FUBON LIFE INSURANCE CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2016 and 2015
(With Independent Accountants' Audit Report Thereon)

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Independent Accountants' Audit Report

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

We have audited the accompanying consolidated balance sheets of FUBON LIFE INSURANCE CO., LTD. (the "Company") and its subsidiaries (the "Subsidiaries") as of June 30, 2016 and June 30, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended June 30, 2016 and 2015 and for the six months ended June 30, 2016 and 2015. These consolidated 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 Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("R.O.C."). 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, 2016 and June 30, 2015, and the results of its operations and its cash flows for the years then ended in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and International Financial Reporting Standards, International Accounting Standards, and Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements as of and for the three months ended June 30, 2016 and 2015 and for the six months ended June 30, 2016 and 2015 for FUBON LIFE INSURANCE CO., LTD., and have expressed thereon an unqualified audit opinion as for reference.

KPMG

Taipei, Taiwan, R.O.C.

August 23, 2016

The accompanying consolidated interim financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with the IFRSs endorsed by the Financial Supervisory Commission of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated interim financial statements are those generally accepted and applied in the Republic of China.
The independent accountants' report and the accompanying consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent accountants' report and consolidated interim financial statements, the Chinese version shall prevail.

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2016, DECEMBER 31 AND JUNE 30, 2015

(Expressed In Thousands of New Taiwan Dollars)

	Assets	June 30, 2016 Amount	%	December 31, 2015 Amount	%	June 30, 2015 Amount	%
11000	Cash and cash equivalents(Notes 6(A))	$ 238,851,192	8	176,627,971	6	163,392,013	6
12000	Receivables	37,323,441	1	34,315,311	1	28,530,217	1
12600	Current tax assets	2,357,229	-	2,429,232	-	843,512	-
14110	Financial assets at fair value through profit or loss (Note (6)(B))	5,972,607	-	4,016,158	-	3,286,441	-
14120	Available-for-sale financial assets (Note 6(B))	1,270,455,238	40	1,350,978,028	45	1,511,369,968	53
14130	Hedging derivatives assets (Note 6(B))	1,065,400	-	678,556	-	245,792	-
14140	Financial assets at cost (Note 6(B))	1,020,197	-	1,030,424	-	1,097,618	-
14150	Investments accounted for using equity method, net (Note 6(D))	14,117,024	-	14,560,874	-	7,576,183	-
14160	Bond investments without active market (Note 6(B))	1,072,088,391	33	881,393,782	29	618,567,091	22
14170	Held-to-maturity financial assets (Note 6(B))	25,173,189	1	25,169,487	1	19,953,072	1
14180	Other financial assets, net (Note 6(B))	31,493,045	1	29,459,525	1	40,327,268	1
14200	Investment property (Note 6(E))	172,292,547	5	166,905,951	5	131,320,816	5
14300	Loans (Note 6(B))	148,489,954	5	141,513,927	5	130,911,671	5
15000	Reinsurance assets (Note 6(G))	1,274,324	-	1,279,869	-	1,251,026	-
16000	Property, plant and equipment (Note 6(H))	17,736,464	1	17,520,527	1	7,969,881	-
17000	Intangible assets (Note 6(I))	252,015	-	255,271	-	236,617	-
17800	Deferred tax assets	4,183,288	-	9,917,951	-	2,109,395	-
18000	Other assets (Note 6(J))	42,768,609	1	42,147,804	2	40,012,257	1
18900	Assets on insurance product, separated account (Note 6(K))	136,550,248	4	135,362,035	4	134,188,707	5
	Total assets	**$ 3,223,464,402**	**100**	**3,035,562,683**	**100**	**2,843,189,545**	**100**

	Liabilities and equity	June 30, 2016 Amount	%	December 31, 2015 Amount	%	June 30, 2015 Amount	%
	Liabilities						
21000	Accounts payable (Note 6(L))	$ 25,034,861	1	20,367,804	1	29,919,300	1
21700	Current tax liabilities	2,367,192	-	700,081	-	3,604,549	-
23100	Short-term debts (Note 6(M))	69,409	-	-	-	-	-
23200	Financial liabilities at fair value through profit or loss (Note 6(B))	953,376	-	13,162,301	-	3,439,262	-
23300	Hedging derivatives liabilities (Note 6(B))	-	-	16,581	-	53,659	-
24000	Insurance liabilities (Note 6(R))	2,725,064,654	85	2,565,049,441	85	2,361,552,073	83
24800	Reserve for insurance with nature of financial instrument (Note 6(S))	82,573,565	3	83,616,757	3	84,910,599	3
24900	Reserve for foreign exchange fluctuation (Note 6(T))	5,618,120	-	7,479,048	-	1,183,158	-
27000	Liabilities reserve (Note 6(N))	6,420,751	-	7,671,582	-	7,039,146	-
28000	Deferred tax liabilities	8,052,811	-	10,824,316	-	3,097,618	-
25000	Other liabilities	5,584,168	-	8,530,943	-	5,420,341	-
26000	Liabilities on insurance product, separated account (Note 6(K))	136,550,248	4	135,362,035	4	134,188,707	5
	Total liabilities	2,998,289,155	93	2,852,780,889	93	2,634,408,412	92
	Equity attributable to owners of parent						
	Share capital (Note (6)(O)):						
31100	Ordinary share	57,320,950	2	57,320,950	2	43,982,150	2
31400	Stock dividend to be distributed	12,111,800	-	-	-	13,338,800	-
	Total share capital	69,432,750	2	57,320,950	2	57,320,950	2
	Capital surplus (Note (6)(O)):						
32100	Capital surplus, additional paid-in capital	7,052,235	-	7,052,235	-	7,052,235	-
32400	Capital surplus, employee share options	134,778	-	134,778	-	134,778	-
32600	Capital surplus, others	20,479,708	1	20,467,592	1	20,454,045	1
	Total capital surplus	27,666,721	1	27,654,605	1	27,641,058	1
	Retained earnings(Note (6)(O)):						
33100	Legal reserve	28,429,944	1	20,226,317	1	20,226,317	1
33200	Special reserve	65,295,823	2	45,255,942	2	44,933,114	2
33300	Unassigned retained earnings	19,815,649	1	47,201,986	2	35,926,341	1
	Total retained earnings	113,541,416	4	112,684,245	5	101,085,772	4
	Other equity interest (Note (6)(O)):						
34100	Exchange differences on translation of foreign financial statements	(3,308,391)	-	115,613	-	139,522	-
34250	Unrealized gains (losses) on available-for-sale financial assets	16,942,532	-	(15,558,995)	(1)	22,418,423	1
34300	Gains (losses) on effective portion of cash flow hedges	884,282	-	549,439	-	159,471	-
34600	Unrealized revaluation surplus	15,937	-	15,937	-	15,937	-
	Total other equity interest	14,534,360	-	(14,878,006)	(1)	22,733,353	1
	Total equity	225,175,247	7	182,781,794	7	208,781,133	8
	Total liability and equity	**$ 3,223,464,402**	**100**	**3,035,562,683**	**100**	**2,843,189,545**	**100**

(See accompany notes to the consolidated financial statements)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015 AND FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed In Thousands of New Taiwan Dollars)

		For the three months ended June 30,				For the six months ended June 30,			
		2016		2015		2016		2015	
		Amount	%	Amount	%	Amount	%	Amount	%
	Operating Revenues:								
41110	Written premium	$ 123,068,160	76	99,688,905	72	244,216,922	78	192,387,387	71
41120	Reinsurance premium	-	-	1,203	-	87	-	2,568	-
	Total premium	123,068,160	76	99,690,108	72	244,217,009	78	192,389,955	71
51100	Less:Reinsurance expense	288,622	-	276,449	-	532,950	-	556,231	-
51310	Net change in unearned premiums reserve	71,461	-	208,962	-	131,453	-	206,689	-
	Retained earned premium (Note (6)(V))	122,708,077	76	99,204,697	72	243,552,606	78	191,627,035	71
41300	Reinsurance commission received	10,862	-	13,680	-	20,122	-	21,291	-
41400	Fee income	557,902	-	481,919	-	1,138,063	-	908,758	-
	Net income(loss) from investments								
41510	Revenue from interest	19,173,406	13	15,387,282	11	37,731,423	12	31,085,472	12
41521	Gains (losses)on financial assets or liabilities at fair value through profit or loss	(1,347,324)	(1)	5,579,614	4	14,365,976	5	11,137,716	4
41522	Realized gains on available-for-sale financial assets	14,753,311	9	23,029,238	16	24,142,903	8	44,469,677	16
41523	Realized gains on financial assets or liabilities at cost	48,234	-	43,407	-	48,651	-	43,407	-
41524	Realized gains on debt investments without active market	2,197,799	1	13,677	-	2,768,154	1	137,686	-
41540	Share of loss of associates and joint ventures accounted for using equity method	(28,284)	-	(59,060)	-	(282,197)	-	(104,999)	-
41550	Foreign exchange gains (losses), investments	(925,259)	(1)	(8,650,940)	(6)	(22,823,998)	(7)	(19,292,725)	(7)
41560	Net change in reserve for foreign exchange fluctuation (Note (6)(T))	66,979	-	737,959	-	1,860,928	-	2,292,131	1
41570	Gains on investment property	1,403,606	1	998,667	1	3,258,696	1	2,030,731	1
41580	(Reversal of) impairment loss on investments (Note (6)(B))	2,514	-	(584,538)	-	13,071	-	(573,758)	-
41590	Other net income (losses) from investments	(41,396)	-	(119,639)	-	(242,676)	-	(258,365)	-
41800	Other operating income	1,074	-	(23,785)	-	47,289	-	(83,319)	-
41900	Income on insurance product, separated account (Note (6)(K))	3,883,134	2	2,574,262	2	6,646,419	2	5,969,085	2
	Total operating revenue	162,464,635	100	138,626,440	100	312,245,430	100	269,409,823	100
	Operating Costs:								
51200	Insurance claim payment	46,305,114	30	46,030,195	33	91,952,691	30	95,741,741	36
41200	Less: Claims recovered from reinsurers	98,133	-	90,213	-	209,657	-	184,536	-
	Retained claim payment (Note (6)(V))	46,206,981	30	45,939,982	33	91,743,034	30	95,557,205	36
51300	Net change in insurance liability	86,224,323	53	61,948,486	45	171,469,893	55	113,524,762	42
51380	Net change in reserve for insurance with nature of financial instrument	277,819	-	380,804	-	657,462	-	761,774	-
51400	Acquisition expense	11,180	-	10,683	-	17,232	-	18,263	-
51500	Commission expense	9,635,360	6	6,300,126	5	18,748,652	6	11,678,398	4
51600	Fee expenses	-	-	48	-	3	-	103	-
51800	Other operating costs	468,185	-	653,735	-	924,002	-	1,025,521	-
51900	Disbursements on insurance product, separate account (Note (6)(K))	3,883,134	2	2,574,262	2	6,646,419	2	5,969,085	2
	Total operating costs	146,706,982	91	117,808,126	85	290,206,697	93	228,535,111	84
	Operating expenses:								
58100	General expenses	3,570,678	2	2,846,952	2	6,813,056	2	5,565,563	2
58200	Administrative expenses	836,906	-	741,017	1	1,705,450	1	1,502,894	1
58300	Staff training expenses	17,614	-	13,045	-	29,043	-	23,703	-
	Total Operating Expenses	4,425,198	2	3,601,014	3	8,547,549	3	7,092,160	3
	Net Operating Income	11,332,455	7	17,217,300	12	13,491,184	4	33,782,552	13
59000	**Total non-operating income and expenses (Note (6)(W))**	118,523	-	91,323	-	224,796	-	235,633	-
	Profit from continuing operations before income tax	11,450,978	7	17,308,623	12	13,715,980	4	34,018,185	13
63000	**Income tax expense (Note (6)(P))**	593,006	-	1,481,408	1	720,924	-	4,938,524	2
	Net profit	$ **10,857,972**	**7**	**15,827,215**	**11**	**12,995,056**	**4**	**29,079,661**	**11**
83000	**Other comprehensive income:**								
83100	**Items not classified into profit and loss**								
83130	Share of other comprehensive income of associates and joint ventures accounted for using equity method -Items that are not or may not be reclassified subsequently to profit or loss	(11,397)	-	-	-	(31,427)	-	-	-
83180	No reclassification of items related to income taxes	1,937	-	-	-	5,342	-	-	-
		(9,460)	-	-	-	(26,085)	-	-	-
83200	**Items may be classified into profit and loss**								
83210	Exchange differences on translation, before tax	(2,228,254)	(1)	767,993	1	(4,072,729)	(1)	232,152	-
83220	Unrealized gains or losses on available-for-sale financial assets, before tax	12,002,818	7	(52,707,288)	(38)	36,625,230	12	(41,018,426)	(15)
83230	Gains or losses on effective instruments of cash flow hedges, before tax	222,658	-	(62,775)	-	403,425	-	15,724	-
83240	Share of other comprehensive income of associates and joint ventures accounted for using equity method -Items that are or may be reclassified subsequently to profit or loss	224,642	-	(1,072)	-	269,527	-	(1,072)	-
83280	Reclassification of items related to income taxes	(2,377,141)	(1)	6,396,407	5	(3,813,087)	(1)	5,673,020	2
		7,844,723	5	(45,606,735)	(32)	29,412,366	10	(35,098,602)	(13)
83000	**Other comprehensive income (after tax)**	7,835,263	5	(45,606,735)	(32)	29,386,281	10	(35,098,602)	(13)
85000	**Comprehensive income**	$ **18,693,235**	**12**	**(29,779,520)**	**(21)**	**42,381,337**	**14**	**(6,018,941)**	**(2)**
	Net profit attributable to :								
86100	Owners of parent	$ **10,857,972**	**7**	**15,827,215**	**11**	**12,995,056**	**4**	**29,079,661**	**11**
	Comprehensive income attributable to:								
87100	Owners of parent	$ **18,693,235**	**12**	**(29,779,520)**	**(21)**	**42,381,337**	**14**	**(6,018,941)**	**(2)**
97500	**Basic earnings per share (expressed in dollars) (Note (6)(Q))**	$	**1.89**		**2.76**		**2.27**		**5.07**

(See accompany notes to the consolidated financial statements)

FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CHANGE

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
				Retained earnings				Other equity items					
	Ordinary share	Stock dividends 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 or losses on effective portion of cash flow hedge	Unrealized revaluation surplus	Total	Total Equity
Balance, January 1, 2015	$ 43,982,150	-	27,641,058	13,152,893	39,025,270	41,963,178	94,141,341	(53,164)	57,722,762	146,420	15,937	57,831,955	223,596,504
Net income, January 1 to June 30, 2015	-	-	-	-	-	29,079,661	29,079,661	-	-	-	-	-	29,079,661
Other comprehensive income, January 1 to June 30, 2015	-	-	-	-	-	-	-	192,686	(35,304,339)	13,051	-	(35,098,602)	(35,098,602)
Total comprehensive income, January 1 to June 30, 2015	-	-	-	-	-	29,079,661	29,079,661	192,686	(35,304,339)	13,051	-	(35,098,602)	(6,018,941)
Appropriation and distribution :													
Recovered special reserve－the cost saved from hedging	-	-	-	-	(65,782)	65,782	-	-	-	-	-	-	-
Legal reserve	-	-	-	7,073,424	-	(7,073,424)	-	-	-	-	-	-	-
Special reserve from profit after tax	-	-	-	-	3,536,712	(3,536,712)	-	-	-	-	-	-	-
Common stock cash dividend	-	-	-	-	-	(8,796,430)	(8,796,430)	-	-	-	-	-	(8,796,430)
Common stock dividend	-	13,338,800	-	-	-	(13,338,800)	(13,338,800)	-	-	-	-	-	-
Special reserve－Transferred from recovered contingency risk reserves	-	-	-	-	448,526	(448,526)	-	-	-	-	-	-	-
Special reserve－Return of the initial balance of foreign exchange fluctuation reserve	-	-	-	-	558,109	(558,109)	-	-	-	-	-	-	-
Special reserve－the cost saved from hedging	-	-	-	-	536,742	(536,742)	-	-	-	-	-	-	-
Special reserve－Gains from the fluctuation of subsequent fair value measurement of investment property	-	-	-	-	893,537	(893,537)	-	-	-	-	-	-	-
Balance, June 30, 2015	**$ 43,982,150**	**13,338,800**	**27,641,058**	**20,226,317**	**44,933,114**	**35,926,341**	**101,085,772**	**139,522**	**22,418,423**	**159,471**	**15,937**	**22,733,353**	**208,781,133**
Balance, January 1, 2016	$ 57,320,950	-	27,654,605	20,226,317	45,255,942	47,201,986	112,684,245	115,613	(15,558,995)	549,439	15,937	(14,878,006)	182,781,794
Net income, January 1 to June 30, 2016	-	-	-	-	-	12,995,056	12,995,056	-	-	-	-	-	12,995,056
Other comprehensive income, January 1 to June 30, 2016	-	-	-	-	-	(26,085)	(26,085)	(3,424,004)	32,501,527	334,843	-	29,412,366	29,386,281
Total comprehensive income, January 1 to June 30, 2016	-	-	-	-	-	12,968,971	12,968,971	(3,424,004)	32,501,527	334,843	-	29,412,366	42,381,337
Appropriation and distribution :													
Legal reserve	-	-	-	8,203,627	-	(8,203,627)	-	-	-	-	-	-	-
Special reserve from profit after tax	-	-	-	-	4,101,813	(4,101,813)	-	-	-	-	-	-	-
Common stock dividend	-	12,111,800	-	-	-	(12,111,800)	(12,111,800)	-	-	-	-	-	-
Special reserve－Transferred from recovered contingency risk reserves	-	-	-	-	501,286	(501,286)	-	-	-	-	-	-	-
Special reserve－the cost saved from hedging	-	-	-	-	168,514	(168,514)	-	-	-	-	-	-	-
Special reserve－Gains from the fluctuation of subsequent fair value measurement of investment property	-	-	-	-	390,262	(390,262)	-	-	-	-	-	-	-
Special reserve－negative net amount of other equity interest	-	-	-	-	14,878,006	(14,878,006)	-	-	-	-	-	-	-
Changes in investments in associates and joint ventures for using equity method	-	-	12,116	-	-	-	-	-	-	-	-	-	12,116
Balance, June 30, 2016	**$ 57,320,950**	**12,111,800**	**27,666,721**	**28,429,944**	**65,295,823**	**19,815,649**	**113,541,416**	**(3,308,391)**	**16,942,532**	**884,282**	**15,937**	**14,534,360**	**225,175,247**

(See accompany notes to the consolidated financial statements)

FUBON LIFE INSURANCE CO., LTD.AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Expressed In Thousands of New Taiwan Dollars)

	For the six months ended June 30, 2016	2015
Cash flows from operating activities:		
Profit before tax	$ 13,715,980	34,018,185
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	149,157	126,585
Amortization expense	345,358	336,754
Provision for bad debt expense	89,759	180,673
Net gain on financial assets or liabilities at fair value through profit or loss	(17,461,191)	(17,794,128)
Net gain on available-for-sale financial assets	(14,213,108)	(21,844,616)
Net gain on non-active market debt instruments	(2,768,154)	(137,686)
Interest expense	35,929	295,784
Interest revenue	(37,731,343)	(31,088,126)
Dividend revenue	(9,981,516)	(10,108,586)
Net change in insurance liabilities	171,601,346	113,731,451
Net change in reserve for insurance with nature of financial instrument	(1,043,193)	(1,237,169)
Net change in reserve for foreign exchange fluctuation	(1,860,928)	(2,292,131)
Profit share of loss of associates and joint ventures under equity method	282,197	104,999
Loss on disposal of property, plant and equipment	213	6,684
Property, plant and equipment transferred to income	(5,279)	(4,357)
Loss on disposal of investment property	-	543
Impairment loss on financial assets	-	595,255
Reversal of impairment loss on financial assets	(13,071)	(21,497)
Gain arising from adjusting fair value of investment property	(637,992)	(269,786)
Unrealized foreign exchange loss	25,832,219	3,737,684
Total adjustments to reconcile profit	112,620,403	34,318,330
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets at fair value through profit or loss	3,246,341	2,254,095
Decrease in available-for-sale financial assets	119,494,876	81,989,766
Decrease(Increase) in financial assets and liabilities at cost	10,227	(68,703)
Increase in debt investments without active market	(205,057,125)	(77,351,375)
Increase in held-to-maturity financial assets	-	(19,951,286)
Decrease in accounts receivable	789,643	9,870,691
Increase(Decrease) in reinsurance assets	(20,654)	83,904
Increase(Decrease) in other financial assets	(2,087,030)	4,452,845
Increase in other assets	(554,610)	(250,459)
Total changes in operating assets	(84,178,332)	1,029,478
Changes in operating liabilities:		
Increase(Decrease) in accounts payable	4,667,002	(11,885,760)
(Decrease)Increase in liabilities reserve	(1,247,190)	271,843
(Decrease)Increase in deferred tax liabilities and other liabilities	(2,283,953)	957,104
Total changes in operating liabilities	1,135,859	(10,656,813)
Total changes in operating assets and liabilities	(83,042,473)	(9,627,335)
Total adjustments	29,577,930	24,690,995
Cash inflow generated from operations	43,293,910	58,709,180
Interest received	28,844,501	23,256,441
Dividends received	6,552,037	9,984,609
Interest paid	(35,795)	(296,297)
Dividends paid	-	(8,796,430)
Income taxes (paid)refund	(483,965)	1,099,592
Net cash flows provided by (used in) operating activities	78,170,688	83,957,095
Cash flows from investing activities:		
Acquisition of investment under equity method	-	(7,114,607)
Acquisition of property, plant and equipment	(324,826)	(75,640)
Proceeds from disposal of property, plant and equipment	40	1,734
Decrease in guarantee deposits paid	43,479	-
Acquisition of intangible assets	(41,108)	(24,034)
Increase in loans	(7,059,695)	(8,799,882)
Acquisition of investment property	(8,449,501)	(16,433,783)
Disposal of investment property	-	619
Cash flows used in investing activities	(15,831,611)	(32,445,593)
Cash flows from financing activities:		
Increase(Decrease) in short-term debts	69,409	(202,722)
Net cash flows used in financing activities	69,409	(202,722)
Effect of exchange rate changes on cash and cash equivalents	(185,265)	(99,909)
Net Increase **in cash and cash equivalents**	62,223,221	51,208,871
Cash and cash equivalents at beginning of period	176,627,971	112,183,142
Cash and cash equivalents at end of period	**$ 238,851,192**	**163,392,013**

(See accompany notes to the consolidated financial statements)

1. ORGANIZATION AND BUSINESS ACTIVITY

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

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

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

The consolidated financial statements as of June 30, 2016 and 2015 comprise the Company and its subsidiaries, refer to Note 4(C) for further information. The parent and ultimate parent company of the Group is Fubon Financial Holding.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

On August 23, 2016, the consolidated financial statements were resolved by the board of directors and authorized for issuance afterward.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(A) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) and endorsed by the FSC before January 1, 2016, and become effective on January 1, 2017 (excluding IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", and others which have not yet to be approved by the FSC in order for them to take effect) in preparing their financial statements starting from January 1, 2017. The related new standards, interpretations and amendments are as follows:

The new issuance, amendments, and revisions of standards and interpretations	Effective date per IASB
Amendment to IFRS 10, IFRS12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Acquisition of an Interest in a Joint Operation"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"	January 1, 2014
2010-2012 and 2011-2013 Annual cycle improvement	July 1, 2014
2012-2014 Annual improvement of International Financial Reporting Standards	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the statement below, the adoption of the above-mentioned new/modified/amended standards and interpretations is not going to result in significant changes of the Group's accounting policies:

The amendments to IAS 36 regarding "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments require an entity to disclose the level of the fair value hierarchy and the key assumptions used in the measurement (if the fair value measurements are categorized within Level 2 or Level 3), when an impairment is recognized and recoverable amount is based on fair value less costs of disposal. The Group will make relevant disclosures in accordance with the amendments.

(B) IFRSs issued by IASB, but not endorsed by FSC

The new issuance, amendments, and revisions of standards and interpretations, issued by IASB but not endorsed by FSC, are listed as follows:

The new issuance, amendments, and revisions of standards and interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Pending resolution by the IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendments to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet except for low-value and shrot-term leases. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
January 19, 2016	Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	The objective of this project is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. It clarifies that "taxable profit excluding tax deductions" used for assessing the utilization of deductible temporary differences is different from "taxable profit on which income taxes are payable".
January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes(like foreign exchange).

The Group is continuously evaluating the influence on financial position and performance which may result from the adoption of the above-mentioned standards and interpretations. Relevant influence will be disclosed when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated 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 financial statements.

(A) Statement of compliance

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

(B) Basis of preparation

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

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

(C) Basis of consolidation

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

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

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

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

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

Investor Company	Subsidiary	Business Type	Stockholder's equity (Holding %) June 30, 2016	Stockholder's equity (Holding %) December 31, 2015	Stockholder's equity (Holding %) June 30, 2015
The Company	Fubon Life Insurance (Vietnam) Co., Ltd.	Life insurance	100 %	100 %	100 %
The Company	Fubon Life Insurance (Hong Kong) Co., Ltd.	Life insurance	100 %	100 %	-
The Company	Carter Lane (Guernsey) Ltd.	Investment property and management	100 %	100 %	100 %
The Company	Bow Bells House (Jersey) Ltd.	Investment property and management	100 %	100 %	100 %
The Company	Fubon MTL Property (Jersey) Ltd.	Investment property and management	100 %	100 %	-
The Company	Fubon Ellipse (Belgium) S.A. (Note)	Investment property and management	100 %	-	-

Note: Turned into a subsidiary in January 2016, renamed from Access S.A to Fubon Ellipse(Belgium) S.A on May 17, 2016.

(D) Foreign exchange

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities are translated at the closing rate of the balance sheet date. Exchange differences, caused by different rates used on the trade date and the balance sheet date, are recognized in profit or loss in the period. Non-monetary assets and liabilities measured at fair value are recognized at the exchange rate on the date of fair value determined. Non-monetary items measured at historical cost are translated at the exchange rate on the trade date.

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

- non- monetary available-for-sale equity investment;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(b) Foreign operations

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

When the group losses control, significant influence or joint control due to the disposal of a foreign operation, the exchange differences on translation of foreign financial statements related to that foreign operation are 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 are reclassified 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 are 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, 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 comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to cash at the known amounts and subject to insignificant risk of value changes. Time deposits that fit the definition above and are used by the Group in the management of its short-term commitments are comprised in cash equivalents.

(G) Financial instruments

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

In accordance with International Accounting Standards 39 Financial instruments (“IAS 39”) as endorsed by FSC, financial assets are classified into the following categories: financial assets 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 measured at fair value through profit or loss, hedging of derivative financial liabilities and short-term debts are classified as financial liabilities.

(a) Financial assets

(1) Daily transactions

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

(2) Loans and receivables

Loans include 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:

1) 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.

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

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

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

In subsequent measurement, except for insignificant discounted amounts, loan and receivables are measured at amortized cost using the effective interest rate method and the amount of any gain or loss from the measurement shall be 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.

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

1) Acquired primarily for the purpose of selling in the short term

2) A portion of identified financial instruments at initial recognition and for which there is a pattern of short-term profit-taking.

3) Derivative financial instruments (excluding financial guarantee contracts and those designated effective hedging instruments).

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:

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

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

3) Hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Gains and losses arising from remeasurement at fair value are recognized in profit or loss. Any dividend and interest income related to financial assets in this category are recognized in profit or loss, including the amount received in the year the group invested.

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 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 used to calculate the amortized cost and amortize the amount of interest over the life of the 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:

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

2) 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

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 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. However, if the changes in fair value are due to credit risk and the financial liabilities are measured at fair value through profit or loss, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss.

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

(c) Determination of fair value

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

(d) Derecognition of financial assets and liabilities

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

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

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

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

(e) Reclassification of financial assets

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

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

(g) Interest income

Except for financial assets and liabilities reported at fair value through profit or loss, all interests of 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:

1) Significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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

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.

Except for estimating the allowance for bad debts arising from the impairment loss above, the allowance for doubtful accounts should be complied with the regulations under the “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”. The amount of the allowance for doubtful accounts is decided based on the aforementioned two methods, whichever results in higher allowance for doubtful accounts.

(2) Available-for-sale financial assets

When 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.

(4) Investments accounted for using the equity method

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

1) Future cash flows that the Company and Subsidiaries expect to derive from the investment in the associate, including cash flows from the operation of the associate and from the ultimate disposal of such investment, or

2) present value of the future cash flows from dividends expected to be received from the associate and from the disposal of the investment.

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

(i) Derivative financial instruments, including hedge accounting

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 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 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 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.

(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) Investment in associates

An associate refers to an entity in which the Group has significant influence over its finance or operation policies but has no control over it. Generally, a holding of 20% or more voting power (directly or through subsidiaries) will indicate significant influence. The Group applies equity method to associates and recognize the investment amount by its cost when acquiring the investment. The cost of investment includes transaction cost.

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

The unrealized gains occurring from the transactions between the Group and the associates have been eliminated within the scope of the share holding of the investees. The method to eliminate the unrealized losses is the same as that for the unrealized gains but the elimination is limited to the extent that there is no evidence of impairment.

When the loss which the Group recognizes for the associates equals or is above the equity share it possesses, the Group ceases to recognize the loss and it only recognizes addition loss or relevant liability within the scope of the legal obligation, constructive obligation or the payment that it paid on behalf of the investees.

