b. Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of the Group 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 Group'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 Group has established diverse risk management policy, stop-loss limit order, internal tiers authorization system and criteria for assessment in order to facilitate effective risk management.

The risk management mechanism of the subsidiary in Vietnam is conducted per the relevant regulations of local authority and the risk management rules of the Group. 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 Group 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 Group 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 Group's risk management includes: Risk identification, risk measurement, risk monitoring and risk report.

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

B. Risk measurement: To set up quantitative and qualitative risk management methods、Index 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.

C. Risk monitoring: Through risk management methods, mechanism and reports to continuously monitor various risk exposure in order to control and respond in time.

D. 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 Group.

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

(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 trading instrument 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. The primary transactions are security investments and loans. The Group mitigates the possibility of massive loss resulted from overconcentration of portfolios by regularly monitoring the concentration statistic... Details are as follows:

1. Credit risk exposure- industry

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
Financial assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Industrial enterprise	$ 12,766,392	0.96%	7,740,053	0.61%	7,657,986	0.64%	11,703,356	1.06%
Public business	47,574,274	3.58%	46,504,944	3.64%	39,287,696	3.28%	35,600,440	3.21%
Diversification	183,592	0.01%	188,200	0.01%	185,242	0.01%	186,518	0.02%
Mortgage backed securities	44,903,962	3.38%	47,766,083	3.74%	52,673,195	4.40%	55,551,867	5.01%
Financial sector	493,933,310	37.21%	460,979,487	36.07%	405,784,860	33.88%	324,473,100	29.27%
Consumer staples	28,387,295	2.14%	14,238,658	1.11%	12,024,754	1.00%	20,280,589	1.83%
Government	484,799,962	36.52%	524,679,901	41.06%	526,710,874	43.97%	509,860,856	46.00%
Technology	8,555,867	0.64%	3,593,078	0.28%	1,258,723	0.11%	2,972,331	0.27%
Raw material	26,370,423	1.99%	21,320,094	1.67%	19,769,920	1.65%	18,959,510	1.71%
Consumer discretionary	12,374,143	0.93%	8,409,744	0.66%	5,812,814	0.49%	10,414,357	0.94%
Energy	37,825,924	2.85%	26,973,732	2.11%	21,951,099	1.83%	14,507,054	1.31%
Assets backed securities	7,533,764	0.57%	8,908,019	0.70%	8,715,404	0.73%	10,454,576	0.94%
Telecommunication	29,959,054	2.26%	22,430,840	1.75%	15,425,101	1.29%	14,147,784	1.28%
Other	92,230,188	6.96%	84,202,921	6.59%	80,528,195	6.72%	79,270,134	7.15%
Total	**$ 1,327,398,150**	**100.00%**	**1,277,935,754**	**100.00%**	**1,197,785,863**	**100.00%**	**1,108,382,472**	**100.00%**

2. Credit risk exposure-geographic area

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
Financial assets	Amount	%	Amount	%	Amount	%	Amount	%
Taiwan	$ 671,842,146	50.61%	661,418,682	51.76%	637,232,225	53.20%	599,494,573	54.09%
Asia except Taiwan	127,455,963	9.60%	120,265,767	9.41%	107,380,065	8.96%	78,852,333	7.11%
North America	278,704,394	21.00%	220,893,795	17.28%	196,536,205	16.41%	196,410,203	17.72%
Middle and South America	19,824,415	1.49%	20,308,199	1.59%	18,248,754	1.52%	13,338,332	1.20%
Europe	221,933,697	16.72%	249,180,448	19.50%	232,914,086	19.45%	217,995,713	19.67%
Africa/Middle East	7,637,535	0.58%	5,868,863	0.46%	5,474,528	0.46%	2,291,318	0.21%
Total	$ 1,327,398,150	100.00%	1,277,935,754	100.00%	1,197,785,863	100.00%	1,108,382,472	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 amount is able to reflect the current value of the impairment and includes overdue but not impaired financial assets and the accumulated impairment loss.

Credit analysis of financial assets

	June 30, 2013						
	Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
Total	$ 1,046,721,391	276,097,258	1,130,308	1,000,000	-	7,510,768	3,991,472

	December 31, 2012						
	Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
Total	$ 1,040,834,069	230,384,554	1,189,329	1,000,000	-	9,810,367	4,140,704

	June 30, 2012						
	Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
Total	$ 989,822,319	200,305,933	1,219,838	1,000,000	-	11,174,259	4,840,447

	January 1, 2012						
	Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
Total	$ 949,947,564	149,948,331	12,197,724	1,034,333	-	12,098,566	4,950,438

Note1: Normal assets include debt assets but not funds and stocks. Impaired and accumulated impairment include debt assets and security assets. Impaired refer to the book value of the impaired assets plus accumulated impairment.

Note2: Based on 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.

Note4: No credit rating refers to the preferred stock of Taiwan High Speed Rail Corporation and is classified as debt instrument without active market.

The credit risk of the subsidiary in Vietnam comes from the financial instrument transaction of operating activities. All of the investment exposure is saved in the local banks in Vietnam as time deposits. There are no securities or loans and there is no exposure outside of the domain of Vietnam.

The Group mitigates the risk of concentration in single financial institution by statistical controlling and monitoring regularly. As of June 30, 2013 and December 31, June 30, and January 1, 2012, respectively, the time deposits of the subsidiary in Vietnam amounted to $888,309, $916,426, $995,591, and $1,059,162.

3. 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 2 aspects, short term and mid-to-long term. Except for 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 or foreign exchange derivative instruments for daily capital movement; Mid-to-long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The Company applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of 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 can cash equivalent 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 delivery forward contracts, currency swap contracts, cross currency swap contracts, 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, the delivery forward contracts, currency swap contracts and cross currency swap contracts which matured are mostly extended and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is minimum.

The maturity structure of the assets and liabilities of the Group is listed below:

	June 30, 2013				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	$ 4,260,465	-	57,853	-	4,318,318
Derivative financial liabilities for hedging	-	-	1,465	15,988	17,453
Total	**$ 4,260,465**	**-**	**59,318**	**15,988**	**4,335,771**

	December 31, 2012				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	**$ 700,401**	**-**	**126,142**	**696,736**	**1,523,279**

	June 30, 2012				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	**$ 2,602,636**	**-**	**110,751**	**820,925**	**3,534,312**

	January 1, 2012				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	**$ 3,638,822**	**-**	**140,702**	**250,584**	**4,030,108**

Note: the statistics of the table is based on the maturity date specified in the contracts (year=Act/365) and the amount is the book value.

The subsidiary in Vietnam does not possess any security investment. The operating capital is enough for investment, debt repayment and fulfilling contract obligation; the derivative financial instruments which the subsidiary engages in, such as delivery forward contracts, currency swap contracts and cross currency swap contracts, are all for the purpose of coordinating the short-term time deposits in local banks. The contracts are mostly extended when they are matured and the capital liquidity risk is minimum. The duration of all the financial instruments possessed by the subsidiary in Vietnam is less than 1 year.

4. 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 revenue reduction to the Group. The risk factors of the market price fluctuation include interest rates, foreign exchange rates, stock prices, and commodity prices.

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

The Group widely applies various risk management instruments to measure market risk. The primary methods adopted would be Value at Risk (VaR) and Sensitivity Analysis. By using these 2 instruments, the Group is able to measure, monitor and manage market risk completely and effectively.

A. Value at Risk

Value at Risk is to apply statistical techniques to measure the maximum potential loss of the investment portfolio resulted from market risk factor variation in a given period of time and under certain confidence interval. The Group 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 Group is able to measure the maximum potential risk of the portfolios reasonably, completely and accurately.

B. Sensitivity analysis

Except for using VaR to manage market risk, the Group adopts sensitivity analysis to serve as a basis for corporate risk analysis, risk alert and operation management. Sensitivity analysis is to measure the amount changed in the portfolio value resulted from the variation of single risk factor. This will facilitate the Group to understand how each variation of risk factors may influence the portfolios in certain extreme scenarios.