(J) Joint venture

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

(K) Lease

(a) Lessor

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

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

Contingent rent is recognized as revenue in the period in which it is incurred.

(b) Lessee

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

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

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

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

If the property held under an operating lease meets the definition of investment property, they will be individually accounted for as investment property measured at fair value. Furthermore, the aforementioned leases shall be classified as finance leases and recognized at the lower of the fair value of the asset and the present value of the minimum lease payments. The same amount of liability is recognized at the same time.

(L) Investment property

Investment property is the property held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes, including property held under operating lease. Investment property is measured at cost on initial recognition, including transaction costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Costs of self-constructed investment property include the cost of raw materials and direct labor, and any other costs and capitalized costs directly attributable to bring the investment property to a working condition for its intended use. Investment property is subsequently measured at fair value, with any change in fair value shall be recognized in profit or loss. Except the property that meet the criteria to be classified as held for sale (or disposal groups) in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, investment property is accounted for in accordance with IAS 40 “Investment property”.

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

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

(M) Property, plant and equipment

Property, plant and equipment are measured at 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 and the value of the expenditure can be measured reliably. The carrying amount of those parts that are replaced is derecognized. Significant renewals and improvements meeting the recognition criteria are treated as capital expenditures, on-going repairs and maintenance are expensed as incurred.

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

(a) Buildings	5-50 years
(b) Transportation and communication equipment	3-5 years
(c) Computer and other equipment	3-10 years

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

The property is reclassified to investment property at its fair value when the use of the property changes from owner-occupied to investment property. The difference between the carrying amount and the fair value at the date of transfer is recognized in profit or loss within the scope of previously accumulated impairment of that property, plant and equipment. The remaining difference is recognized under “Other comprehensive income – gain on property revaluation” and accumulated under “Other equity interest – unrealized revaluation surplus”.

(N) Superficies

Superficies are classified and account for finance leases or operating leases in accordance to IAS 17. After evaluating to recognize the superficies as operating leases, those contract value and necessary expenditures, at the beginning, as on the completion day of registration, should recognized as prepaid expenses and amortized during subsequent periods. If the property is developed for investment or owner-occupied purposes, the contract value amortized during the contruction period should be recognized as the cost of building. For the superficies held under operating leases but classified as finance leases, please refer to Note 4(K) for the lease accounting policy.

(O) Reinsurance

The Group arranges the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, the Group cannot refuse to fulfill their obligations to insured even if the reinsurer refuses to fulfill its obligation.

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

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

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

(P) Intangible assets

Intangible assets meeting the relevant recognition criteria are initially measured at cost. The cost of intangible assets acquired in business combinations is the fair value at the acquisition date. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives; intangible assets with indefinite useful lives are not amortized. Most of the Group's identifiable intangible assets are with finite lives and they are reviewed each reporting period to assess whether future economic benefits have impaired or changed.

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

(a) Goodwill

Goodwill is not amortized, but it should be tested for impairment annually or when there is an indication of impairment of goodwill. In terms of investments under equity method, the carrying amount of good is included in the carrying amount of the investments and the impairment losses of such investments are not distributed to goodwill and any other assets. The impairment losses are part of the carrying amount of the investments.

(b) Computer software

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

(Q) Impairment – Non financial assets

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

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

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

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

(R) Statutory deposits

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

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

(S) Separate account insurance product

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

(T) Insurance liability

The reserve for both the insurance contracts and the investment contracts with or without discretionary participation feature of the Group determines reserves for insurance contracts in accordance with the Regulations Governing the Provision of Various Reserve. The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the Financial Supervisory Commission Executive Yuan. Except for the reserve for short-term group insurance which shall be calculated on the actual premiums or the premiums conforming to the rule prescribed in Tai Tsai Bao No 852367814 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

(a) Unearned Premiums Reserve

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

(b) Claim reserve

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

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

The reserve is provided based on historical claim experiences and expenses along with the insurance types via the method conforming to actuarial principles (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%.

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

(d) Special reserve

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

1) Special catastrophic reserve

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

2) Special contingency risk reserve

If the net amount of actual claim minus the related special catastrophic reserve is lower than the amount of expected claim, a special contingency risk reserve is provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

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

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

(2) The pre-bonus pre-tax income of participating life insurance policies sold by the Group is assessed separately at the end of the year, in accordance with the Regulations. The income and expense allocation of participating and non-participating life insurance policies is also assessed according to the guidelines, and is reported to the competent authority. Such income is credited/debited to "special reserve - provision for bonus of participating policy". This reserve is written off on the date of bonus announcement. If this reserve is insufficient, an additional "special reserve - provision for risk of bonus" is made to cover for the deficiency.

(3) In accordance with the provision of article 32 item of 4 of "Regulations Governing the Preparation of Financial reports by Insurance Companies", except the excess amount of fixed assets measured at fair value is offset against the adverse impacts of other reserves caused by first adoption of TIFRSs, the difference generated from the revaluation surplus of fixed assets is accounted for under special reserve of liability. Additionally, commencing from January 1, 2013, the excess amount of the enhancement of liability reserve, calculated in accordance with November 27, 2012 Gin Guan Bao Tsai Order No. 10102515285, could transfer to "liability reserve-Insurance contract liability measured at fair value" in accordance with November 30, 2012 Gin Guan Bao Tsai Order No. 10102515281. For remaining outstanding reserve, it is accounted for under special reserve of stockholders' equity, either recognized by 80% of which at first year or recovered by 5 years with the restriction up to $10 billion dollars each year.

(e) Premium deficiency reserve

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

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

(f) Liability adequacy reserve

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

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

(U) Reserve for insurance with nature of financial instrument

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

(V) Reserve for foreign exchange fluctuation

Commencing from March 1, 2012, part of the special catastrophic reserve and contingency risk reserve covering all types of insurance is transferred to serve as the initial balance of 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”. 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. In conformity with Article 9 of the “Guidelines of Foreign Exchange Fluctuation Reserve for Life Insurance Business”, a special reserve in stockholders’ equity is required to provide in the amount of 10% of current annual net income (deducts losses of prior years).

(W) Insurance contracts

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

An insurance contract with financial Instruments features means the contract is able to transfer significant financial risk. Financial risk is the risk resulting from possible changes in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, price index, tariff index, credit rating, credit index or other variable in the future. If the previously stated variables are non-financial variables, then the variables do not belong to any specific side of the contract.

Once a contract has qualified as an insurance contract, it remains an insurance contract until all rights and obligations are extinguished or expired, even if insurance risk becomes insignificant or non-existent. However, some contracts do not transfer any insurance risk to the Group at inception, although they do transfer insurance risk at a later time. In those cases, the contract is not considered an insurance contract until the risk transfer happens.

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

(a) Likely to be a significant portion of the total contractual benefits;

(b) The additional payments or timing of distribution belong to the Group’s discretionary participation and

(c) The additional payments are contractually based on:

   (1) The performance of a specified pool of contracts or a specified type of contract;

   (2) Return on investment of specific asset portfolio, or

   (3) The profit or loss of the Group, fund or other entity.

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

(X) Revenue recognition

(a) 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.

(Y) Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees. Overseas subsidiaries have implemented defined benefit plans which are subject to local laws to make contributions on a regular basis and recognize as an employee benefit expense in the current period.

(b) Defined benefit plans

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

The discount rate should be reflected the estimated timing of benefit payments, and it also shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

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

During the period, Pension costs are calculated using an actuarial basis in accordance with the pension cost rate from the beginning to the end; adjustments will be made due to major market volatility in the future, significant plan amendments, liquidation or other significant one-time events.

(c) Termination benefits

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

(d) Short term employee benefits

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

(Z) Income Tax

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

(a) Current income tax

Income tax expenses are calculated based on net profits before taxes during the period times effective tax rate estimated by management and recognized as current income tax expenses.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved at the shareholders' meeting.

(b) Deferred Tax

The measurement of deferred tax assets and liabilities should be based upon realized or expected future tax assets and liabilities at the consolidated balance sheet date or the date where the tax legislation has been established. Deferred tax is recognized as the temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits.

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

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

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

Under article 49 governing financial institutions, the holding company is stipulated to be the tax payer. According to the income tax act, the holding company is to submit the business income tax reporting for any undistributed profits at a 10% tax rate.

(AA) Earnings per share

Earnings per share (EPS) is computed based on net income (or loss) divided by the weighted-average number of common shares outstanding during the period. The number of shares issued due to capitalization of retained earnings or capital surplus is retroactively adjusted.

(AB) Segment information

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

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(A) Significant accounting judgements adopted by the entity when applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below (B)), that the management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Classification of financial assets

The management is required to apply judgements when classifying financial assets, and different classification will have effect on methods of accounting calculation and the Group's financial position and operating results.

(B) Key sources of assumption and estimation uncertainty

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

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

The Group will assess the loans and account receivables to determine if there is any impairment loss on a routine basis. 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.

The inherent risks when assessing impairment of any financial instruments include: the actual market result can be different from the previously held expectation; changes in future facts and situations can be inconsistent with the previous held assumptions and estimation; or the Group might sell relevant assets according to future changes.

(b) Goodwill impairment

When assessing whether a goodwill may be impaired, the estimate amount should be allocated to the goodwill’s cash-generating units (CGU) or groups of CGUs. When calculating the fair value of the goodwill, the management should estimate the future cash flows of CGUs and determine the present value using an appropriate discount rate. If actual cash flows are significantly less than forecast, it may result in material impairment loss.

(c) Fair value of financial instruments

Pricing of non-active market or no open market financial instruments are based on pricing model and pricing quoted from counter parties. If pricing model were used to determine the fair value, the data input into the model should be based on observable information and not human inputs. The observable information is based on long-term stability of the market parameters to avoid differences caused by the changed in source data. Testing and verification has to be done repeatedly to achieve the adequate results.

Note (6) (Z) for the sensitivity analysis of financial instruments.

(d) Fair value of investment property

Fair value is determined using valuation techniques that include Income Approach, Market Approach and so on. Changes in the assumption of these techniques will affect the fair value of reported investment property.

(e) Income tax

The Group calculates the income tax per the tax law in which it operates. 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.

(f) 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.

(g) 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.

(h) 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 4” 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(R).

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

(i) Reinsurance reserve assets

Reinsurance reserve assets include unearned premium reserve ceded , claim reserve 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".

The authorities are concern and continue evaluating the method of estimation and fundamental assumption. The movement of the estimation would be recognized in the variation period as well as in the affected future.

6. DETAILS OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

The details of this account are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 29,173	27,613	25,764
Cash in bank	105,206,442	98,461,930	67,593,228
Cash equivalents	134,914,456	79,437,729	97,071,508
Less: Statutory deposit	(1,298,879)	(1,299,301)	(1,298,487)
	$ 238,851,192	176,627,971	163,392,013

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.

(B) Financial assets and liabilities

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic government bonds	$ -	1,959,664	-
Forward exchange contracts	991,398	607,966	298,354
Foreign exchange swaps	4,981,209	-	1,967,910
Preferred stocks	-	1,448,528	1,020,177
Total	$ 5,972,607	4,016,158	3,286,441

(2) Available-for-sale financial assets:

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic investments			
Treasury bonds	$ 5,254,368	-	-
Stock of listed companies	219,469,106	218,621,447	259,815,695
Government bonds	217,152,512	308,071,435	329,679,841
Corporate bonds	56,314,876	56,376,457	60,895,909
Financial bonds	47,879,068	47,434,292	49,169,967
Unlisted stocks	2,743,677	2,080,885	2,029,363
Beneficiary certificate	71,821,236	45,851,806	69,139,194
Asset securitization beneficiary certificate	-	-	152,577
Foreign investments			
Stocks	110,497,703	122,126,686	163,413,061
Government bonds	24,955,071	21,004,176	29,274,183
Corporate bonds	244,277,866	227,124,801	228,426,604
Financial bonds	56,280,793	59,874,760	62,839,357
Beneficiary certificate	206,727,940	234,142,600	247,102,577
Asset securitization beneficiary certificate	144,640	163,588	154,433
Preferred stock	16,899,965	17,662,915	16,647,515
Sub-total	1,280,418,821	1,360,535,848	1,518,740,276
Less: Accumulated impairment	(1,007,115)	(1,007,115)	(1,583,578)
Statutory deposits	(8,956,468)	(8,550,705)	(5,786,730)
Total	**$ 1,270,455,238**	**1,350,978,028**	**1,511,369,968**

(3) Hedging derivatives assets:

	June 30, 2016	December 31, 2015	June 30, 2015
Interest rate swaps	**$ 1,065,400**	**678,556**	**245,792**

(4) Financial assets at cost:

	June 30, 2016	December 31, 2015	June 30, 2015
Stock investments	$ 1,123,444	1,133,671	1,213,686
Less: Accumulated impairment	(103,247)	(103,247)	(116,068)
Total	**$ 1,020,197**	**1,030,424**	**1,097,618**

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, 2016	December 31, 2015	June 30, 2015
Domestic investments			
Financial bonds	$ 18,627,163	17,119,921	14,312,693
Preferred stock	-	-	1,000,000
Foreign investments			
Government bonds	15,401,674	13,565,528	12,708,226
Corporate bonds	418,344,232	302,643,688	92,824,195
Financial bonds	141,895,427	102,882,570	43,667,159
Zero-coupon bonds	424,149,278	380,347,216	391,052,918
Real estate mortgage bonds	35,837,749	39,763,858	39,892,577
Assets-backed securities	8,238,627	6,753,274	5,976,226
Negotiable certificates of deposit	9,594,241	18,330,560	17,168,878
Sub-total	1,072,088,391	881,406,615	618,602,872
Less: Accumulated impairment	-	(12,833)	(35,781)
Total	**$ 1,072,088,391**	**881,393,782**	**618,567,091**

The bond investments held by the Group with repurchase agreements in an inactive market:

	June 30, 2016	December 31, 2015	June 30, 2015
Foreign investment – government bonds	**$ 58,015**	-	**-**

If there is objective evidence that the estimated future cash flow of the principal-protected structured notes would decrease, the Group recognizes impairment loss. When the interests, received from which added up the value over time, are recognized as gains on reversal of impairment losses.

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Foreign investment – government bonds	$ 2,514	10,717	13,071	21,497

(6) Held to maturity financial assets:

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic investments-government bonds	$ 25,173,189	25,169,487	19,953,072

(7) Other financial assets:

	June 30, 2016	December 31, 2015	June 30, 2015
Structured deposits	$ 30,684,148	28,929,122	39,874,061
Deposit reservation for settlement	38,642	40,471	21,829
Time deposit	770,255	489,932	431,378
Total	$ 31,493,045	29,459,525	40,327,268

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Derivatives			
Forward exchange contracts	$ 733,680	497,338	368,785
Foreign exchange swaps	219,696	12,664,963	3,070,477
Total	$ 953,376	13,162,301	3,439,262

(9) Hedging Derivative Liabilities:

	June 30, 2016	December 31, 2015	June 30, 2015
Interest rate swaps	$ -	16,581	53,659

(10) Loans:

	June 30, 2016	December 31, 2015	June 30, 2015
Life insurance loans	$ 46,493,323	45,539,583	42,672,418
Premium loans	10,113,733	9,585,659	8,945,518
Secured loans	93,281,192	87,704,249	80,196,611
Overdue receivables	938	-	2,371
Less: Allowance for bad debts	(1,399,232)	(1,315,564)	(905,247)
Total	$ 148,489,954	141,513,927	130,911,671

(11) The change in allowance for doubtful debts of accounts receivable and loans are as follows:

	For the six months ended June 30,			
	2016		2015	
	Accounts receivable	Loans	Accounts receivable	Loans
Beginning balance	$ 93,630	1,315,564	65,334	714,669
Add: Current period bad debt expense	6,091	83,668	20,609	190,578
Less: Current year written off	-	-	(6,117)	-
Exchange influence	(3)	-	(4)	-
Ending balance	$ 99,718	1,399,232	79,822	905,247

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

	Accounts receivable			Allowance for doubtful debts		
Item	June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
Exist objective evidence of impairment						
Collective assessment of impairment	$ 129,131	129,387	95,041	98,483	92,305	77,815
Not exist objective evidence of impairment						
Collective assessment of impairment	37,294,028	34,279,554	28,514,998	1,235	1,325	2,007
Total	$ 37,423,159	34,408,941	28,610,039	99,718	93,630	79,822

Item	Loans June 30, 2016	Loans December 31, 2015	Loans June 30, 2015	Allowance for doubtful debts June 30, 2016	Allowance for doubtful debts December 31, 2015	Allowance for doubtful debts June 30, 2015
Exist objective evidence of impairment						
Collective assessment of impairment	$ 352,203	322,780	340,754	57,878	47,929	51,493
Not exist objective evidence of impairment						
Collective assessment of impairment	149,536,983	142,506,711	131,476,164	1,341,354	1,267,635	853,754
Total	$ 149,889,186	142,829,491	131,816,918	1,399,232	1,315,564	905,247

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

	June 30, 2016	December 31, 2015	June 30, 2015
Cash and cash equivalents	$ 10,649,696	11,412,749	5,751,442
Stock of listed companies	1,946,911	2,012,498	3,321,111
Foreign stocks	26,221,942	30,544,807	25,550,205
Foreign preferred stocks	175,132	284,103	311,143
Foreign financial bonds	6,805,407	6,751,525	6,140,611
Foreign corporate bonds	122,356,477	107,827,306	107,023,150
Foreign beneficiary certificates	4,534,311	2,176,678	102,869
	$ 172,689,876	161,009,666	148,200,531

The limit of other discretionary investment agreements:

(Unit: thousands dollar)

	June 30, 2016	December 31, 2015	June 30, 2015
NTD	4,000,000	4,000,000	4,000,000
USD	5,200,000	5,200,000	4,900,000

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

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Impairment loss of the period:				
Available for sale financial assets	$ -	(576,463)	-	(576,463)
Financial assets measured at cost	-	(18,792)	-	(18,792)
Reversal of impairment losses:				
Debt investments without active market	2,514	10,717	13,071	21,497
Total	$ 2,514	(584,538)	13,071	(573,758)

	June 30, 2016	December 31, 2015	June 30, 2015
Accumulated impairment losses	$ 1,110,362	1,123,195	1,735,427

(C) Derivatives and hedging accounting

(a) Derivatives

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Book Value	Principal	Book Value	Principal	Book Value	Principal
Derivative assets(liabilities)						
Forward exchange contracts	$ 257,718	155,848,581	110,628	107,383,130	(70,431)	84,675,580
Foreign exchange swaps	4,761,513	813,978,846	(12,664,963)	751,210,286	(1,102,567)	608,335,408
Interest rate swaps	1,065,400	27,244,680	661,975	24,791,791	192,133	23,861,953
Total	$ 6,084,631	997,072,107	(11,892,360)	883,385,207	(980,865)	716,872,941

(2) Derivatives are accounted for as follows:

	June 30, 2016			
	Forward Exchange Contracts	Foreign Exchange Swaps	Interest Rate Swaps	Total
Financial assets at fair value through profit or loss	$ 991,398	4,981,209	-	5,972,607
Financial liabilities at fair value through profit or loss	(733,680)	(219,696)	-	(953,376)
Hedging derivatives assets	-	-	1,065,400	1,065,400
Total	**$ 257,718**	**4,761,513**	**1,065,400**	**6,084,631**

	December 31, 2015			
	Forward Exchange Contracts	Foreign Exchange Swaps	Interest Rate Swaps	Total
Financial assets at fair value through profit or loss	$ 607,966	-	-	607,966
Financial liabilities at fair value through profit or loss	(497,338)	(12,664,963)	-	(13,162,301)
Hedging derivatives assets	-	-	678,556	678,556
Hedging derivatives liabilities	-	-	(16,581)	(16,581)
Total	**$ 110,628**	**(12,664,963)**	**661,975**	**(11,892,360)**

	June 30, 2015			
	Forward Exchange Contracts	Foreign Exchange Swaps	Interest Rate Swaps	Total
Financial assets at fair value through profit or loss	$ 298,354	1,967,910	-	2,266,264
Financial liabilities at fair value through profit or loss	(368,785)	(3,070,477)	-	(3,439,262)
Hedging derivatives assets	-	-	245,792	245,792
Hedging derivatives liabilities	-	-	(53,659)	(53,659)
Total	**$ (70,431)**	**(1,102,567)**	**192,133**	**(980,865)**

As of June 30, 2016, December 31, 2015, and June 30, 2015, derivative financial instruments did not belong to discretionary investment.

(3) Forward exchange contracts, foreign exchange swaps, and interest rate swaps are contracted primarily to hedge against exchange risk from foreign-currency denominated investments and avoid interest rate fluctuation risk from bond investments.

(4) The unrealized gain or loss, due to the change in fair value, is recognized in gain (loss) on financial assets or liabilities at fair value through profit or loss:

For the three months ended June 30,		For the six months ended June 30,	
2016	**2015**	**2016**	**2015**
$ (13,425,654)	**(5,136,949)**	**17,573,567**	**17,783,085**

(b) Hedge accounting

Cash flow hedge

The assets with floating interest rate may expose the risk of cash flow fluctuation due to change in market interest rate, the Group signed the contracts of interest rate swaps to hedge the risk.

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

June 30, 2016

Hedged Item	Hedging Instrument	Fair value of 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 secured loans	Interest rate swaps	$ 1,065,400	2016.07.15~ 2024.06.26	2016.07.15~ 2024.06.26

December 31, 2015

Hedged Item	Hedging Instrument	Fair value of 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 secured loans	Interest rate swaps	$ 661,975	2016.01.15~ 2024.06.26	2016.01.15~ 2024.06.26

June 30, 2015

Hedged Item	Hedging Instrument	Fair value of 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 secured loans	Interest rate swaps	$ 192,133	2015.07.15~ 2024.06.26	2015.07.15~ 2024.06.26

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

Item	June 30, 2016	December 31, 2015	June 30, 2015
Current adjustment for Shareholders' equity	$ **403,425**	**485,565**	**15,724**
Transferred from shareholders' equity (recognized as deferred income tax liabilities)	$ **68,582**	**82,546**	**2,673**

(D) Investments accounted for using equity method

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

	June 30, 2016	December 31, 2015	June 30, 2015
Associates	$ 13,331,364	13,635,317	7,115,765
Joint ventures	785,660	925,557	460,418
Total	$ **14,117,024**	**14,560,874**	**7,576,183**

(a) Associates

The Group acquired 20% share of CITIC Capital Holdings Limited and 48.62% share of Hyundai Life Insurance Co., Ltd. by cash on June 30, 2015 and December 8, 2015, respectively. The Group has a significant influence in both companies. Relevant information is as follows:

Name of associate	Relationship with the Group	Primary operating location /Country the company registered	Ownership equity and voting right percentage		
			June 30, 2016	December 31, 2015	June 30, 2015
CITIC Capital Holdings Limited	Main business is capital holding, for the purpose of expanding the investment business and increasing revenue of the Group	Hong Kong	20.00 %	20.00 %	20.00 %
Hyundai Life Insurance Co., Ltd.	Main business is to provide life insurance, retirement annuity funds and insurance, for the purpose of expanding the investment business and increasing revenue of the Group	Korea	48.62 %	48.62 %	- %

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

	June 30, 2016	December 31, 2015	June 30, 2015
CITIC Capital Holdings Limited	$ 7,225,234	7,574,984	7,115,765
Hyundai Life Insurance Co., Ltd.	6,106,130	6,060,333	-
Total	**$ 13,331,364**	**13,635,317**	**7,115,765**

	CITIC Capital Holdings Limited			
	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Attributable to the Group				
Profit or loss after tax from continuing operations	$ 195,762	-	1,004	-
Other comprehensive income	6,824	-	(11,221)	-
Comprehensive income	**$ 202,586**	**-**	**(10,217)**	**-**

	Hyundai Life Insurance Co., Ltd.			
	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Attributable to the Group				
Profit or loss after tax from continuing operations	$ (176,504)	-	(188,220)	-
Other comprehensive income	206,116	-	261,673	-
Comprehensive income	**$ 29,612**	**-**	**73,453**	**-**

(b) Joint venture interest:

The Group and its affiliate company, Fubon Insurance Co., Ltd, have jointly invested in the set-up of Fubon Property and Casualty Insurance Co., Ltd in 2010 for its insurance business operation in Mainland China with the registered capital CNY 400 million (USD 59 million). The Group signed a joint investment contract with Fubon Insurance Co., Ltd, and Xiamen Port Holding Group in September, 2012. Under this joint venture contract, Fubon Property & Casualty Insurance Co., Ltd. was to increase its capital stock by CNY100 million, which to be acquired entirely by Xiamen Port Holding Group. In addition, the capital increase of Fubon Property and Casualty Insurance Co., Ltd. was approved by China Insurance Regulatory Commission in September, 2014. The Group subscribed to the capital increase on a pro rata basis of CNY 80 million. In July, 2015, the Group was approved by the Investment Commission, MOEA, to invest CNY 150 million in Fubon Property & Casualty Insurance, and remitted CNY 120 million in August, 2015. The proportion of the Group holding Fubon Property and Casualty Insurance Co., Ltd on June 30, 2016, December 31, 2015 and June 30, 2015 was all 40%.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Proportion of ownership interest	40 %	40 %	40 %
Assets	$ 6,617,319	6,586,135	4,928,227
Liabilities	$ 4,653,169	4,272,241	3,777,182
Net assets of the Group (carrying amount of joint venture)	$ 785,660	925,557	460,418

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Operating revenue	$ 1,005,865	920,190	2,106,058	1,779,019
Profit or loss after tax from continuing operations	$ (118,855)	(147,651)	(237,451)	(262,498)
Other comprehensive income	763	(2,679)	(30,880)	(2,679)
Comprehensive income	$ (118,092)	(150,330)	(268,331)	(265,177)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Attributable to the Group				
Profit or loss after tax from continuing operations	$ (47,542)	(59,060)	(94,981)	(104,999)
Other comprehensive income	305	(1,072)	(12,352)	(1,072)
Comprehensive income	$ (47,237)	(60,132)	(107,333)	(106,071)

(c) Guarantee

The Group applies equity method in investment, hence, there is no pledge guarantee.

(E) Investment property

	Land	Buildings and other facilities	Construction in progress	Prepayments for building, land and equipment	Others	Total
Balance of January 1, 2016	$ 121,121,805	42,717,925	635,510	2,524	2,428,187	166,905,951
Purchase	1,221,127	6,944,378	278,268	5,728	-	8,449,501
Gains (losses) on fair value adjustments	1,577,536	(939,544)	-	-	-	637,992
Reclassification	(35,108)	(4,287)	-	(571)	-	(39,966)
Other changes	-	-	-	-	(5,228)	(5,228)
Movement due to exchange rate differences	(1,400,658)	(1,981,191)	-	-	(273,854)	(3,655,703)
Balance of June 30, 2016	**$ 122,484,702**	**46,737,281**	**913,778**	**7,681**	**2,149,105**	**172,292,547**
Balance of January 1, 2015	$ 87,786,921	24,610,911	1,548,223	123	-	113,946,178
Purchase	3,166,334	11,462,529	93,396	10,884	2,212,239	16,945,382
Gains (losses) on fair value adjustments	1,771,212	(1,685,968)	-	-	184,542	269,786
Disposal	-	(1,162)	-	-	-	(1,162)
Reclassification	189,252	1,248,628	(1,437,836)	(44)	-	-
Other changes	-	-	-	-	(5,187)	(5,187)
Movement due to exchange rate differences	18,153	85,018	-	-	62,648	165,819
Balance of June 30, 2015	**$ 92,931,872**	**35,719,956**	**203,783**	**10,963**	**2,454,242**	**131,320,816**

The Group classified property interest held under an operating lease as an investment property, lease was accounted for as finance lease. As of June 30, 2016, December 31, 2015 , and June 30, 2015, the net worth of the leases of the investment property is $452,921, $516,079, and $519,817, respectively. (Please refer to Note 6(L) - Accounts payable - Finance lease liabilities).

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Companies, the Group engaged with appraisers of real estate consulting firms listed below, the valuation of investment property is based on fair values in accordance with the Regulations on Real Estate Appraisal, and its appraised dates are June 30, 2016, December 31, 2015 , and June 30, 2015:

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

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

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

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

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

(f) Colliers International Valuation (Taiwan) Ltd and Colliers International Valuation UK LLP：Chien Hui Ku, P C Willis, L Lee-Bapty

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

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

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

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

Fair value of investment property is determined by the appraisal that the real estate consulting firms valued, supported by market evidence. Appraising methods primarily used are Sales Comparison Approach, Income Approach (including direct capitalization method and discounted cash flow method, and land-residual technique), Cost Approach, and Cost Approach -Land Development Analysis, and so on.

For commercial properties, which have more market liquidity and more easily obtain comparable properties and rents in the neighborhood area which possess same or similar use purpose of the properties, Sales Comparison Approach and Income Approach are primarily used. For shopping malls, hotels, and department stores, etc, depending on the characteristics of respective investment property and the length of rents as well as the similarity of comparable properties, Sales Comparison Approach is primarily used. Cost approach, direct capitalization method and discounted cash flow method of Income Approach are supportively used. Special investment property such as combination of shopping malls and hotels or hospitals as current used, Cost Approach is primarily used and the direct capitalization method and discounted cash flow method of Income Approach are supportively used. For surface rights, except for the abovementioned methods, land-residual technique of Income Approach is supportively used.