Sensitivity analysis

(Unit: NT$ thousands)

June 30, 2013			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	-	24,019,909
	Price decline by 10%	-	(24,019,909)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	466	(37,794,822)
	Interest rate curve(NTD) incline by 100BPS	(390,395)	(35,946,256)
	Interest rate curve(Other currency) incline by 100BPS	-	(4,951,229)
	Interest rate curve(USD) decline by 100BPS	(249)	44,209,549
	Interest rate curve(NTD) decline by 100BPS	415,508	39,051,755
	Interest rate curve(Other currency) decline by 100BPS	-	5,410,080
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(1,863,630)	(3,783,429)
	NT$ to all currency decline by 3%	1,863,630	3,783,429

December 31, 2012			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	-	18,223,322
	Price decline by 10%	-	(18,223,322)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	976,283	(24,056,453)
	Interest rate curve(NTD) incline by 100BPS	(250,061)	(35,910,591)
	Interest rate curve(Other currency) incline by 100BPS	-	(12,449,282)
	Interest rate curve(USD) decline by 100BPS	(1,093,951)	28,914,542
	Interest rate curve(NTD) decline by 100BPS	260,043	38,495,661
	Interest rate curve(Other currency) decline by 100BPS	-	14,737,103
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(2,659,495)	(4,107,842)
	NT$ to all currency decline by 3%	2,659,495	4,107,842

June 30, 2012			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	4,980	15,206,781
	Price decline by 10%	(4,980)	(15,206,781)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	1,365,562	(17,569,989)
	Interest rate curve(NTD) incline by 100BPS	(279,064)	(19,207,164)
	Interest rate curve(Other currency) incline by 100BPS	-	(5,838,027)
	Interest rate curve(USD) decline by 100BPS	(1,333,820)	20,383,016
	Interest rate curve(NTD) decline by 100BPS	290,038	19,384,707
	Interest rate curve(Other currency) decline by 100BPS	-	6,665,600
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(3,426,252)	(1,106,500)
	NT$ to all currency decline by 3%	3,426,252	1,106,500

January 1, 2012			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	4,953	9,854,971
	Price decline by 10%	(4,953)	(9,854,971)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	517,523	(13,224,766)
	Interest rate curve(NTD) incline by 100BPS	(383,471)	(15,618,151)
	Interest rate curve(Other currency) incline by 100BPS	-	(5,184,834)
	Interest rate curve(USD) decline by 100BPS	(583,043)	15,615,088
	Interest rate curve(NTD) decline by 100BPS	450,226	14,945,575
	Interest rate curve(Other currency) decline by 100BPS	-	5,954,140
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(3,838,719)	(606,784)
	NT$ to all currency decline by 3%	3,838,719	606,784

Note: Positions of sensitivity analysis of equity risk and interest rate variation mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The positions of equity risk include stocks and funds (excluding currency funds and debt funds); the scenario of interest rate variation includes debts and debt funds. The positions of sensitivity analysis of exchange rate variation exclude foreign insurance policy assets

The subsidiary in Vietnam is still in the preliminary phase of operation. Most investments are conducted with equity funds and funds from loans are minimum. Considering the unique financial environment and risk characteristics of Vietnam, the operating funds are all saved in local financial institutions as time deposits. Therefore, the market risk the Group faces is minimum.

In the future, the Group is going to choose appropriate investment targets based on the investment environment in Vietnam and the coordination between assets and liabilities. In addition, the Group will pursue long-term and robust operation and protect the right of the insured as well as to mitigate the possible loss resulted from market risk.

(X) Capital management

The targets of capital management of the Group, 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 Group 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 (M).

The Group manages capital through monitoring the annual and semi-annual liability adequacy reports and the annual dynamic capital adequacy forecast in order to ensure that the Group 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 ration of the adjusted net capital versus the risk-based capital. When the capital adequacy of an insurance Group is lower than 200% or the ratio regulated by the competent authority, the Group is not allowed to purchase its outstanding shares or to distribute the earnings of the year reported. When the capital adequacy is within 150% to 200% or below 150%, 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.

As of June 30, 2013 and December 31, June 30, and January 1, 2012, the capital adequacy of the Group is located within 200% to 250% and is above the minimum ratio requested by the competent authority.

As of June 30, 2013, the method of capital management for the six months of the Group remains the same.

(Y) Other

(a) The Group's significant foreign financial assets and financial liabilities were as follows:

	June 30, 2013			December 31, 2012		
	Foreign Currency	Rate (Note 2)	NTD	Foreign Currency	Rate (Note 2)	NTD
Financial Assets						
Monetary items (Note 1)						
USD	$ 19,775,632	30.120/29.990/29.828	594,894,891	17,754,301	29.136/29.036/29.013	516,842,602
EUR	99,266	39.358/39.131	3,906,742	883,979	38.433/38.476	33,974,266
AUD	1,499,654	27.813/27.756	41,662,815	1,520,040	30.237/30.161	45,901,773
Non-monetary items						
USD	5,783,575	30.12/29.99	173,882,137	6,163,004	29.136/29.036	179,353,663
HKD	2,849,833	3.883	11,065,173	3,506,358	3.759	13,181,077
Derivatives Financial Instruments (Note 1)						
USD	-	30.12	210,123	-	29.136/29.013	(563,191)
Equity investment under equity method						
CNY	88,875	4.9116	436,522	122,142	4.681	571,720

	June 30, 2012			January 1, 2012		
	Foreign Currency	Rate (Note 2)	NTD	Foreign Currency	Rate (Note 2)	NTD
Financial Assets						
Monetary items (Note 1)						
USD	$ 15,574,307	29.900/29.877/29.875	465,577,934	14,109,800	30.272/30.29/30.269	427,316,250
EUR	1,015,329	37.614/37.57/37.554	38,190,740	998,671	39.179/39.192/38.980	39,140,036
AUD	1,409,885	30.450/30.392/30.382	42,889,934	1,075,871	30.620/30.748/30.805	33,119,594
Non-monetary items						
USD	2,456,160	29.900/29.877/29.875	73,412,531	1,076,499	30.272/30.290	32,619,878
Derivatives Financial Instruments (Note 1)						
USD	-	29.9	(1,022,940)	-	30.506/30.290	(92,912)
Equity investment under equity method						
CNY	145,525	4.705	684,668	163,089	4.812	784,755

Note 1: Each balance listed is greater than 5% of total monetary items.

Note 2: The adopted currency is based on the nature of the asset.

(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 were as follows.

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Asset：				
Recovery within 12 months	$ 740,896,308	669,827,368	578,346,785	479,253,277
Recovery beyond than 12 months	1,521,866,118	1,488,985,416	1,404,904,666	1,319,059,539
Liability：				
Settlement within 12 months	37,176,285	27,822,233	19,066,995	18,492,069
Settlement beyond than 12 months	2,083,303,159	1,964,081,999	1,850,243,102	1,676,287,226

(7) RELATED PARTY TRANSACTIONS

(A) Names and relationships of related parties

Name of Related Party	Relationship with the Group
Fubon Financial Holding Co.,Ltd.	Parent Group
Fubon Property & Casualty Insurance Co., Ltd.	The Group which held 50%
Fubon Insurance Co., Ltd.	The same parent Group
Taipei Fubon Commercial Bank Co., Ltd.	The same parent Group
Fubon Securities Co., Ltd.	The same parent Group
Fubon Securities Investment Trust Co.,Ltd	The same parent Group
Fubon Financial Holding Venture Capital	The same parent Group
Fubon Assets Management Co., Ltd.	The same parent Group
Fubon Direct Marketing Consulting Co., Ltd.	The same parent Group
Fubon Bank (Hong Kong) Limited	The same parent Group
Taiwan Sports Lottery Co., Ltd.	The same parent Group
Fubon Insurance (Vietnam) Co., Ltd.	Subsidiary of subsidiary
Fubon Futures Co., Ltd.	Subsidiary of subsidiary
Fubon Securities Investment Consulting Co.,Ltd	Subsidiary of subsidiary
Taipei Fubon Bank Insurance Agency Co., Ltd.	Subsidiary of subsidiary
Citibank Taiwan Commercial Bank Co., Ltd.	Affiliates (Note1)
Fulee Life Insurance Agent Co., Ltd.	Affiliates
Fubon Real Estate Management Co., Ltd.	Affiliates
Fubon Construction Management Co., Ltd.	Affiliates
Fubon Land Co., Ltd	Affiliates
Fubon Multimedia Technology Co., Ltd.	Affiliates
Fusheng Life Insurance Agent Co., Ltd	Affiliates
Fusheng Insurance Agent Co., Ltd	Affiliates
Taipei City Government	Affiliates
TWM Broadband	Affiliates
Taiwan Cellular Co., Ltd.	Affiliates
Taiwan Cellular Co., Ltd. Basketball Entertainment Co., Ltd.	Affiliates
TWM solution	Affiliates
Taiwan Customer Service Technology Co., Ltd.	Affiliates
Taiwan High Speed Railway Co., Ltd.	Affiliates
World Vision Taiwan	Affiliates

Name of Related Party	Relationship with the Group
Fubon Culture and Education Foundation	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Art Foundation	Affiliates
Broadcasting Corporation of China	Affiliates
Sinostar Capital Co., Ltd.	Affiliates
Century Development Corporation	Affiliates
Chung Hsing Construction Co., Ltd.	Affiliates
Ming Tung Investment Co., Ltd.	Affiliates
Mangrove Cable TV Inc.	Affiliates(Note 2)
WinTV Broadcasting Co., Ltd.	Affiliates
Foundation of Universal Design Education	Affiliates
Other related parties	Directors, supervisors, managers and their close relatives, etc.