Lands that already obtained building licenses but in the process of development, Sales Comparison Approach and Cost Approach -Land Development Analysis are used. For plants with the purpose of future urban renewal, Sales Comparison Approach, Cost Approach, and Cost Approach -Land Development Analysis are used. Lands that already obtained building licenses but in the process of development, Sales Comparison Approach and Cost Approac -Land Development Analysis are primarily methods used. For plants or buildings with the purpose of future urban renewal, Sales Comparison Approach, Cost Approach, and Cost Approach -Land Development Analysis are used. Lands or surface rights that are completely developed are evaluated by the abovementioned methods according to the use of the completed building.

Parameters primarily used are as below:

	June 30, 2016	December 31, 2015	June 30, 2015
	approx	approx	approx
Ratios of Capitalization of Earnings	0.59%~5.50%	0.65%~5.50%	0.64%~5.50%
Capitalization rate of Earnings	1.78%~6.35%	1.90%~6.35%	1.96%~6.35%
Ratios of Discounted Cash Flow	3.08%~6.50%	3.18%~6.50%	3.20%~6.50%

Appraisers use market extraction method to select several comparable properties, which are identical with or similar to the subject property, considered which liquidity and future risk premium of disposition to determine quotients the capitalization rate and discounted rates.

Investment property are primary for rental purposes and all of which are operating leases. Please refer to Note 6(F). Main content of such contracts is the same as normal lease contracts.

As of June 30, 2016, December 31, 2015, and June 30, 2015, investment properties owned by the Group were not pledged.

(F) Operating lease

(a) Lessee lease

The situation of rents payable from operating lease is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Within 1 year	$ 471,837	485,266	523,332
1-5 years	358,641	368,198	409,931
Total	**$ 830,478**	**853,464**	**933,263**

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.

The Group's rent expense for operating leases amounted to $294,830, $239,304 for the three months ended June 30, 2016 and 2015, $588,580, and $470,489 for the period ended June 30, 2016 and 2015, respectively.

(b) Lessor lease

The Group leases out investment property as operating leases, please refer to Note 6(E). The future minimum rent receivables are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Within 1 year	$ 5,623,825	5,302,622	4,091,899
1-5 years	20,372,157	19,214,031	14,309,387
5 years and above	36,984,019	39,864,976	19,622,405
Total	$ 62,980,001	64,381,629	38,023,691

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Rent income of investment property	$ 1,506,007	1,106,196	2,976,016	2,130,835
Total operating expenses occurred directly by investment property	$ 317,472	224,010	538,334	444,323
The direct operating expenses belong to the investment property which did not generate rental income	$ 18,845	16,302	25,453	28,261

(G) Reinsurance assets

	June 30, 2016	December 31, 2015	June 30, 2015
Claims recoverable from reinsurers	$ 240,069	213,110	331,399
Due from reinsurers and ceding companies	479,675	485,980	342,284
Subtotal	719,744	699,090	673,683
Reinsurance reserve assets:			
Ceded reinsurance unearned premiums reserve	461,659	456,599	446,750
Ceded reinsurance claim reserve	92,921	124,180	130,593
Subtotal	554,580	580,779	577,343
Total	$ 1,274,324	1,279,869	1,251,026

(H) Property, plant and equipment- net

	June 30, 2016			
Assets	**Cost**	**Accumulated Depreciation**	**Accumulated impairment loss**	**Book value**
Land	$ 13,966,576	-	1,019,730	12,946,846
Buildings	4,579,590	523,459	45,259	4,010,872
Computer equipment	961,632	711,966	-	249,666
Transportation equipment	6,018	6,008	-	10
Other equipment	794,046	644,264	-	149,782
Leasehold improvements	1,047,585	907,371	-	140,214
Construction in progress	2,427	-	-	2,427
Prepayments for equipment	236,647	-	-	236,647
Total	**$ 21,594,521**	**2,793,068**	**1,064,989**	**17,736,464**

	December 31, 2015			
Assets	**Cost**	**Accumulated Depreciation**	**Accumulated impairment loss**	**Book value**
Land	$ 13,931,468	-	1,019,730	12,911,738
Buildings	4,574,732	468,493	45,259	4,060,980
Computer equipment	934,410	666,915	-	267,495
Transportation equipment	6,018	6,006	-	12
Other equipment	765,083	647,977	-	117,106
Leasehold improvements	1,019,096	900,570	-	118,526
Construction in progress	1,108	-	-	1,108
Prepayments for equipment	43,562	-	-	43,562
Total	**$ 21,275,477**	**2,689,961**	**1,064,989**	**17,520,527**

	June 30, 2015			
Assets	**Cost**	**Accumulated Depreciation**	**Accumulated impairment loss**	**Book value**
Land	$ 6,338,161	-	1,019,730	5,318,431
Buildings	2,672,512	434,768	45,259	2,192,485
Computer equipment	892,285	628,707	-	263,578
Transportation equipment	8,968	8,914	-	54
Other equipment	724,065	647,708	-	76,357
Leasehold improvements	970,491	874,612	-	95,879
Prepayments for equipment	23,097	-	-	23,097
Total	**$ 11,629,579**	**2,594,709**	**1,064,989**	**7,969,881**

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

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Prepayments for equipment	Total
Cost									
Balance of January 1, 2016	$ 13,931,468	4,574,732	934,410	6,018	765,083	1,019,096	1,108	43,562	21,275,477
Purchase and acquisition	-	-	21,538	-	27,040	44,608	1,319	230,321	324,826
Estimated decommissioning cost	-	-	-	-	-	1,687	-	-	1,687
Disposals	-	-	(1,119)	-	(21,736)	(18,264)	-	-	(41,119)
Written down decommissioning cost	-	-	-	-	-	(4,912)	-	-	(4,912)
Reclassification	35,108	4,858	7,239	-	23,830	5,822	-	(37,236)	39,621
Exchange influence	-	-	(436)	-	(171)	(452)	-	-	(1,059)
Balance of June 30, 2016	13,966,576	4,579,590	961,632	6,018	794,046	1,047,585	2,427	236,647	21,594,521
Accumulated depreciation									
Balance of January 1, 2016	-	468,493	666,915	6,006	647,977	900,570	-	-	2,689,961
Depreciation	-	54,966	46,229	2	18,038	29,922	-	-	149,157
Disposals	-	-	(1,091)	-	(21,691)	(18,084)	-	-	(40,866)
Written down decommissioning cost	-	-	-	-	-	(4,865)	-	-	(4,865)
Exchange influence	-	-	(87)	-	(60)	(172)	-	-	(319)
Balance of June 30, 2016	-	523,459	711,966	6,008	644,264	907,371	-	-	2,793,068
Accumulated impairment loss									
Balance of January 1, 2016	**$ 1,019,730**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,064,989**
Balance of June 30, 2016	**$ 1,019,730**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,064,989**

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress	Prepayments for equipment	Total
Cost									
Balance of January 1, 2015	$ 6,338,161	2,672,512	990,039	8,968	723,400	983,601	-	75,306	11,791,987
Purchase and acquisition	-	-	19,602	-	13,642	7,130	-	35,266	75,640
Estimated decommissioning cost	-	-	-	-	-	2,966	-	-	2,966
Disposals	-	-	(194,734)	-	(14,374)	(27,189)	-	-	(236,297)
Written down decommissioning cost	-	-	-	-	-	(5,354)	-	-	(5,354)
Reclassification	-	-	77,812	-	1,728	9,685	-	(87,475)	1,750
Exchange influence	-	-	(434)	-	(331)	(348)	-	-	(1,113)
Balance of June 30, 2015	6,338,161	2,672,512	892,285	8,968	724,065	970,491	-	23,097	11,629,579
Accumulated depreciation									
Balance of January 1, 2015	-	405,270	767,983	8,596	647,491	872,106	-	-	2,701,446
Depreciation	-	29,498	54,436	318	12,826	29,507	-	-	126,585
Disposals	-	-	(193,528)	-	(12,490)	(21,861)	-	-	(227,879)
Reclassification	-	-	-	-	-	(4,846)	-	-	(4,846)
Exchange influence	-	-	(184)	-	(119)	(294)	-	-	(597)
Balance of June 30, 2015	-	434,768	628,707	8,914	647,708	874,612	-	-	2,594,709
Accumulated impairment loss									
Balance of January 1, 2015	**$ 1,019,730**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,064,989**
Balance of June 30, 2015	**$ 1,019,730**	**45,259**	**-**	**-**	**-**	**-**	**-**	**-**	**1,064,989**
Net									
Balance of June 30, 2016	**$ 12,946,846**	**4,010,872**	**249,666**	**10**	**149,782**	**140,214**	**2,427**	**236,647**	**17,736,464**
Balance of December 31, 2015	**$ 12,911,738**	**4,060,980**	**267,495**	**12**	**117,106**	**118,526**	**1,108**	**43,562**	**17,520,527**
Balance of June 30, 2015	**$ 5,318,431**	**2,192,485**	**263,578**	**54**	**76,357**	**95,879**	**-**	**23,097**	**7,969,881**

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

The Group leases office equipment under a number of finance lease agreements. As of June 30, 2016, December 31, 2015, and June 30, 2015, the net carrying amount of leased office equipment was $339 thousand, $465 thousand, and $572 thousand, respectively.

(I) Intangible assets

	June 30, 2016		
Asset	Original cost	Accumulated amortization	Book value
Computer software	$ 969,789	717,774	252,015

	December 31, 2015		
Asset	Original cost	Accumulated amortization	Book value
Computer software	$ 909,480	654,209	255,271

	June 30, 2015		
Asset	Original cost	Accumulated amortization	Book value
Computer software	$ 829,736	593,119	236,617

The changes of the computer software are as follows:

	Computer Software
Cost:	
Balance of January 1, 2016	$ 909,480
Purchase and acquisition	41,108
Reclassification	20,474
Exchange influence	(1,273)
Balance of June 30, 2016	$ 969,789
Balance of January 1, 2015	$ 771,692
Purchase and acquisition	24,034
Reclassification	37,524
Exchange influence	(3,514)
Balance of June 30, 2015	$ 829,736
Accumulated amortization:	
Balance of January 1, 2016	$ 654,209
Amortization	64,170
Exchange influence	(605)
Balance of June 30, 2016	$ 717,774
Balance of January 1, 2015	$ 543,349
Amortization	50,948
Exchange influence	(1,178)
Balance of June 30, 2015	$ 593,119

(J) Other assets

	June 30, 2016	December 31, 2015	June 30, 2015
Prepayments	$ 745,157	1,035,210	1,141,307
Prepayments- superficies	30,240,230	30,428,858	30,709,476
Deferred acquisition cost	353,442	361,843	360,800
Guarantee deposits paid	10,452,044	10,089,761	7,307,401
Other assets-other	977,736	232,132	493,273
Total	**$ 42,768,609**	**42,147,804**	**40,012,257**

Articles 141 and 142 of the Insurance Act require insurance industry to place a government statutory deposit equal to 15% of its paid-in capital. Such deposits will not be returned until cessation of business and liquidation has been completed. In accordance with the regulations of the competent authority in Vietnam, insurance companies shall deposit 2% of 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, 2016	December 31, 2015	June 30, 2015
Government bonds(Book value)	**$ 8,956,468**	**8,550,705**	**5,786,730**
Cash in bank	**$ 19,379**	**19,801**	**18,557**

(K) Insurance product-separate account

	June 30, 2016	December 31, 2015	June 30, 2015
Assets on insurance product, separated account:			
Cash in bank	$ 8,415,782	8,981,561	8,471,341
Securities	127,156,641	125,054,472	124,563,737
Accounts receivable	977,825	1,326,002	1,153,629
Total	**$ 136,550,248**	**135,362,035**	**134,188,707**
Liabilities on insurance product, separate account:			
Reserve-Insurance contract	$ 78,721,949	78,175,870	79,338,875
Reserve-Investment contract	57,827,332	57,185,649	54,848,943
Accounts payable	967	516	889
Total	**$ 136,550,248**	**135,362,035**	**134,188,707**

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Investment-linked insurance policy revenues:				
Premiums income	$ 3,423,965	2,856,397	6,638,291	5,759,221
Interest income	101,555	106,377	180,995	167,332
Gains or losses on financial assets and liabilities at fair value through profit or loss	236,602	(391,005)	(462,379)	(75,280)
Gains or losses on foreign exchange	121,012	2,493	289,512	117,812
Total	$ **3,883,134**	**2,574,262**	**6,646,419**	**5,969,085**
Investment-linked insurance policy expenses:				
Net changes in reserve, Insurance contract	$ 740,924	(1,394,376)	601,260	(1,526,865)
Insurance claims and payment	2,469,738	3,290,138	4,691,718	6,125,224
Administrative expenses	672,472	678,500	1,353,441	1,370,726
Total	$ **3,883,134**	**2,574,262**	**6,646,419**	**5,969,085**

The Group earned sales rebate of $109,893 and $119,472 for the three months ended June 30, 2016 and June 30, 2015, $217,010 and $228,045 for the period ended June 30, 2016 and June 30, 2015, respectively from the counterparty for promoting investment-linked insurance policy. The rebate was recognized as handling fee revenue.

(L) Accounts payable

	June 30, 2016	December 31, 2015	June 30, 2015
Notes Payable	$ 5,024	14,982	11,542
Expense Payable	4,216,799	4,297,230	14,085,886
Commissions payable	3,553,330	3,327,118	2,933,501
Insurance and reinsurance claims payable	4,544,063	4,006,486	4,030,452
Due to reinsurers and ceding companies	761,498	683,197	929,405
Finance lease payable	453,379	516,668	520,493
Other payable	11,500,768	7,522,123	7,408,021
	$ **25,034,861**	**20,367,804**	**29,919,300**

The Group's finance lease liabilities are as follows:

	June 30, 2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 13,955	1,472	12,483
Between one and five years	96,652	20,375	76,277
More than five years	3,404,090	3,039,471	364,619
	$ 3,514,697	**3,061,318**	**453,379**

	December 31, 2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 12,859	1,078	11,781
Between one and five years	103,586	20,006	83,580
More than five years	3,851,676	3,430,369	421,307
	$ 3,968,121	**3,451,453**	**516,668**

	June 30, 2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 12,078	744	11,334
Between one and five years	95,764	16,876	78,888
More than five years	3,851,785	3,421,514	430,271
	$ 3,959,627	**3,439,134**	**520,493**

(M) Short-term debts-notes and bonds issued under repurchase agreement

	June 30, 2016	December 31, 2015	June 30, 2015
	-	-	-
Notes and bonds issued under repurchase agreement	**$ 69,409**	-	**-**
Repurchase price	**$ 70,187**	-	**-**
Repurchase interest	**4.2 %**	-	**-**

(N) Liabilities reserve

	June 30, 2016	December 31, 2015	June 30, 2015
Decommissioning liability	$ 49,336	52,977	47,076
Employee benefits liabilities	6,371,415	7,618,605	6,956,871
Other liabilities reserve	-	-	35,199
	$ 6,420,751	**7,671,582**	**7,039,146**

(a) Decommissioning liability

	Decommissioning liability
Balance of January 1, 2016	$ 52,977
Increase of liabilities reserves	1,687
Reversal of liabilities reserves	(4,912)
Discounting and amortization of liabilities reserves	78
Reclassification to other income	(414)
Exchange influence	(80)
Balance of June 30, 2016	**$ 49,336**
Balance of January 1, 2015	$ 49,590
Increase of liabilities reserves	2,966
Reversal of liabilities reserves	(5,354)
Discounting and amortization of liabilities reserves	129
Reclassification to other income	(255)
Balance of June 30, 2015	**$ 47,076**

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

There is no major fluctuation in the market and significant reduction, discharge or other significant one-time events after the end of prior financial year. Hence, the Group determines the pension costs during the period by taking the average of pension costs determined by the actuarial for the year ended December 31, 2014 and 2015.