Note1: No longer a related party commencing from the third quarter of 2012.

Note2: No longer a related party commencing from January 2013.

(B) Significant transactions with related parties for the six months ended June 30, 2012 and 2013 were as follows:

(a) Gross Written Premiums

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Fubon Insurance Co., Ltd.	$ 11,002	10,189	17,293	20,394
Fubon Securities Co., Ltd.	12,670	9,877	19,092	19,762
Taipei Fubon Commercial Bank Co., Ltd.	38,740	29,210	65,374	51,330
Affiliates	20,037	35	30,037	12,300
Others (accounts with balance of less than $ 10,000)	23,887	25,866	75,321	35,628
Total	**$ 106,336**	**75,177**	**207,117**	**139,414**

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

(b) Rental revenue and refundable deposits

	June 30, 2013		December 31, 2012	
	Guarantee deposits received	Unearned rental revenue	Guarantee deposits received	Unearned rental revenue
Fubon Multimedia Technology Co., Ltd.	$ 83,042	-	55,823	-
Others (accounts with balance of less than $10,000)	12,176	160	2,904	580
Total	**$ 95,218**	**160**	**58,727**	**580**

	June 30, 2012		January 1, 2012	
	Guarantee deposits received	Unearned rental revenue	Guarantee deposits received	Unearned rental revenue
Fubon Multimedia Technology Co., Ltd.	$ 55,823	-	55,823	-
Others (accounts with balance of less than $10,000)	2,696	770	2,691	338
Total	**$ 58,519**	**770**	**58,514**	**338**

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Rental revenue				
Fubon Multimedia Technology Co., Ltd.	$ 29,683	30,759	59,350	61,526
Others (accounts with balance of less than $10,000)	5,080	4,780	10,116	10,884
Total	**$ 34,763**	**35,539**	**69,466**	**72,410**

Guarantee deposits amounted to $95,218, $58,727, $58,519, and $58,514 as of June 30, 2013 and December 31, June 30, and January 1, 2012, respectively. Also, rental revenues from real estate investments amounted to $33,995, $34,529, $68,064, and $70,121 for the second quarter and the six months ended June 30, 2013 and 2012, respectively. Rental revenues and refundable deposits from real estate investment are accounted for gain on real estate investments and guarantee deposits received, respectively.

(c) Rental expense and refundable deposits

The details of rental expense and guarantee deposit paid with the related parties for the six months ended June, 2012 and 2013 were as follows:

<u>Guarantee deposit paid:</u>

Name of related party	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	Note
Fubon Insurance Co., Ltd.	$ 9,669	9,669	9,669	10,262	Office rent
Others (accounts with balance of less than 10,000)	5,979	4,820	4,432	4,431	Office rent
Total	**$ 15,648**	**14,489**	**14,101**	**14,693**	

<u>Rental expense:</u>

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012	Note
Fubon Insurance Co., Ltd.	$ 14,712	14,375	29,517	28,935	Office rent
Others (accounts with balance of less than 10,000)	7,233	6,842	14,466	13,488	Office rent
Total	**$ 21,945**	**21,217**	**43,983**	**42,423**	

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

(d) Marketing revenue

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Fubon Insurance Co., Ltd.	$ 38,035	48,359	86,203	86,953
Taipei Fubon Commercial Bank Co., Ltd.	6,805	2,700	16,378	6,388
Fubon Securities Co., Ltd.	394	(4,836)	761	(4,655)
Total	**$ 45,234**	**46,223**	**103,342**	**88,686**

(e) Marketing expense

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Fubon Securities Co., Ltd.	$ 8,395	3,630	26,165	6,073
Other (accounts with balance of less than 10,000)	1,755	4,029	3,911	7,275
Total	**$ 10,150**	**7,659**	**30,076**	**13,348**

(f) Commission expense

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Taipei Fubon Bank Insurance Agency Co., Ltd.	$ 2,321	8,442	7,026	14,235
Taipei Fubon Commercial Bank Co., Ltd.	610,853	1,155,367	1,319,889	2,078,807
Fusheng Life Insurance Agency Co., Ltd.	147,877	127,463	271,986	272,465
Fulee Life Insurance Agency Co., Ltd.	596	803	1,240	1,377
Total	**$ 761,647**	**1,292,075**	**1,600,141**	**2,366,884**

The above commission does not include unamortized deferred commission, the details of which were as follows:

Name of related party	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Taipei Fubon Commercial Bank Co., Ltd.	$ 28,289	40,468	15,293	25,352
Fusheng Life Insurance Agency Co., Ltd.	197,369	202,782	363,246	388,163
Fulee Life Insurance Agency Co., Ltd.	16	-	11,704	12,766
Total	**$ 225,674**	**243,250**	**390,243**	**426,281**

(g) Commission revenues from investment-linked insurance policy

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Fubon Securities Investment Trust Co., Ltd.	**$ 2,522**	**319**	**4,600**	**1,303**

(h) Interest revenue with related parties:

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Taipei Fubon Commercial Bank Co., Ltd.	$ 49,379	97,958	98,564	180,710
Citibank Taiwan Commercial Bank Co., Ltd.	-	18	-	18
Total	**$ 49,379**	**97,976**	**98,564**	**180,728**

(i) Interest receivable with related parties:

Name of related party	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Taipei Fubon Commercial Bank Co., Ltd.	**$ 198,948**	**182,856**	**182,424**	**151,120**

(j) Loans to related parties were as follows:

1. Secured loans

For the six months ended June 30, 2013

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	25 affiliates	**$ 230,744**	**204,920**	Normal	Real estate	YES

For the six months ended June 30, 2012

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	18 affiliates	**$ 102,403**	**99,567**	Normal	Real estate	YES

2. The terms of collateral loans granted to related parties were similar to those with non-related parties. Furthermore, the fair value of the collaterals has been evaluated to be sufficient to cover the loans, so that management is expecting that the creditor's right can be assured.

3. Life insurance loans

For the six months ended June 30, 2013

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	7 affiliates	**$ 4,403**	**3,981**	Normal	Policy value	YES

For the six months ended June 30, 2012

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	5 affiliates	**$ 4,298**	**4,298**	Normal	Policy value	YES

4. Interest rate of policy loans applied to related parties is determined by the higher of the interest rate of the insurance policy plus 0.5% or the average interest rate of the domestic banks. Policy loans granted to related parties are determined based on the cash surrender value of insurance contracts, so that management is expecting that the creditor's right can be assured.

(k) Bonds transactions

1. Purchases

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012
Taipei Fubon Commercial Bank Co., Ltd.	$ 1,612,453	3,108,068

2. Sales

Name of related party	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012
Taipei Fubon Commercial Bank Co., Ltd.	$ 2,606,996	1,896,433

3. Bonds purchased under resell agreements

	For the second quarter ended June 30, 2012	For the six months ended June 30, 2012	June 30, 2012
Name of related party	Interest Revenue	Interest Revenue	Repo of Government Bonds
Taipei Fubon Commercial Bank Co., Ltd.	$ 3,349	5,937	1,600,000

Note: There was no bond transaction with related parties for the six months ended June, 2013.

(l) Fubon Life Insurance purchased financial bonds and corporate bonds from Fubon Securities Investment Trust Co., Ltd. totaling $16,116,457 for the year ended December 31, 2006. Fubon Securities commits to pay interest thereon on a quarterly basis to Fubon Life Insurance at a 90 day CP+20BP interest rate until the bonds mature. For the second quarter and the six months ended June 30, 2013 and 2012, the Group received the interest income of $587, $517, $1,183, and $1,022, respectively.