Pension costs of the Group during the period:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Pension expense	$ 130,550	143,344	261,099	286,688
Compensation expense	2,481	2,164	4,962	4,328
	$ 133,031	**145,508**	**266,061**	**291,016**

(2) Defined contribution plans

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

	For the three months ended June 30,		For the six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Pension expense	**$ 161,760**	**138,113**	**319,503**	**278,986**

(O) Shareholders' equity

(a) Common stock

As of June 30, 2016, December 31, 2015, and June 30, 2015, the Group had authorized capital of $100,000,000, $60,000,000, and $60,000,000 issued common stock of $57,320,950, $57,320,950 and $43,982,150, respectively, with $10 par value per share.

Resolved by the board of directors on behalf of the shareholders on June 17, 2015 , the cash dividend and stock dividend of $8,796,430 and $13,338,800 would be distributed, respectively. The stock dividend would then be reinvested in the new rights issue of $1,333,880 thousands shares. The capital increase was approved by Financial Supervisory Commission on November 16, 2015. The record date for the capital increase was November 23, 2015. Registration of change in capital due to the capital increase was completed on December 10, 2015.

Resolved by the board of directors on behalf of the shareholders on June 28, 2016, the stock dividend of $12,111,800 would be reinvested in the new rights issue of $1,211,180 thousands shares. The capital increase has not yet been approved by Financial Supervisory Commission.

(b) Capital surplus

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

(c) Retained earnings and earnings appropriation

(1) Legal reserve

Pursuant to the Insurance Laws, the company, when appropriating its earnings, should set aside 20% of its after-tax earnings as legal reserve. Legal reserve should be appropriated until it equals the paid-in capital. If the company has no deficit and the legal reserve exceeds 25% of paid-in capital, the excess may be transferred to capital or distributed in cash.

(2) Special reserve

	June 30, 2016	December 31, 2015	June 30, 2015
Major accidents and reserves of fluctuation of risk	$ 12,437,665	11,936,379	11,613,551
Special reserve from profit after tax	10,850,867	6,749,054	6,749,054
Foreign exchange fluctuation reserve	833,060	664,546	664,546
Real estate incrementation recovered	2,609,068	2,609,068	2,609,068
Gains from the fluctuation of subsequent fair value measurement of investment property	23,687,157	23,296,895	23,296,895
Negative net amount of other equity interest	14,878,006	-	-
Total	$ 65,295,823	45,255,942	44,933,114

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

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

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

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

In accordance with the Gin Guan Bao Tsai No. 10102508861 dated June 5, 2012, if the net amount of other shareholders' equity has a debit balance in the current year, the Company appropriates the same amount of special reserve from current profits and prior period's undistributed earnings.

In accordance with the Gin Guan Bao Tsai No.10502066461 dated July 13, 2016, the Company should appropriate special reserve, from 0.5% to 1% of net profit when distributing earnings of year 2016 through 2018. From the following year of the special reserve appropriated, the Company can reverse the same amount of expenses for the purpose of providing transforming trainings and safeguarding rights and interests of employees within the remaining balance of appropriated special reserve.

(3) Distribution of earnings

Distributions of stock dividend and bonus are limited to shareholders, employees are not subject to those distributions in accordance with the Company Act amended in May 2015. The Company's board of directors approved an amendment to the Company's article on January 29, 2016 in response to the amended Company Act. Under the Company's amendment, the annual earnings are first used to pay taxes, cover prior years' losses, appropriate reserves in accordance with relevant laws, and appropriate special reserves in accordance with laws or with a resolution of shareholders if necessary. The remaining of earnings can be distributed with a resolution of board of directors and shareholders' approval. If the Company has profits, the Company should allocate an amount ranged from 0.01% to 0.05% of the profits as employee compensation. The Company has appropriated $6,000 of employee compensation for the year ended December 31, 2015 with a resoluation of board of directors on behalf of shareholders in March, 2016. If there is any difference between the actual distribution and the estimated amount, the difference should be recognized in the profit or loss in the current period.

Under the Company's article before the amendment on January 29, 2016, the annual earnings are first used to pay taxes, cover prior years' losses, appropriate reserves and special reserves. If there is any remaining earning, 0.0001%~0.01% of the remaining balance can be appropriated as employee compensation. Employee compensation for the year ended December 31, 2014 has been appropriated an amount of $22 as employee compensation in accordance with relevant rules. There is no difference between the actual distribution and the estimated amount.

The Company executed the resolution approved by board of directors on behalf of the shareholders on June 17, 2015 to distribute cash dividends which amounted to $8,796,430 from the earnings of 2014. The record date for dividend is June 22, 2015.

The information of the resolutions for distribution of earnings and employee compensation approved by board of directors on behalf of shareholders can be found on Market Observation Post System.

(d) Other equity items

	Exchange differences on translation of foreign financial assets	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Unrealized Revaluation surplus	Total
Balance, January 1, 2016	$ 115,613	(15,558,995)	549,439	15,937	(14,878,006)
Foreign exchange translation difference (net-after tax):					
Current exchange difference	(3,414,690	-	-	-	(3,414,690)
The translation difference in affiliated companies share for using equity method	(9,314)	-	-	-	(9,314)
Effective portion of cash flow hedges (net-after tax):					
Current adjustments	-	-	334,843	-	334,843
Unrealized gains (losses) on available-for-sale financial assets (net-after tax):					
Current adjustments	-	46,483,349	-	-	46,483,349
Realized losses	-	(14,213,108)	-	-	(14,213,108)
Unrealized gains (losses) on available-for-sale financial assets in the share of affiliated companies and joint ventures share for using equity method	-	231,286	-	-	231,286
Balance, June 30, 2016	**$ (3,308,391)**	**16,942,532**	**884,282**	**15,937**	**14,534,360**

	Exchange differences on translation of foreign financial assets	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Unrealized Revaluation surplus	Total
Balance, January 1, 2015	$ (53,164)	57,722,762	146,420	15,937	57,831,955
Foreign exchange translation difference (net-after tax):					
Current exchange difference	192,686	-	-	-	192,686
Effective portion of cash flow hedges (net-after tax):					
Current adjustments	-	-	13,051	-	13,051
Unrealized gains (losses) on available-for-sale financial assets (net-after tax):					
Current adjustments	-	(866,052)	-	-	(866,052)
Realized losses	-	(34,437,215)	-	-	(34,437,215)
Unrealized gains (losses) on available-for-sale financial assets in the joint ventures share for using equity method	-	(1,072)	-	-	(1,072)
Balance, June 30, 2015	$ 139,522	22,418,423	159,471	15,937	22,733,353

(P) Income taxes

(a) Income tax expense:

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Current expense tax				
Current period	$ 3,245,463	3,643,582	2,391,374	3,773,990
Adjustments for prior period	13,713	164,715	13,713	130,024
Foreign withholding tax	272,666	(21,112)	(181,484)	245,499
Subtotal	3,531,842	3,787,185	2,223,603	4,149,513
Deferred expense tax				
(Reversal) recognition of temporary differences	(2,938,836)	(2,305,777)	(1,502,679)	789,011
Income tax expense	$ 593,006	1,481,408	720,924	4,938,524

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

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Items not reclassified into profit or loss:				
Share of other comprehensive income of associates and joint ventures accounted for using equity method - Items that are not or may not be reclassified subsequently to profit or loss	$ 1,937	-	5,342	-
Items may be reclassified into profit or loss:				
Exchange differences on translation	374,406	(130,559)	658,039	(39,466)
Unrealized losses (gains) on available-for-sale financial assets	(2,675,558)	6,516,294	(4,354,989)	5,715,159
Losses (gains) on effective instruments of cash flow hedges	(37,851)	10,672	(68,582)	(2,673)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - Items that are or may be reclassified subsequently to profit or loss	(38,138)	-	(47,555)	-
	$ (2,375,204)	**6,396,407**	**(3,807,745)**	**5,673,020**

(c) Fubon Financial Holding Company, the parent company of the Group, apointed to be the taxpayer itself; therefore, commencing from 2010, income tax return and undistributed retained earnings based on the income tax return has been filed a combined income tax return with Fubon Financial Holding Company and its qualifying subsidiaries.

(d) The R.O.C. tax authority has assessed income tax returns of the Group and Fubon Life Assurance through 2010. In addition to the income increased caused by the amortization of bond discount and premium in 2006 held by Fubon Life Assurance, the Group has also filed re-examination and administrative remedy for adjustments of foreign tax credits and interest income received from REITs in 2010 determined by the tax authority.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Undistributed earnings:			
In 1998 and thereafter	$ 19,815,649	47,201,986	35,926,341
Balance of imputed credit	$ 860,832	873,225	734,615

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

	2015	2014
Tax credit percentage for cash dividend	(estimated) -%	(actual) 3.36%
Tax credit percentage for stock dividend	(estimated) 1.82%	(actual) 11.61%

(Q) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Profit attributable to ordinary shareholders of the Company	$ 10,857,972	15,827,215	12,995,056	29,079,661
Weighted average number of ordinary shares (thousands shares)	5,732,095	5,732,095	5,732,095	5,732,095
Basic earnings per share (dollar)	$ 1.89	2.76	2.27	5.07

If the stock dividend resolved by the board of directors on behalf of the shareholders on June 28, 2016 is approved before the report date of the consolidated financial statements for the period, the EPS for the period would be adjusted retrospectively as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Basic earnings per share (dollar)	$ 1.56	2.28	1.87	4.19

(R) Insurance liabilities

	June 30, 2016	December 31, 2015	June 30, 2015
Unearned premium reserve	$ 7,739,431	7,602,907	7,486,925
Claim reserve	2,018,964	2,066,972	1,835,886
Liability reserve	2,689,494,683	2,533,086,908	2,332,290,165
Special reserve	6,104,298	6,012,186	4,606,846
Premium deficiency reserve	19,707,278	16,280,468	15,332,251
Total	$ 2,725,064,654	2,565,049,441	2,361,552,073

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

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

	June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 1,859	-	1,859
Individual injury insurance	2,732,522	-	2,732,522
Individual health insurance	3,347,822	-	3,347,822
Group insurance	1,568,460	-	1,568,460
Investment-linked insurance	88,768	-	88,768
Gross reserve	7,739,431	-	7,739,431
Deduction of provision for reinsurance ceded			
Individual life insurance	356,299	-	356,299
Individual injury insurance	21,997	-	21,997
Individual health insurance	1,875	-	1,875
Group insurance	69,954	-	69,954
Investment-linked insurance	11,534	-	11,534
Total ceded reserve	461,659	-	461,659
Net reserve	$ 7,277,772	-	7,277,772

	December 31, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 2,896	-	2,896
Individual injury insurance	2,610,624	-	2,610,624
Individual health insurance	3,342,557	-	3,342,557
Group insurance	1,556,182	-	1,556,182
Investment-linked insurance	90,648	-	90,648
Gross reserve	7,602,907	-	7,602,907
Deduction of provision for reinsurance ceded			
Individual life insurance	348,961	-	348,961
Individual injury insurance	23,623	-	23,623
Individual health insurance	1,920	-	1,920
Group insurance	71,571	-	71,571
Investment-linked insurance	10,524	-	10,524
Total ceded reserve	456,599	-	456,599
Net reserve	**$ 7,146,308**	**-**	**7,146,308**

	June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 3,555	-	3,555
Individual injury insurance	2,481,138	-	2,481,138
Individual health insurance	3,223,045	-	3,223,045
Group insurance	1,683,811	-	1,683,811
Investment-linked insurance	95,376	-	95,376
Gross reserve	7,486,925	-	7,486,925
Deduction of provision for reinsurance ceded			
Individual life insurance	332,163	-	332,163
Individual injury insurance	24,387	-	24,387
Individual health insurance	1,889	-	1,889
Group insurance	74,563	-	74,563
Investment-linked insurance	13,748	-	13,748
Total ceded reserve	446,750	-	446,750
Net reserve	**$ 7,040,175**	**-**	**7,040,175**

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

	For the six months ended June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 7,602,907	-	7,602,907
Current provisions	7,739,442	-	7,739,442
Current reclaims	(7,602,907)	-	(7,602,907)
Gain and loss on foreign exchange	(11)	-	(11)
Ending balance	7,739,431	-	7,739,431
Less: Provision for ceded reinsurance			
Beginning balance	456,599	-	456,599
Current provision	461,681	-	461,681
Current reclaim	(456,599)	-	(456,599)
Gain and loss on foreign exchange	(22)	-	(22)
Ending balance	461,659	-	461,659
Net ending balance	**$ 7,277,772**	**-**	**7,277,772**

	For the six months ended June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 7,274,503	-	7,274,503
Current provisions	7,486,931	-	7,486,931
Current reclaims	(7,274,503)	-	(7,274,503)
Gain and loss on foreign exchange	(6)	-	(6)
Ending balance	7,486,925	-	7,486,925
Less: Provision for ceded reinsurance			
Beginning balance	441,015	-	441,015
Current provision	446,754	-	446,754
Current reclaim	(441,015)	-	(441,015)
Gain and loss on foreign exchange	(4)	-	(4)
Ending balance	446,750	-	446,750
Net ending balance	**$ 7,040,175**	**-**	**7,040,175**

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

	June 30, 2016		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Individual life insurance			
-reported but not paid	$ 381,978	4,739	386,717
-incurred but not reported	4,941	-	4,941
Individual injury insurance			
-reported but not paid	110,771	-	110,771
-incurred but not reported	304,972	-	304,972
Individual health insurance			
-reported but not paid	214,072	-	214,072
-incurred but not reported	467,271	-	467,271
Group insurance			
-reported but not paid	77,471	-	77,471
-incurred but not reported	282,340	-	282,340
Investment-linked insurance			
-reported but not paid	125,594	-	125,594
-incurred but not reported	44,815	-	44,815
Gross reserve	2,014,225	4,739	2,018,964
Deduction of provision for reinsurance ceded:			
Individual life insurance	27,893	-	27,893
Individual injury insurance	40,753	-	40,753
Group insurance	4,592	-	4,592
Investment-linked insurance	19,683	-	19,683
Total ceded reserve	92,921	-	92,921
Net reserve	**$ 1,921,304**	**4,739**	**1,926,043**

	December 31, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
-reported but not paid	$ 459,302	4,896	464,198
-incurred but not reported	4,403	-	4,403
Individual injury insurance			
-reported but not paid	153,543	-	153,543
-incurred but not reported	315,628	-	315,628
Individual health insurance			
-reported but not paid	196,211	-	196,211
-incurred but not reported	470,388	-	470,388
Group insurance			
-reported but not paid	62,151	-	62,151
-incurred but not reported	277,011	-	277,011
Investment-linked insurance			
-reported but not paid	80,424	-	80,424
-incurred but not reported	43,015	-	43,015
Gross reserve	2,062,076	4,896	2,066,972
Deduction of provision for reinsurance ceded:			
Individual life insurance	47,598	-	47,598
Individual injury insurance	56,654	-	56,654
Group insurance	1,559	-	1,559
Investment-linked insurance	18,369	-	18,369
Total ceded reserve	124,180	-	124,180
Net reserve	**$ 1,937,896**	**4,896**	**1,942,792**

	June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance			
-reported but not paid	$ 438,796	6,328	445,124
-incurred but not reported	3,124	-	3,124
Individual injury insurance			
-reported but not paid	136,420	-	136,420
-incurred but not reported	202,056	-	202,056
Individual health insurance			
-reported but not paid	209,668	-	209,668
-incurred but not reported	398,559	-	398,559
Group insurance			
-reported but not paid	47,035	-	47,035
-incurred but not reported	237,388	-	237,388
Investment-linked insurance			
-reported but not paid	118,047	-	118,047
-incurred but not reported	38,465	-	38,465
Gross reserve	1,829,558	6,328	1,835,886
Deduction of provision for reinsurance ceded:			
Individual life insurance	26,014	-	26,014
Individual injury insurance	54,270	-	54,270
Individual health insurance	210	-	210
Group insurance	5,742	-	5,742
Investment-linked insurance	44,357	-	44,357
Total ceded reserve	130,593	-	130,593
Net reserve	**$ 1,698,965**	**6,328**	**1,705,293**

The movements in claim reserves are as follows:

	For the six months ended June 30, 2016		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 2,062,076	4,896	2,066,972
Current provisions	2,014,162	4,739	2,018,901
Current reclaims	(2,062,076)	(4,896)	(2,066,972)
Gain and loss on foreign exchange	63	-	63
Ending balance	2,014,225	4,739	2,018,964
Less: Provision for ceded reinsurance			
Beginning balance	124,180	-	124,180
Current provision	92,921	-	92,921
Current reclaim	(124,180)	-	(124,180)
Ending balance3	92,921	-	92,921
Net ending balance	**$ 1,921,304**	**4,739**	**1,926,043**

	For the six months ended June 30, 2015		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 1,706,655	899	1,707,554
Current provisions	1,829,513	6,328	1,835,841
Current reclaims	(1,706,655)	(899)	(1,707,554)
Gain and loss on foreign exchange	45	-	45
Ending balance	1,829,558	6,328	1,835,886
Less: Provision for ceded reinsurance			
Beginning balance	131,589	-	131,589
Current provision	130,593	-	130,593
Current reclaim	(131,589)	-	(131,589)
Ending balance	130,593	-	130,593
Net ending balance	**$ 1,698,965**	**6,328**	**1,705,293**

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

	June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 2,312,950,715	-	2,312,950,715
Individual injury insurance	744,114	-	744,114
Individual health insurance	212,443,589	-	212,443,589
Individual annuity insurance	1,242,550	162,081,158	163,323,708
Investment-linked insurance	32,557	-	32,557
Total	**$ 2,527,413,525**	**162,081,158**	**2,689,494,683**

	December 31, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 2,173,370,825	-	2,173,370,825
Individual injury insurance	752,732	-	752,732
Individual health insurance	202,019,155	-	202,019,155
Individual annuity insurance	1,260,880	155,660,242	156,921,122
Investment-linked insurance	23,074	-	23,074
Total	**$ 2,377,426,666**	**155,660,242**	**2,533,086,908**

	June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 1,988,480,757	-	1,988,480,757
Individual injury insurance	764,663	-	764,663
Individual health insurance	191,198,948	-	191,198,948
Individual annuity insurance	1,285,186	150,539,397	151,824,583
Investment-linked insurance	21,214	-	21,214
Total	**$ 2,181,750,768**	**150,539,397**	**2,332,290,165**

The movements in the liability reserves are as follows

	For the six months ended June 30, 2016		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 2,377,426,666	155,660,242	2,533,086,908
Current provisions	227,711,897	17,721,741	245,433,638
Current reclaims	(66,241,175)	(11,300,825)	(77,542,000)
Gain and loss on foreign exchange	(11,483,863)	-	(11,483,863)
Ending balance	**$ 2,527,413,525**	**162,081,158**	**2,689,494,683**

	For the six months ended June 30, 2015		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Beginning balance	$ 2,076,598,848	153,267,225	2,229,866,073
Current provisions	186,686,831	8,414,971	195,101,802
Current reclaims	(72,337,659)	(11,142,799)	(83,480,458)
Gain and loss on foreign exchange	(9,197,252)	-	(9,197,252)
Ending balance	**$ 2,181,750,768**	**150,539,397**	**2,332,290,165**

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

	June 30, 2016			
	Insurance Contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Dividend provision for participating policies	$ 5,452,031	-	-	5,452,031
Valuation surplus gain for investment property	652,267	-	-	652,267
Total	**$ 6,104,298**	**-**	**-**	**6,104,298**

	December 31, 2015			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	$ 5,359,919	-	-	5,359,919
Valuation surplus gain for investment property	652,267	-	-	652,267
Total	**$ 6,012,186**	**-**	**-**	**6,012,186**

	June 30, 2015			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Dividend provision for participating policies	$ 3,954,579	-	-	3,954,579
Valuation surplus gain for investment property	652,267	-	-	652,267
Total	**$ 4,606,846**	**-**	**-**	**4,606,846**

The movements in special reserves are as follows:

	For the six months ended June 30, 2016			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	$ 6,012,186			6,012,186
Provision for dividend provision for participating policies	92,112	-	-	92,112
Ending balance	**$ 6,104,298**	**-**	**-**	**6,104,298**

	For the six months ended June 30, 2015			
	Insurance Contracts	Financial instruments with discretionary participation	Others	Total
Beginning balance	$ 4,103,652			4,103,652
Provision for dividend provision for participating policies	503,194	-	-	503,194
Ending balance	**$ 4,606,846**	**-**	**-**	**4,606,846**

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

	June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 19,261,683	-	19,261,683
Individual injury insurance	8,866	-	8,866
Individual health insurance	414,620	-	414,620
Group insurance	22,089	-	22,089
Investment-linked instruments	20	-	20
Total	**$ 19,707,278**	**-**	**19,707,278**

	December 31, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 15,821,363	-	15,821,363
Individual injury insurance	33	-	33
Individual health insurance	441,139	-	441,139
Group insurance	17,933	-	17,933
Total	**$ 16,280,468**	**-**	**16,280,468**

	June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Individual life insurance	$ 14,845,184	-	14,845,184
Individual injury insurance	290	-	290
Individual health insurance	474,908	-	474,908
Group insurance	11,869	-	11,869
Total	**$ 15,332,251**	**-**	**15,332,251**

The movements in premium deficiency reserve are as follows:

	For the six months ended June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 16,280,468	-	16,280,468
Current provision, net	3,502,955	-	3,502,955
Loss on foreign exchange	(76,145)	-	(76,145)
Ending balance	**$ 19,707,278**	**-**	**19,707,278**

	For the six months ended June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Beginning balance	$ 14,146,910	-	14,146,910
Current provision, net	1,270,941	-	1,270,941
Loss on foreign exchange	(85,600)	-	(85,600)
Ending balance	**$ 15,332,251**	**-**	**15,332,251**

(f) Liability adequacy reserve:

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

Insurance contracts	June 30, 2016	December 31, 2015	June 30, 2015
Liability reserve	$ 2,688,773,189	2,532,988,623	2,332,210,920
Unearned premium reserve	7,739,214	7,602,706	7,486,756
Premium deficiency reserve	19,707,274	16,280,465	15,332,247
Special reserve	6,104,298	6,012,186	4,606,846
Claim reserve	2,018,925	2,066,823	1,835,874
The carrying amount of the related insurance liabilities	**$ 2,724,342,900**	**2,564,950,803**	**2,361,472,643**
Current estimate of future cash flows under its insurance liabilities	**$ 2,062,184,475**	**1,982,100,956**	**1,787,220,703**
Total liability adequacy reserve	**$ -**	**-**	**-**

The liability adequacy test method adopted by the Group for June 30, 2016, December 31, 2015, and June 30, 2015:

Test method	Gross Premium Valuation (GPV)
Group	All insurance contracts
Significant assumption	The discount rate assumption for future years was set up based on the assets allocation and best estimate assumptions to predict future return on investment.

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

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

	June 30, 2016			
	Insurance Contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Catastrophic risk reserve	$ 2,838,083	-	-	2,838,083
Contingency risk reserve	9,599,582	-	-	9,599,582
Total	**$ 12,437,665**	**-**	**-**	**12,437,665**

	December 31, 2015			
	Insurance Contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Catastrophic risk reserve	$ 2,838,083	-	-	2,838,083
Contingency risk reserve	9,098,296	-	-	9,098,296
Total	**$ 11,936,379**	**-**	**-**	**11,936,379**

	June 30, 2015			
	Insurance Contracts	**Financial instruments with discretionary participation**	**Others**	**Total**
Catastrophic risk reserve	$ 2,573,457	-	-	2,573,457
Contingency risk reserve	9,040,094	-	-	9,040,094
Total	**$ 11,613,551**	**-**	**-**	**11,613,551**

(S) Reserve for insurance with nature of financial instrument

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

	June 30, 2016	December 31, 2015	June 30, 2015
Life insurance	$ 82,573,565	83,616,757	84,910,599

	For the six months ended June 30, 2016	2015
Beginning balance	$ 83,616,757	86,147,768
Current premiums collected	442	462
Current claims payment	(1,701,096)	(1,999,405)
Current net provision for legal reserve	657,462	761,774
Ending balance	$ 82,573,565	84,910,599

(T) Reserve for foreign exchange fluctuation

(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 reserve for foreign exchange fluctuation are as follows:

	For the six months ended June 30, 2016	2015
Beginning balance	$ 7,479,048	3,475,289
Current provision:		
Compulsory provision	1,058,110	925,484
Additional provision	1,447,836	335,583
Subtotal	2,505,946	1,261,067
Recovered	(4,366,874)	(3,553,198)
Ending balance	$ 5,618,120	1,183,158

(c) Effect of the reserve for foreign exchange fluctuation

Item	Not applied amount	Applied amount	Effect
June 30, 2016			
Foreign exchange fluctuation reserve	$ -	5,618,120	(5,618,120)
Shareholders' equity	228,163,960	225,175,247	2,988,713
December 31, 2015			
Foreign exchange fluctuation reserve	-	7,479,048	(7,479,048)
Shareholders' equity	187,315,077	182,781,794	4,533,283
June 30, 2015			
Foreign exchange fluctuation reserve	-	1,183,158	(1,183,158)
Shareholders' equity	208,088,827	208,781,133	(692,306)

	For the six months ended June 30, 2016			For the six months ended June 30, 2015		
Item	Not applied amount	Applied amount	Effect	Not applied amount	Applied amount	Effect
Income after tax	$ 11,450,486	12,995,056	(1,544,570)	27,177,192	29,079,661	(1,902,469)
Earnings per share	2.00	2.27	(0.27)	4.74	5.07	(0.33)

(U) Deferred acquisition cost and deferred handling fee

(a) Deferred acquisition cost

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

	For the six months ended June 30,	
	2016	2015
Beginning balance	$ 361,843	360,324
Addition	25,678	46,567
Amortization	(34,079)	(46,091)
Ending balance	**$ 353,442**	**360,800**

(b) Deferred handling fees

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

	For the six months ended June 30, 2016	2015
Beginning balance	$ 895,031	769,655
Addition	69,964	124,835
Amortization	(46,828)	(57,152)
Ending balance	$ **918,167**	**837,338**

(V) Premium

(a) Retained earned premium

	For the three months ended June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	$ 115,579,268	7,488,892	123,068,160
Reinsurance premiums	-	-	-
Premium income	115,579,268	7,488,892	123,068,160
Less: reinsurance premium ceded	288,622	-	288,622
Net change in unearned premium reserves	71,461	-	71,461
Subtotal	360,083	-	360,083
Retained earned premiums	$ **115,219,185**	**7,488,892**	**122,708,077**

	For the three months ended June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	$ 95,198,910	4,489,995	99,688,905
Reinsurance premiums	1,203	-	1,203
Premium income	95,200,113	4,489,995	99,690,108
Less: reinsurance premium ceded	276,449	-	276,449
Net change in unearned premium reserves	208,962	-	208,962
Subtotal	485,411	-	485,411
Retained earned premiums	**$ 94,714,702**	**4,489,995**	**99,204,697**

	For the six months ended June 30, 2016		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	$ 227,843,183	16,373,739	244,216,922
Reinsurance premiums	87	-	87
Premium income	227,843,270	16,373,739	244,217,009
Less: reinsurance premium ceded	532,950	-	532,950
Net change in unearned premium reserves	131,453	-	131,453
Subtotal	664,403	-	664,403
Retained earned premiums	**$ 227,178,867**	**16,373,739**	**243,552,606**

	For the six months ended June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Direct written premiums	$ 185,117,610	7,269,777	192,387,387
Reinsurance premiums	2,568	-	2,568
Premium income	185,120,178	7,269,777	192,389,955
Less: reinsurance premium ceded	556,231	-	556,231
Net change in unearned premium reserves	206,689	-	206,689
Subtotal	762,920	-	762,920
Retained earned premiums	**$ 184,357,258**	**7,269,777**	**191,627,035**

(b) Retained claims payment

	For the three months ended June 30, 2016		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 40,946,315	5,358,564	46,304,879
Reinsurance claims payment incurred	235	-	235
Insurance claims payment	40,946,550	5,358,564	46,305,114
Less: Claims payment recovered from reinsurers	98,133	-	98,133
Retained claims payment	**$ 40,848,417**	**5,358,564**	**46,206,981**

	For the three months ended June 30, 2015		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 39,990,334	6,039,404	46,029,738
Reinsurance claims payment incurred	457	-	457
Insurance claims payment	39,990,791	6,039,404	46,030,195
Less: Claims payment recovered from reinsurers	90,213	-	90,213
Retained claims payment	**$ 39,900,578**	**6,039,404**	**45,939,982**

	For the six months ended June 30, 2016		
	Insurance Contracts	**Financial instruments with discretionary participation**	**Total**
Claims payment incurred	$ 80,570,959	11,381,153	91,952,112
Reinsurance claims payment incurred	579	-	579
Insurance claims payment	80,571,538	11,381,153	91,952,691
Less: Claims payment recovered from reinsurers	209,657	-	209,657
Retained claims payment	**$ 80,361,881**	**11,381,153**	**91,743,034**

	For the six months ended June 30, 2015		
	Insurance Contracts	Financial instruments with discretionary participation	Total
Claims payment incurred	$ 84,465,127	11,275,139	95,740,266
Reinsurance claims payment incurred	1,475	-	1,475
Insurance claims payment	84,466,602	11,275,139	95,741,741
Less: Claims payment recovered from reinsurers	184,536	-	184,536
Retained claims payment	**$ 84,282,066**	**11,275,139**	**95,557,205**

(W) Non-operating income and expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Losses on disposal of fixed assets and equipment	$ (208)	(6,169)	(213)	(6,684)
Other non-operating income and expenses	118,731	97,492	225,009	242,317
Total	**$ 118,523**	**91,323**	**224,796**	**235,633**

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

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

(1) The organization of risk management

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

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

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

(2) Risk management strategy

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

(b) Insurance risk management

(1) Underwriting risk management

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

1) Risk of policyholder concealment

2) Risk of insurance content

3) Occupational and financial risk

4) Risk of health conditions

5) Risk of the lack of experience of the underwriter

6) Risk of retention

7) Risk of operation quality

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

(2) Claim risk management

Claim risk refers to the risk arising from adopting inappropriate or negligent procedures on claims settlement procedure. In order to manage claim risk, claim risk is categorized into four management interfaces, such as reason of occurrence, frequency of occurrence of risk, classification of risk and effect of the risk. 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 set assets allocation plans, which take into the characteristics of the requirement of asset and liabilities management, and conform to sales review meeting regularly after sales.