(m) Other expenses

Names of related parties	Nature	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Fubon Securities Co., Ltd.	Entrusted with the sale of fee	$ 23,850	13,855	35,890	32,605
Fubon Real Estate Management Co., Ltd.	Building management fee	7,910	18,291	17,925	35,168
Fubon Insurance Co., Ltd.	Non-life insurance	4,652	8,254	7,381	10,128
TWM Solution	Telephone fee	12,097	10,609	23,390	21,432
Taipei Fubon Commercial Bank Co., Ltd.	Credit card fee etc.	75,492	60,989	151,721	135,735
Fubon Cultural & Educational Foundation	Donation fee	-	6,796	13,812	6,796
Fubon Charity Foundation	Donation fee	4,201	9,434	19,565	13,424
Fubon Art Foundation	Donation fee	-	12,526	11,452	12,526
Total		**$ 128,202**	**140,754**	**281,136**	**267,814**

(n) Other expenses (There was no individual expense item of more than $10,000)

Nature	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Management fees	$ 2,029	2,061	4,037	4,157
Administrative expenses	6,104	-	9,414	-
Operating expenses	5,757	6,414	10,308	13,651
Total	**$ 13,890**	**8,475**	**23,759**	**17,808**

(o) The details of security lending charge between the Group and the related party were as follows:

Nature	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Fubon Securities Co., Ltd.	**$ 2,422**	**8,900**	**7,335**	**10,872**

(p) Deposits with related party

Deposits with related parties were as follows:

Nature	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Taipei Fubon Commercial Bank Co., Ltd.				
Check deposits	$ 31,675	24,184	31,471	21,762
Demand deposits	7,967,969	11,864,685	16,248,434	19,973,803
Time deposits	6,400,930	2,400,930	15,000,930	14,731,776
Structured deposits	3,031,004	3,059,410	3,087,911	3,115,842
Citibank Taiwan Commercial Bank Co., Ltd.				
Demand deposits	-	-	1,566,361	-
Total	**$ 17,431,578**	**17,349,209**	**35,935,107**	**37,843,183**

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

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

Nature	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Fubon Precision Fund	$ -	-	-	4,849
Fubon Supreme Fund	-	-	-	1,921
Fubon Fund	199,461	188,077	176,446	167,042
Fubon High Grow-Up Fund	-	-	-	400
Fubon China Growth Fund	-	-	-	1,034
Fubon Chi-Hsiang Fund	1,500,740	1,209,876	-	704,027
Fubon Chi-Hsiang Money Market Fund	-	-	706,416	4,024
Fubon Fu-Bao Fund	-	-	-	95
Fubon Global REIT Fund	-	-	-	244
Fubon Taiwan Heart Fund	-	-	-	122
Fubon Agriculture and Food ETF Fund	-	74,240	72,400	67,680
Fubon Emerging Asia Growth Equity Fund	28,830	64,890	60,410	128,100
Fubon Technology ETF Fund	137,999	131,890	118,267	123,634
Fubon Morgan ETF Fund	96,060	89,011	81,565	79,974
Fubon Taiwan Eight Industries ETF Fund	105,892	107,475	97,946	104,074
Fubon Taiwan Finance ETF Fund	107,415	98,584	87,826	98,343
Fubon SSE 180 ETF	284,400	-	-	-
Fubon Strategic High Income-Type A	94,225	-	-	-
Fubon Strategic High Income-Type B	94,214	-	91,202	-
Total	**$ 2,649,236**	**1,964,043**	**1,492,478**	**1,485,563**

(r) Account balance under the Discretionary Investment Service

Names of related parties	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Fubon Securities Co., Ltd.	**$ 39,877,807**	**40,297,622**	**39,761,271**	**41,587,523**

(s) Other receivable (payable)

Names of related parties	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Fubon Finance Holding Co., Ltd.(Receivable)	$ 2,263,416	1,250,516	860,669	-
Fubon Finance Holding Co., Ltd.(Payable)	(593,157)	(676,060)	(630,927)	(83,795)
Taipei Fubon Commercial Bank Co., Ltd.	(252,839)	(506,495)	(441,434)	(517,309)
Fubon Insurance Co., Ltd.	90,466	51,632	80,741	23,695
Fusheng Life Insurance Agency Co., Ltd.	(54,867)	(78,080)	(63,657)	(81,289)
Other (accounts with balance of less than $10,000)	(7,079)	(6,009)	(2,945)	97
Total	**1,445,940**	**35,504**	**(197,553)**	**(658,601)**

Because Fubon Financial Holding was elected to be the tax payer itself and jointly declare profit-seeking enterprise income tax in accordance with the relevant provision of the Income Tax Law, the income tax benefit resulted from tax refund receivable and operation loss were recognized as account receivables due from the parent Group. Except for the above mentioned receivables (payables), there are several other payments collected for others amounted to $232, $5,043, $781, and $693 as of June 30, 2013 and December 31, June 30, and January 1, 2012, respectively.

(t) Prepayment

Names of related parties	Nature	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Taipei Fubon Commercial Bank Co., Ltd.	reward and fee	$ 11,329	100	100	-
Fubon Insurance Co., Ltd.	Insurance fee and personnel expense	29,125	2,687	24,069	-
Other (accounts with balance of less than 10,000)		2,100	2,800	7,000	2,900
Total		**$ 42,554**	**5,587**	**31,169**	**2,900**

(u) Property Exchange

As of June 30, 2013 and December 31, June 30, and January 1, 2012, respectively, the Group paid Fubon Construction Management Co., Ltd. the real estate related costs of $57,631 , $45,248 , $30,069 and $30,069, under investment properties.

(v) The guarantee deposit for futures and options with related parties were as follows

Names of related parties	Nature	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Fubon Futures Co., Ltd.		**$ 7,394**	**7,388**	**7,382**	**7,377**

The above amounts were recorded as other financial assets.

(w) Negotiable certificate of deposit

Names of related parties	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Taipei Fubon Commercial Bank Co., Ltd.	**-**	**-**	**-**	**7,500**

(x) The derivative financial instruments which The Group engages in with Taipei Fubon Commercial Bank were as follows:

June 30, 2012					
Derivative contract name	Contract period	Principal	Gain or loss valuation	Balance in consolidated balance sheet: Item	Balance in consolidated balance sheet: Balance
Forward exchange contracts	101.6~101.7	406,939	598	Financial assets measured at fair value through profit or loss	598
Forward exchange contracts	101.6~101.7	29,302	(22)	Financial assets measured at fair value through profit or loss	22

No derivative financial instruments engaged with related parties as of June 30, 2013 and December 31 and January 1, 2012.

(y) Other

The Group invested in Fubon No. 1 Real Estate Investment Trust and Fubon No. 2 Real Estate Investment Trust they were recognized as available-for-sale financial assets.

Names of related parties	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Fubon No.1 Real Estate Investment Trust	$ 1,025,005	997,748	894,667	791,611
Fubon No.2 Real Estate Investment Trust	1,064,559	987,269	957,429	838,523
	$ 2,089,564	**1,985,017**	**1,852,096**	**1,630,134**

(z) Other

In accordance with the Development Incentives Regulations of Xinyi Planning District, Taipei City, the Group aided in building 8 upper level bridges connecting the A10 buildings to Taipei City Government in June, 2013 and signed an administrative contract with the Government that the Group is responsible for those bridges' maintenance until November, 2058.

(C) Major management remuneration information

	For the second quarter ended June 30, 2013	For the second quarter ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Remuneration and other short-term contract employees	$ 45,443	39,342	97,744	87,056
Other long-term contract employees	421	519	840	1,044
Post-employment benefits	2,348	2,535	4,697	5,097
Share-based payment	-	-	2,494	-
Total	**$ 48,212**	**42,396**	**105,775**	**93,197**

(8) PLEDGED ASSETS

Pledged assets were as follows:

Items	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Government bonds (Statutory deposits)	$ 5,897,156	6,159,289	4,123,209	3,949,963
Time deposit (Statutory deposits)	17,897	17,408	17,870	17,995
Time deposit (Leasing deposits)	930	930	930	930
Time deposit (Guarantee deposits)	-	-	-	7,500
Government bonds (Available-for-Sale financial assets)	5,854	6,013	58,037	-
Government bonds (Held to maturity financial assets)	-	-	5,465	5,477
	$ 5,921,837	**6,183,640**	**4,205,511**	**3,981,865**

Pursuant to the requirements of Articles #141 and #142 of the Insurance Law, government bonds and time deposit were deposited in the Central Bank of China as guarantee for Fubon Life Insurance's insurance business. Fubon Life Insurance (Vietnam) Co., Ltd deposited time deposit in the local bank which was authorized by the Vietnam government.

(9) SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

(A) As of June 30, 2013, the Group had 33 insurance lawsuits for which it was required to indemnification for losses totaling approximately $183,695 which had been accrued under claim reserve.

(B) Significant unrecognized contract commitment

The unrecognized contract commitment of the Group is as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Acquisition of investment property	$ -	6,026,500	7,090,000	322,992
Acquisition of superficies (Note)	$ 2,086,400	-	-	-

Note: The Group acquired the superficies of No 86-5 subsection 2 Chenggong section Zhongzheng district and 8 other superficies in April 2013 by bid. The total contract value referred to the appraisal report of DTZ and Repro International Inc. amounted to $2,608,000 (before tax). As of the date that the consolidated financial statements were submitted, the contract had not been signed yet, but the Group had paid the bid bond and a portion of the contract value amounted to $30,000 and $521,600, respectively.

(10) SIGNIFICANT DISASTER LOSS: NONE

(11) SIGNIFICANT SUBSEQUENT EVENT

On September 10, 2012, the Group signed a joint investment contract with related parties, Fubon Property & Casualty Insurance Co., Ltd. and Xiamen Port Holding Group. Under this joint venture contract, Fubon Property & Casualty Insurance Co., Ltd. will increase its capital stock of up to RMB100 million, which will be acquired entirely by Xiamen Port Holding Group. This capital increase was approved by China Insurance Regulatory Commission on August 16, 2013. The record date for the capital increase was set on August 16, 2013. Fubon Property & Casualty Insurance Co., Ltd. has a registered capital of RMB 500 million after this capital increase.

(12) OTHER

(A) Personnel expenses, depreciation and amortization for the second quarter ended June 30, 2013 and 2012 were categorized by function as follows:

Function Nature	For the second quarter ended June 30, 2013 Operating Costs	Operating Costs	Total	For the second quarter ended June 30, 2012 Operating Costs	Operating Costs	Total
Employees Benefits						
Salaries and wages	2,743,343	884,450	3,627,793	2,860,497	802,306	3,662,803
Insurance	-	308,514	308,514	-	230,506	230,506
Pension	91,810	170,675	262,485	89,744	155,423	245,167
Other	-	84,261	84,261	-	103,094	103,094
Depreciation	166,664	63,494	230,158	151,122	63,959	215,081
Amortization	18,406	11,626	30,032	18,406	10,150	28,556

Function Nature	For the six months ended June 30, 2013 Operating Costs	Operating Costs	Total	For the six months ended June 30, 2012 Operating Costs	Operating Costs	Total
Employees Benefits						
Salaries and wages	5,731,536	1,794,745	7,526,281	5,297,673	1,604,149	6,901,822
Insurance	-	553,410	553,410	-	450,762	450,762
Pension	183,324	342,079	525,403	191,492	291,674	483,166
Other	-	184,424	184,424	-	208,454	208,454
Depreciation	319,558	128,209	447,767	299,630	132,951	432,581
Amortization	36,811	22,683	59,494	36,811	21,877	58,688

(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 method to split income, cost, expense and profit or loss is to directly contribute them to each counterparties based on the business characteristic.

(C) 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).

(13) NOTES TO DISCLOSURE EVENTS

(A) Information on significant transactions

In accordance with the "Principles of Preparing Financial Reports for Insurance Companies", the Group disclosed the information on significant transactions for the six months ended June 30, 2013 as follows:

(a) Acquisition of property and equipment over $100,000,000 or 20% of capital: None

(b) Disposal of property and equipment over $100,000,000 or 20% of capital: None.

(c) Sales and purchase with related party over $100,000,000 or 20% of capital: None.

(d) Accounts receivable with related party over $100,000,000 or 20% of capital:

Company	Counterparty	Relationship	Amount	Turnover	Overdue receivables Amount	Method	Recovered amount	Allowance for bad debts
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd	The parent company	2,262,657	-	-	-	-	-

Because Fubon Financial Holding Company, the parent company of the Group, elected to be the tax payer itself; it accounted for the Company's taxation. Thus, the above amount included the tax refund receivable and income tax benefits arising from the carry forward benefit of its loss of the Company.

(e) Information on derivative transactions: Please refer to Note (6)-(c) and (w).

(f) Sales and purchase and significant transactions of the Group: None.

(B) Disclosure on business investments

Disclosure on business investments as follows:

Investor Company	Investee Company	Address	Major Business	Original Investment December 31, 2012	Original Investment December 31, 2011	Held by the Company Shares (in thousands)	Held by the Company Percentage (%)	Held by the Company Book Value	Income (losses) of investee company	Income (losses) recognized from investee company	Others
Fubon Life Insurance Co., Ltd.	Fubon Property and Casualty Insurance Co., Ltd.	Xiamen, China	Property and casualty Insurance business	934,100	934,100	-	50.00%	436,522	(321,102)	(160,551)	
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Vietnam) Co., Ltd.	Hanoi Vietnam	Life insurance business	1,289,217	1,289,217	-	100.00%	1,015,464	(42,697)	(42,697)	Write off under consolidated financial statements

(C) Disclosure on investments in Mainland China：

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

The Group has invested to set up Fubon Property and Casualty Insurance Co., Ltd for insurance business with capital amounted to RMB 400 million, which split up by 50% to the Group and the subsidiary. The investment project has been approved by the Financial Supervisory Commission, Executive Yuan, Jin Guan Bao San No.09602175710 on December 24, 2007, approved by the China Insurance Regulatory Commission, Bao Jin Guo Jian No. 1352 on December 24, 2009, and approved by the Investment Commission, Ministry of Economic Affairs, Jing Shen Er No.09800482270 on January 27, 2010. The investment amount approved is RMB 250 million, and approved insurance company corporate license by the China Insurance Regulatory Commission, Bao Jin Guo Jian No. 1133 on September 17, 2010. The Group has invested $934,100 in the first half of 2010. On September 10, 2012, the Group signed a joint investment contract with related parties, Fubon Property & Casualty Insurance Co., Ltd. and Xiamen Port Holding Group. Under this joint venture contract, Fubon Property & Casualty Insurance Co., Ltd. will increase its capital stock of up to RMB100 million, which will be acquired entirely by Xiamen Port Holding Group. This capital increase was approved by China Insurance Regulatory Commission on August 16, 2013. The record date for the capital increase was set on August 16, 2013.

The Group established the life insurance company by Fubon Property and Casualty Insurance and Grand Holdings. Financial Supervisory Commission, Executive Yuan, Jin Guan Bao San No.10002542061 on January 14, 2011, not outflow amount yet, and the setup procedures were not finished.

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	Share holding Percentage	Income(losses) recognized from investee company	Carrying amount as of December 31, 2012	Recovery investment profit
					Outward	Inward					
Fubon Property & Casualty Insurance Co.,Ltd.	Property Insurance	RMB400 million	Direct investments in China Company	934,100	-	-	934,100	50%	(160,551)	436,522	-

1. Capital status and its profit and loss：No investment except bank savings.

2. The Company provides premium deficiency reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao 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.

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unearned premium reserve	$ 890,649	524,821	333,552	167,300
Claim reserve	461,372	149,390	106,244	50,151
Special reserve	-	18	8	19
Premium deficiency reserve	92,230	6,376	23,857	82,521
Liability adequacy reserve	-	150	399	-
	$ 1,444,251	**680,755**	**464,060**	**299,991**

3. Ratio accounted for the total premium revenue of the parent company: 0.45%.

4. Ratio accounted for the total claim payment of the parent company: 0.43%.

5. The pricing, payment condition, unrealized profit and loss of significant transactions with the investee in China:

   A. Amount, ratio and the ending balance of relevant receivables and payables of core business items such as the insurance policy which the policy holder is the investee: None.

   B. Amount and profit and loss of property transaction: None.

   C. The highest balance, ending balance, interest rate interval and current interest amount of financing: None.

D. 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.

(b) Limit of investment in Mainland China

(Unit: NT$ thousands)

Investor Company	**Accumulated investments in Mainland China**	**Investment Amounts Authorized by Investment Commission (MOEA)**	**Upper Limit on Investment regulated by Investment Commission (MOEA)**
Fubon Life Insurance Co., Ltd.	934,100	1,162,867	85,369,789

Note: The limit of investment is $56,913,193 according to the Regulations Governing Foreign Investments by Insurance Companies.

(c) Significant transactions with the investee in China: None.

(14) SEGMENTFINANCIALINFORMATIONDISCLOSURE

(A) General information

The Group run their life insurance business and provide insurance contract product in accordance with local insurance laws. They distinguish their reporting sectors by areas, including Taiwan and Vietnam, which are the main operating regions of the Group. 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 2.

Other operating sectors of the Group run their life insurance business and provide insurance contract product according to insurance regulations. The above operating segments did not meet the criteria for reportable segments when applying quantitative thresholds for the second quarter and six months ended June 30, 2013 and 2012.

(B) Segment information

	For the second quarter ended June 30, 2013			
	Taiwan	**Vietnam**	**Adjustments and Eliminations**	**Total**
Revenue				
Gains (losses) from external customers	$ 112,747,630	29,683	-	112,777,313
(Losses) gains from internal segments	(22,574)	-	22,574	-
Total revenue	**$ 112,725,056**	**29,683**	**22,574**	**112,777,313**
Net income	**$ 3,719,148**	**(22,574)**	**22,574**	**3,719,148**

	For the second quarter ended June 30, 2012			
	Taiwan	**Vietnam**	**Adjustments and Eliminations**	**Total**
Revenue				
Gains (losses) from external customers	$ 130,394,056	25,036	-	130,419,092
(Losses) gains from internal segments	(11,676)	-	11,676	-
Total revenue	**$ 130,382,380**	**25,036**	**11,676**	**130,419,092**
Net income	**$ 332,686**	**(11,676)**	**11,676**	**332,686**

	For the six months ended June 30, 2013			
	Taiwan	**Vietnam**	**Adjustments and Eliminations**	**Total**
Revenue				
Gains (losses) from external customers	$ 219,920,606	57,174	-	219,977,780
(Losses) gains from internal segments	(42,697)	-	42,697	-
Total revenue	**$ 219,877,909**	**57,174**	**42,697**	**219,977,780**
Net income	**$ 9,146,041**	**(42,697)**	**42,697**	**9,146,041**
Total assets	**$ 2,262,713,400**	**1,064,490**	**(1,015,464)**	**2,262,762,426**

	For the six months ended June 30, 2012			
	Taiwan	**Vietnam**	**Adjustments and Eliminations**	**Total**
Revenue				
Gains (losses) from external customers	$ 264,811,185	52,880	-	264,864,065
(Losses) gains from internal segments	(35,586)	-	35,586	-
Total revenue	**$ 264,775,599**	**52,880**	**35,586**	**264,864,065**
Net income	**$ 1,340,833**	**(35,586)**	**35,586**	**1,340,833**
Total assets	**$ 1,983,216,139**	**1,137,452**	**(1,102,140)**	**1,983,251,451**

(15) FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements as of December 31, 2012 were previously prepared in accordance with ROC GAAP. As indicated in Note 4-(A), the consolidated financial statements are included in the period of the annual financial statements prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies" and IFRSs approved by FSC and IFRS 1 "First-time Adoption of International Financial Reporting Standards" approved by FSC.

The accounting policies listed in Note (4) applied to the comparative consolidated financial statements for the six months ended June 30, 2012, the consolidated balance sheet on December 31, 2012 and the initial consolidated balance sheet prepared in accordance with IFRSs on January 1, 2012 (the date of transition of the Group to IFRSs)

When preparing the relevant financial statements of 2012, the Group applied the reported amounts of the financial statements prepared in accordance with ROC GAAP as the start point of the adjustments. The effects on financial position, financial performance and cash flow due to the transition from ROC GAAP to IFRSs approved by FSC are elaborated below.

(A) The reconciliation report for consolidated financial position on December 31, 2012

(Unit: NT$ thousands)

	January 1, 2012			June 30, 2012			December 31, 2012			
Items	**Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)**	**Differences**	**IFRSs accepted by the FSC**	**Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)**	**Differences**	**IFRSs accepted by the FSC**	**Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)**	**Differences**	**IFRSs accepted by the FSC**	**Note**
ASSETS										
Cash and cash equivalents	$ 224,734,570	-	224,734,570	233,630,150	-	233,630,150	166,557,894	-	166,557,894	
Receivables	24,265,415	(1,414,184)	22,851,231	23,198,194	(2,039,886)	21,158,308	31,803,875	(2,267,330)	29,536,545	(a),(b),(k)
Current income taxes assets	-	1,446,132	1,446,132	-	942,415	942,415	-	1,326,334	1,326,334	(a)
Financial assets measured at fair value through profit or loss	1,848,053	-	1,848,053	1,166,521	-	1,166,521	3,614,087	-	3,614,087	
Available-for-sale financial assets	750,011,002	770,567	750,781,569	880,888,761	783,945	881,672,706	1,260,272,769	766,881	1,261,039,650	(c)
Hedging derivatives assets	401,765	-	401,765	377,940	-	377,940	336,989	-	336,989	
Financial assets at cost	1,735,015	(507,349)	1,227,666	1,671,577	(507,350)	1,164,227	1,583,729	(504,090)	1,079,639	(c)
Investments accounted for using equity method, net	784,723	-	784,723	684,668	-	684,668	571,720	-	571,720	
Bond investments without active market	266,151,039	-	266,151,039	298,415,942	-	298,415,942	317,892,326	-	317,892,326	
Held-to-maturity financial assets	191,057,445	-	191,057,445	187,460,868	-	187,460,868	-	-	-	
Other financial assets, net	22,926,933	-	22,926,933	38,119,372	-	38,119,372	39,552,255	-	39,552,255	
Investment property	67,437,135	532,963	67,970,098	70,100,278	492,294	70,592,572	78,442,122	452,042	78,894,164	(d),(e),(m)
Loans	79,270,264	-	79,270,264	80,528,324	-	80,528,324	84,203,062	-	84,203,062	
Reinsurance assets	556,905	238,882	795,787	551,500	1,389,730	1,941,230	576,750	1,253,952	1,830,702	(b)
Property, plant and equipment	7,398,997	5,986	7,404,983	7,336,863	1,448	7,338,311	7,417,305	(3,426)	7,413,879	(d),(f)
Intangible assets	359,211	(32,408)	326,803	352,503	(32,408)	320,095	301,210	(15,313)	285,897	(g)
Deferred tax assets	-	5,037,059	5,037,059	-	5,454,957	5,454,957	-	5,926,435	5,926,435	(a)
Other assets	8,890,605	826,834	9,717,439	9,455,622	1,334,386	10,790,008	7,695,974	3,374,353	11,070,327	(a),(e)
Assets on insurance product, separated account	143,579,257	-	143,579,257	141,492,837	-	141,492,837	147,680,879	-	147,680,879	
Total assets	**$ 1,791,408,334**	**6,904,482**	**1,798,312,816**	**1,975,431,920**	**7,819,531**	**1,983,251,451**	**2,148,502,946**	**10,309,838**	**2,158,812,784**	
LIABILITIES AND EQUITY										
Accounts payable	$ 14,587,959	(149,798)	14,438,161	15,878,545	(610,180)	15,268,365	26,506,481	(646,717)	25,859,764	(a),h)
Current tax liabilities	-	224,748	224,748	-	703,279	703,279	-	737,252	737,252	(a)
Financial liabilities at fair value through profit or loss	4,052,735	-	4,052,735	3,536,697	-	3,536,697	1,523,683	-	1,523,683	
Insurance liabilities	1,511,773,642	(101,863,249)	1,409,910,393	1,678,491,451	(102,420,282)	1,576,071,169	1,793,644,087	(97,917,710)	1,695,726,377	(i),(j),(m)
Reserve for insurance with nature of financial instrument	-	103,107,324	103,107,324	-	102,562,043	102,562,043	-	98,544,225	98,544,225	(j)
Reserve for foreign exchange fluctuation	-	-	-	-	1,315,190	1,315,190	-	1,062,830	1,062,830	(j)
Liabilities reserve	-	5,134,485	5,134,485	-	5,370,606	5,370,606	-	6,159,890	6,159,890	(f),(g)
Deferred tax liabilities	-	2,896,881	2,896,881	-	3,832,506	3,832,506	-	7,773,945	7,773,945	(a),(i)
Other liabilities	15,555,547	(4,120,236)	11,435,311	23,567,616	(4,410,211)	19,157,405	13,498,751	(6,663,364)	6,835,387	(a),(g)
Liabilities on insurance product, separated account	143,579,257	-	143,579,257	141,492,837	-	141,492,837	147,680,879	-	147,680,879	
Total liabilities	1,689,549,140	5,230,155	1,694,779,295	1,862,967,146	6,342,951	1,869,310,097	1,982,853,881	9,050,351	1,991,904,232	
Equity attributable to owners of parent										
Share capital:										
Ordinary share	21,123,170	-	21,123,170	22,123,170	-	22,123,170	29,107,390	-	29,107,390	
Stock dividend to be distributed	-	-	-	6,984,220	-	6,984,220	-	-	-	
Capital surplus	23,527,473	-	23,527,473	27,527,473	-	27,527,473	27,527,473	-	27,527,473	
Retained earning										
Legal reserve	4,707,451	-	4,707,451	6,728,210	-	6,728,210	6,728,210	-	6,728,210	
Special reserve	5,593,714	1,674,327	7,268,041	5,939,726	1,497,640	7,437,366	6,678,628	1,304,752	7,983,380	(i)
Unassigned retained earnings	17,262,119	(1,126,467)	16,135,652	9,488,579	(1,186,398)	8,302,181	20,145,558	(1,291,060)	18,854,498	(a)
Other equity interest	29,645,267	1,126,467	30,771,734	33,673,396	1,165,338	34,838,734	75,461,806	1,245,795	76,707,601	(c),(g),(l)
Total equity	101,859,194	1,674,327	103,533,521	112,464,774	1,476,580	113,941,354	165,649,065	1,259,487	166,908,552	
TOTAL LIABILITIES AND EQUITY	**$ 1,791,408,334**	**6,904,482**	**1,798,312,816**	**1,975,431,920**	**7,819,531**	**1,983,251,451**	**2,148,502,946**	**10,309,838**	**2,158,812,784**	

(B) The reconciliation report for consolidated statement of income for the year ended December 31, 2012

(Unit: NT$ thousands)

Items	For the six months ended June 30, 2012			For the year ended December 31, 2012			Note
	Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)	Differences	IFRSs accepted by the FSC	Generally accepted accounting principles in the Republic of China (R.O.C. GAAP)	Differences	IFRSs accepted by the FSC	Note
Operating Revenues:							
Written premium	$ 230,707,593	-	230,707,593	401,461,389	-	401,461,389	
Reinsurance premium	3,098	-	3,098	6,803	-	6,803	
Total premium	230,710,691	-	230,710,691	401,468,192	-	401,468,192	
Less: Reinsurance expense	(4,346,216)	-	(4,346,216)	(8,782,265)	-	(8,782,265)	
Net change in unearned premiums reserve	(342,957)	-	(342,957)	(378,600)	-	(378,600)	
Reinsurance commission received	226,021,518	-	226,021,518	392,307,327	-	392,307,327	
Reinsurance commission received	1,776,589	-	1,776,589	3,755,847	-	3,755,847	
Fee income	1,206,107	-	1,206,107	2,337,284	-	2,337,284	
Net income(loss) from investments							
Revenue from interest	22,813,448	-	22,813,448	46,947,114	-	46,947,114	
Gains on financial assets or liabilities at fair value through profit or loss	3,059,615	-	3,059,615	9,869,252	-	9,869,252	
Realized gains on available-for-sale financial assets	9,280,268	(25,494)	9,254,774	25,541,364	342,629	25,883,993	(l)
Realized gains on financial assets or liabilities at cost	82,955	-	82,955	102,706	-	102,706	
Share of loss of associates and joint ventures accounted for using equity method	(82,513)	-	(82,513)	(191,956)	-	(191,956)	
Realized gains on bond investments without active market	-	-	-	297,829	-	297,829	
Realized gains on held-to-maturity financial assets	(438)	-	(438)	(438)	-	(438)	
Foreign exchange gains (losses), investments	(7,531,695)	-	(7,531,695)	(16,447,368)	-	(16,447,368)	
Net change in reserve for foreign exchange fluctuation	702,071	-	702,071	954,431	-	954,431	
Gains on investment property	590,326	17,723	608,049	1,165,273	35,132	1,200,405	(d),(e),(k)
(Reversal of) impairment loss on investments	103,220	-	103,220	23,429	-	23,429	
Other net income (loss) from investments	(43,635)	-	(43,635)	1,190	-	1,190	
Other operating income	11,339	-	11,339	5,856	-	5,856	
Income on insurance product, separated account	6,882,661	-	6,882,661	20,805,945	-	20,805,945	
Total operating revenue	264,871,836	(7,771)	264,864,065	487,475,085	377,761	487,852,846	
Operating Costs:							
Insurance claim payment	68,654,224	-	68,654,224	123,606,255	-	123,606,255	
Less: Claims recovered from reinsurers	2,192,413	-	2,192,413	4,663,222	-	4,663,222	
Retained claim payment	66,461,811	-	66,461,811	118,943,033	-	118,943,033	
Net change in insurance liability	169,565,910	212,876	169,778,786	294,612,532	445,270	295,057,802	(i)
Acquisition expense	18,459	-	18,459	37,010	-	37,010	
Commission expense	12,718,069	(12,107)	12,705,962	24,157,413	(36,184)	24,121,229	(g)
Fee expenses	124	-	124	-	-	-	
Other operating costs	647,438	71,068	718,506	1,777,555	145,096	1,922,651	(e),(f)
Disbursements on insurance product, separated account(Note 6-(K))	6,882,661	-	6,882,661	20,805,945	-	20,805,945	
Total operating costs	256,294,472	271,837	256,566,309	460,333,488	554,182	460,887,670	
Operating expenses:							
General expenses	5,942,497	(6,765)	5,935,732	10,833,499	(19,435)	10,814,064	(d),(f),(g),(h)
Administrative expenses	1,077,481	7,019	1,084,500	2,402,956	7,586	2,410,542	(d),(f),(g),(h)
Staff training expenses	25,571	-	25,571	79,616	-	79,616	
Total Operating Expenses	7,045,549	254	7,045,803	13,316,071	(11,849)	13,304,222	
Net Operating Income	1,531,815	(279,862)	1,251,953	13,825,526	(164,572)	13,660,954	
Non-operating income and expenses:	161,588	-	161,588	327,586	-	327,586	
Profit (loss) from continuing operations before income tax	1,693,403	(279,862)	1,413,541	14,153,112	(164,572)	13,988,540	
Tax expense (income)	115,952	(43,244)	72,708	1,179,780	(86,226)	1,093,554	(a),(j)
Profit (loss) from continuing operations	**$ 1,577,451**	**(236,618)**	**1,340,833**	**12,973,332**	**(78,346)**	**12,894,986**	
Profit (loss)	**$ 1,577,451**	**(236,618)**	**1,340,833**	**12,973,332**	**(78,346)**	**12,894,986**	
Other comprehensive income							
Other comprehensive income, before tax, exchange differences on translation			(25,776)			(57,259)	
Other comprehensive income, before tax, available-for-sale financial assets			5,063,784			50,624,808	
Other comprehensive income, before tax, cash flow hedges			(23,825)			(64,776)	
Income tax relating to components of other comprehensive income			(947,183)			(4,566,906)	
Other comprehensive income			4,067,000			45,935,867	
Comprehensive income			**5,407,833**			**58,830,853**	

(C) Significant adjustment to cash flow

There is no significant difference between the consolidated statement of cash flow prepared in accordance with IFRSs approved by FSC and the consolidated statement of cash flow prepared in accordance with GAAP.

(D) Reconciliation

(a) Income tax

Under IFRS, particularly IAS 1, IAS 12 and the "Regulations Governing the Preparation of Financial Reports by Insurance Companies" effective from year 2013, current tax assets, current tax liabilities, and deferred tax assets were reclassified from receivables, payables, and other assets on the statement of financial position and presented deferred income tax assets and deferred income tax liabilities on gross basis. On January 1, June 30 and December 31, 2012, the effects of these reclassification and presentation under IFRS to related accounts were as follows: receivables, decreased by $1,446,132, $942,415 and $1,326,334, respectively; current income tax assets, increased by $1,446,132, $942,415 and $1,326,334, respectively; deferred income tax assets, increased by $4,647,225, $5,054,427 and $5,425,551, respectively; other assets, decreased by $2,621,141, $2,076,778, and $0, respectively; payables, decreased by $224,748, $703,279 and $737,252, respectively; current income tax liabilities, increased by $224,748, $703,279 and $737,252, respectively; deferred income tax liabilities, increased by $2,026,084, $2,994,255 and $6,971,682, respectively; other liabilities, decreased by $0, $16,607 and $1,546,131, respectively.

As of January 1 and June 30, 2012, the income tax effects of adjustments under IFRS of item 4, Material component, item 6, decommissioning liability, item7 and 8, employee benefit liability, item 11, rent leveling, item 12 and 13, adoption of fair value as deemed cost of investment property are as follows: deferred income tax assets, increased by $389,834, $400,530 and $500,884, respectively; deferred income tax liabilities, increased by $527,863, $531,507 and $535,025, respectively; retained earnings decreased by $1,126,467, $1,186,398 and $1,291,060, respectively; income tax expenses in the consolidated statement of income for the six months ended June 30, 2012 and for the year of 2012, decreased by $7,055 and $10,530, respectively.

(b) Reinsurance contract asset

In accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies", effective from year 2013, claims recoverable from reinsurers and due from reinsurers and ceding companies which were accounted for under the account of receivables shall be reclassified to reinsurance contract asset. As of January 1, June 30, and December 31, 2012, the effect of the adjustments under these Regulations is as follows: receivables, decreased by $238,882, $1,389,730 and $1,253,952, respectively; reinsurance contract assets, increased by $238,882, $1,389,730 and $1,253,952, respectively. Total assets remain unchanged after the said reclassification.

(c) Measurement of emerging stock

In accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies", effective from year 2013, equity securities which are not listed or traded in the OTC and held by the Group but the Group has no significant influence over the investee Group shall be recognized as financial assets carried at cost. Under IFRSs, equity investment which is designated as available-for-sale financial assets or not designated as financial assets at fair value through profit or loss shall be categorized as available-for-sale financial assets and measured at fair value. As of January 1, June 30 and December 31, 2012, the effects of the adjustments under IFRS are as follows: available-for-sale financial assets, increased by $770,567, $783,945 and $766,881, respectively; financial assets carried at cost, decreased by $507,349, $507, 350 and $504,090; other reserves, increased by $263,218, $276,595 and $262,791, respectively.

(d) Property- Major component

Under IFRS, particularly IAS 16 "Property, Plant and Equipment" and IAS 40 "Investment Property", owner-occupied property and investment property shall be divided into several major components and the accumulated depreciation is calculated based on the duration of respective major components. As of January 1, June 30, and December 31, 2012, the effects of the adjustments under IFRS are as follows: investment property, decreased by $63,851, $141,331 and $218,394, respectively; property and equipment, decreased by $11,054, $13,009 and $13,572, respectively; operating income and expense of the statement of income for the six months ended June 30, 2012, decreased by $77,480 and an increase of $1,955, respectively operating income and expense of the statement of income for the year ended December 31, 2012, decreased by $154,543 and an increase of $2,518, respectively.

(e) Superficies

Under IFRS, particularly IAS 17, the superficies which was accounted for under investment property shall be reclassified to other assets. As of January 1, June 30, and December 31, 2012, the effects of the adjustments under IFRS are as follows: investment property, decreased by of $3,447,975, $3,411,164 and $3,374,353, respectively; other assets, increased by $3,447,975, $3,411,164 and $3,374,353, respectively. Total assets remain unchanged for the reclassification; operating income and cost of the statement of income for the six months ended June 30, 2012, increased by $73,774; operating income and cost of the statement of income for the year ended December 31, 2012, increased by $147,549. Total profit or loss remains unchanged for the reclassification.

(f) Property and equipment-decommissioning liability

Under IFRS, particularly IAS 37, the estimated obligation for demolishing, moving and restoration for a fixed asset when the lease period is recognized as the cost and liability of the fixed asset. As of January 1, June 30, and December 31, 2012, the effects of the adjustments under IFRS are as follows: property and equipment increased by $17,040, $14,457 and $10,146, respectively; liability reserve increased by $42,685, $44,410 and $44,632, respectively; the operating cost and expense of the statement of income for the six months ended June 30, 2012, decreased by $2,706 and increased by $7,015, respectively; the operating cost and expense of the statement of income for the year ended December 31, 2012, decreased by $2,453 and increased by $11,294, respectively.

(g) Adjustment to pension actuarial gains and losses and pension obligations

Under IFRS, particularly IFRS 1 with regard to employee benefits, the Group elected to apply the exemption provided therein and also retrospectively applied IAS 19 items related to supplementary pension liability recognition adjustments recognized under R.O.C. GAAP. As of January 1 , June 30 and December 31, 2012, the effects of the adjustments under IFRS to related accounts are as follows: intangible assets, decreased by $32,408, $32,408 and $15,313, respectively; liability reserve, increased by of $971,564, $932,591 and $998,025, respectively; other reserves increased by $1,113,666, $1,113,666 and $1,576,050, respectively; operating cost and expense of adjustments to stockholders' equity, the statement of income for the six months ended June 30, 2012, decreased by $12,107 and NT26,865, respectively; operating cost and expense of adjustments to stockholders' equity, the statement of income for the year ended December 31, 2012, decreased by $36,184 and $41,246, respectively.

In addition, in accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies", effective from year 2013, accrued pension liability which was accounted for under other liability shall be reclassified to liability reserve. As of January 1, June 30 and December 31, 2012, the effects of the adjustments under these Regulations to related accounts are as follows: other liabilities, decreased by $4,120,236, $4,393,605 and $5,117,233, respectively; liability reserve increased by $4,120,236, $4,393,605 and $5,117,233. Total liabilities remain unchanged for the reclassification.

(h) Short-term employee benefits-compensated absence

Under IFRS, particularly IAS 19, short-term employee benefits-compensated absence are estimated and recognized as expenses when service is rendered. As of January 1, June 30, and December 31, 2012, the effects of the adjustments under IFRS are as follows: payables, increased by $74,950, $93,099 and $90,535, respectively; operating expense of the consolidated income statement for the second quarter ended June 30, 2012 and for the year ended December 31, 2012, increased by $18,149 and $15,585.

(i) Special reserve

In accordance with "Regulations Governing the Provision of Various Reserve", all special reserves provided under the account of liability before December 31, 2011, except for those otherwise designated by competent authorities for the purpose of supervision, shall be recognized under the special reserve account of equity as of January 1, 2013. The amount shall be calculated based on IAS 12 and net of income tax. As of January 1, June 30 and December 31, 2012, the effects of the adjustments under these Regulations are as follows: insurance liabilities, decreased by $2,017,261, NT $1,804,385 and $1,571,991, respectively; deferred tax liabilities increased by $342,934, $306,745 and $267,238, respectively, special reserve, increased by $1,674,327, $1,497,640 and $1,304,752, respectively. Under IFRS, the Group shall also increase the net change of special reserve due to the recovery of special reserve, which amounted to $212,876 and $445,270, respectively under R.O.C GAAP. Under IFRS, an adjustment will increase tax benefits by $36,189 and $75,696.

(j) Provisions

In accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies", effective from year 2013, the insurance liabilities, provision for investment-linked insurance contract and foreign exchange variation which were accounted for under liability reserves shall be disclosed separately. As of January 1, June 30 and December 31, 2012, the effects of the adjustments under these Regulations are as follows: insurance liabilities, decreased by $103,107,324, $103,877,233 and $99,607,055, respectively; provision for investment-linked insurance contract increased by $103,107,324, $102,562,043 and $98,544,225, respectively; provision for foreign exchange variation increased by $0, $1,315,190 and $1,062,830, respectively. Total liabilities remain unchanged for the reclassification.

(k) Rent leveling

Under IFRS, particularly IAS 17, rental revenue is recognized using Straight-line Method. As of January 1, June 30, and December 31, 2012, the effects of the adjustments under IFRS are as follows: receivables, increased by $270,830, $292,259 and $312,956, respectively; operating revenue of the statement of income for the six months ended June 30, 2012 and for the year ended December 31, 2012 increased by $21,429 and $42,126, respectively.

(l) Available-for-sale financial assets

Under the R.O.C. GAAP, dividends which are expected to be received before the investments are recognized are treated as deduction of investment cost. Under IFRSs, such dividends are recognized in profit or loss.

As of January 1, June 30, and December 31, 2012, the effects of the adjustments under IFRS are as follows: other reserves decreased by $250,417, $224,923 and $593,046, respectively; operating revenue of the statement of income for the six months ended June 30, 2012 and for the year ended December 31, 2012 decreased by $25,494 and increased by $342,629, respectively.

(m) Adoption of fair value as deemed cost of investment property

In accordance with "Regulations Governing the Preparation of Financial Reports by Insurance Companies", if there are sufficient evidences to show that properties are continuously used for rental and generate mid-term and long-term stable cash flows. Insurance companies could adopt fair value as the deemed cost of investment property. In addition, if the incremental value arising from the revaluation of investment property at fair value is used to cover the negative effects to other financial statement accounts caused by the first adoption of TIFRSs, the remaining surplus increment, if any, is recognized as special reserve on the date of transition to TIFRSs.

As of December 31, 2012, the effects of the adjustments under these Regulations were as follows: investment property increased by $4,044,789, special reserves increased by $3,261,336 and accumulated depreciation increased by $145,827. For the year ended December 31, 2012, operating revenue decreased by $145,827 and income tax expense decreased by $24,791.

Under IFRS 1 First-time Adoption of International Financial Reporting Standards, when an entity adopts IFRSs for the first time, the entity should prepare its financial statements based on those accounting standards effective at the time of the adoption and make retrospective adjustments, except for those optional exemptions or mandatory exceptions allowed in this accounting standard that an entity may opt to avail.