(4) Reserve-risk management

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

(5) Catastrophic risk and reinsurance risk

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

1) Catastrophic risk

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

2) Reinsurance risk

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

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

(6) Assets and liabilities combination risk

1) To enhance the overall assets and liabilities allocation, maintain adequate liquidity, and improve capital performance 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.

2) The Assets and Liabilities Management Committee holds meetings monthly and the responsible department in the Group performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to 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

1) A Risk Management Committee is set up under the supervision of the Board of Directors. Except for the independent directors acting as the conveners, all other independent directors are members of the committee, which holds a meeting quarterly. According to its organization rules, the major duties of the committee are to

(I) Set up and modify policy and structure of risk management

(II) Set up and modify the quantitative and qualitative criteria for risk measurement.

(III) Adjust risk types as environment change

(IV) Set up risk limit allocation and the way of undertaking risk

(V) Submit risk management report to the board of directors regularly and authorize to competent departments.

2) The committee also reviews the overall risk management. Aside from supervising the implementation of risk management policies to ensure that the Group meets the strategic target, the committee reviews the effectiveness and feasibility of risk management mechanism. It also submits reports to the board of directors to ensure that the risk management is enforced effectively.

(c) Information of insurance risk

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

	For the six months ended June 30, 2016			
	Change of assumption		**Change of income before tax**	**Change of stockholder's equity**
Mortality/Morbidity	Increase	10 %	(1,172,017)	(972,774)
Rate of return	Decrease	0.1 %	(1,468,372)	(1,218,749)
Expense (fixed expense)	Increase	5 %	(157,400)	(130,642)
Lapse and surrender rate	Increase	10 %	112,805	93,628

	For the six months ended June 30, 2015			
	Change of assumption		**Change of income before tax**	**Change of stockholder's equity**
Mortality/Morbidity	Increase	10 %	(1,050,723)	(872,100)
Rate of return	Decrease	0.1 %	(1,306,008)	(1,083,987)
Expense (fixed expense)	Increase	5 %	(159,500)	(132,385)
Lapse and surrender rate	Increase	10 %	98,336	81,619

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 stockholder's equity evaluating the impact to income before tax/stockholders' equity in which only one element changes and the others remain on Mortality, Morbidity, Rate of return, Expense rate and Lapse rate, assuming that the tax rate was 17%. The sensitivity analysis does not include the information of the subsidiaries, such the exclusion is due to the fact that the retention of earned premiums accounted for only minimum 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

1) Development trend of claims payment incurred

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

June 30, 2016

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2010	3,426,842	3,989,417	4,044,102	4,059,304	4,062,735	4,066,811	4,067,926	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	4,234,348	-	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	4,355,908	-	-	-
2013	3,970,050	4,725,262	4,813,040	4,825,346	-	-	-	5,491
2014	4,172,446	5,113,019	5,171,884	-	-	-	-	47,923
2015	4,605,165	5,371,984	-	-	-	-	-	582,984
2016	2,105,581	-	-	-	-	-	-	452,468
IBNR Reserve								1,088,866
Plus: RBNA Reserve								914,625
The balance of claim reserve								2,003,491

December 31, 2015

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2009	3,002,570	3,389,116	3,429,856	3,438,866	3,442,739	3,446,788	3,450,942	-
2010	3,426,842	3,989,417	4,044,102	4,059,304	4,062,735	4,066,811	-	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,232,924	-	-	-
2012	3,534,236	4,263,656	4,330,262	4,347,231	-	-	-	-
2013	3,970,050	4,725,262	4,813,040	-	-	-	-	10,934
2014	4,172,446	5,113,019	-	-	-	-	-	84,353
2015	4,605,165	-	-	-	-	-	-	999,192
IBNR Reserve								1,094,479
Plus: RBNA Reserve								956,527
The balance of claim reserve								2,051,006

June 30, 2015

Occurrence Year	Development year 1	2	3	4	5	6	7	Claim Reserve
2009	3,002,570	3,389,116	3,429,856	3,438,866	3,442,739	3,446,788	3,451,557	-
2010	3,426,842	3,989,417	4,044,102	4,059,304	4,062,735	4,065,566	-	-
2011	3,500,731	4,151,270	4,214,277	4,225,892	4,229,747	-	-	-
2012	3,534,236	4,263,656	4,330,262	4,341,128	-	-	-	2,015
2013	3,970,050	4,725,262	4,782,027	-	-	-	-	40,375
2014	4,172,446	4,977,301	-	-	-	-	-	472,051
2015	1,860,119	-	-	-	-	-	-	348,906
IBNR Reserve								863,347
Plus: RBNA Reserve								956,294
The balance of claim reserve								1,819,641

Note 1： Amount shown above excludes investment contracts.

Note 2： As of June 30, 2016, December 31, 2015, and June 30, 2015, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary, from claims payment incurred are not estimated based on claim development trend amounts to $15,473, $15,966 and $16,245, respectively.

2) Development trend of retained claims payments

Cumulative claims payments from prior years are as follows:

June 30, 2016

Occurrence Year	Development year 1	2	3	4	5	6	7	Claim Reserve
2010	3,262,624	3,703,188	3,757,543	3,772,737	3,776,169	3,780,233	3,781,348	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	4,064,440	-	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	4,276,694	-	-	-
2013	3,942,698	4,565,096	4,651,774	4,664,080	-	-	-	5,406
2014	4,166,511	4,992,049	5,050,914	-	-	-	-	46,906
2015	4,587,144	5,306,360	-	-	-	-	-	575,674
2016	2,105,054	-	-	-	-	-	-	452,266
IBNR Reserve								1,080,252
Plus: RBNA Reserve								832,293
The balance of claim reserve								1,912,545

December 31, 2015

Occurrence Year	Development year 1	2	3	4	5	6	7	Claim Reserve
2009	2,692,917	3,000,037	3,038,956	3,047,944	3,052,342	3,056,391	3,060,545	-
2010	3,262,624	3,703,188	3,757,543	3,772,737	3,776,169	3,780,233	-	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,063,016	-	-	-
2012	3,526,249	4,184,487	4,251,072	4,268,016	-	-	-	-
2013	3,942,698	4,565,096	4,651,774	-	-	-	-	10,764
2014	4,166,511	4,992,049	-	-	-	-	-	82,482
2015	4,587,144	-	-	-	-	-	-	993,815
IBNR Reserve								1,087,061
Plus: RBNA Reserve								841,977
The balance of claim reserve								1,929,038

June 30, 2015

Occurrence Year	Development year							Claim Reserve
	1	2	3	4	5	6	7	
2009	2,692,917	3,000,037	3,038,956	3,047,944	3,052,342	3,056,391	3,061,160	-
2010	3,262,624	3,703,188	3,757,543	3,772,737	3,776,169	3,779,000	-	-
2011	3,437,890	3,981,026	4,044,397	4,056,011	4,059,859	-	-	-
2012	3,526,249	4,184,487	4,251,072	4,261,918	-	-	-	1,961
2013	3,942,698	4,565,096	4,621,799	-	-	-	-	38,882
2014	4,166,511	4,912,860	-	-	-	-	-	466,041
2015	1,856,779	-	-	-	-	-	-	347,953
IBNR Reserve								854,837
Plus: RBNA Reserve								836,586
The balance of claim reserve								1,691,423

Note 1： Amount shown above excludes investment contracts.

Note 2： As of June 30, 2016, December 31, 2015, and June 30, 2015, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary, from claims payment incurred are not estimated based on claim development trend amounts to $13,498, $13,754 and $13,870, respectively.

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

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

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

(1) Credit risk

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

(2) Liquidity risk

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

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

(Unit: NT$ million)

June 30, 2016

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify(note)	Total
Provision	156,896	300,758	194,844	1,898,265	256,223	2,806,986
Proportion	5.6 %	10.7 %	6.9 %	67.7 %	9.1 %	100.0 %

December 31, 2015

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify(note)	Total
Provision	133,834	240,872	275,324	1,743,597	254,387	2,648,014
Proportion	5.1 %	9.1 %	10.4 %	65.8 %	9.6 %	100.0 %

June 30, 2015

Maturity date	<1 year	1~3 years	3~5 years	>5 years	Unable to classify(note)	Total
Provision	68,602	285,146	259,705	1,577,013	255,344	2,445,810
Proportion	2.8 %	11.7 %	10.6 %	64.5 %	10.4 %	100.0 %

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

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

(3) Market risk

Market risk refers to the risk caused by the adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices.

The Group 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.

(Y) Fair value and fair value hierarchy

(a) Fair value information

(1) General description

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

The financial instruments are record as fair value when original recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides the most reliable evidence of fair value. If financial instruments are without active market, the Group adopted the value technique, reference to fair value of the financial instruments used by the financial and information firms and widely used by market participants to evaluate or measure the financial instruments.

(2) The definition of fair value hierarchy

1) Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical financial instruments. The active market: A market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. Taiwan government bonds, the equity and debt instruments with active market invested by the Group are Level 1 inputs.

2) Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). Domestic preferred stocks, bond investments and derivative instruments with no active market invested by the Group are Level 2 inputs.

3) Level 3 inputs

Level 3 inputs are unobservable inputs for the asset or liability in market. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. Equity and bond instruments according to counter-parties pricing which are with no active market and investment property are Level 3 inputs.

(b) Based on fair value measurement

(1) The fair value hierarchy information

The financial instruments and investment property which are recorded as fair value measure on an ongoing basis, the fair value hierarchy of information are as follows:

		June 30, 2016			
Assets and liabilities items		**Total**	**Quoted prices in active markets for identical financial instruments Level 1**	**Significant quoted prices that are observable inputs Level 2**	**Significant quoted prices that are unobservable inputs Level 3**
Recurring measurements:					
Non-derivative financial instruments					
Assets:					
Available-for-sale financial assets					
Security investment	$	348,614,706	337,297,868	-	11,316,838
Bond investment (Note)		652,259,194	489,239,450	122,198,934	40,820,810
Others		278,537,806	244,137,295	-	34,400,511
Investment property		172,292,547	-	-	172,292,547

Assets and liabilities items		June 30, 2016 Total	Quoted prices in active markets for identical financial instruments Level 1	Significant quoted prices that are observable inputs Level 2	Significant quoted prices that are unobservable inputs Level 3
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss	$	5,972,607	-	5,972,607	-
Hedging derivative assets		1,065,400	-	1,065,400	-
Liabilities:					
Financial liabilities at fair value through profit or loss		953,376	-	953,376	-

Assets and liabilities items		December 31, 2015 Total	Quoted prices in active markets for identical financial instruments (Level 1)	Significant quoted prices that are observable inputs (Level 2)	Significant quoted prices that are unobservable inputs (Level 3)
Recurring measurements:					
Non-derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss					
Held-for-trading					
Bond investment	$	1,959,664	1,959,664	-	-
Financial assets measured at fair value on initial recognition		1,448,528	-	1,448,528	-
Available-for-sale financial assets					
Security investment		359,496,188	359,406,070	-	90,118
Bond investment (Note)		720,049,509	554,481,717	124,660,826	40,906,966
Others		279,983,036	252,616,067	-	27,366,969
Investment property		166,905,951	-	-	166,905,951
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss	$	607,966	-	607,966	-
Hedging derivative assets		678,556	-	678,556	-
Liabilities:					
Financial liabilities at fair value through profit or loss		13,162,301	-	13,162,301	-
Hedging derivative liabilities		16,581	-	16,581	-

	June 30, 2015			
Assets and liabilities items	Total	Quoted prices in active markets for identical financial instruments Level 1	Significant quoted prices that are observable inputs Level 2	Significant quoted prices that are unobservable inputs Level 3
Recurring measurements:				
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Held-for-trading				
Financial assets measured at fair value on initial recognition	$ 1,020,177	-	-	1,020,177
Available-for-sale financial assets				
Security investment	440,333,426	440,242,378	-	91,048
Bond investment (Note)	760,440,294	584,757,909	133,391,787	42,290,598
Others	316,382,978	296,378,026	152,577	19,852,375
Investment property	131,320,816	-	-	131,320,816
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	$ 2,266,264	-	2,266,264	-
Hedging derivative assets	245,792	-	245,792	-
Liabilities:				
Financial liabilities at fair value through profit or loss	3,439,262	-	3,439,262	-
Hedging derivative liabilities	53,659	-	53,659	-

Note: Including the government bonds recognized in guarantee deposits paid.

(2) Valuation techniques used in estimating the fair values of financial instruments

1) Financial Instruments

If the financial instruments has quoted price in an active market, the quoted price is regarded as its fair value. Market OTC bulletin, the central government bonds and net investment adviser, investment trust fund Association, are among the basic listing have active equity instruments and debt instruments of the fair market value of publicly quoted

The financial instruments of quoted price ask (bid) from Exchange, Brokers, Pricing service agencies or Government timely and consistently, with transaction taking place actually and frequently. Thus the financial instruments has quoted price in an active market. If the above conditions are not fulfilled, the market is inactive. Normally if the bid-ask spread is huge, a significant increase in bid-ask spread or trading volume reduce, are all indicators of the market is not active.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, including the required parameters of market information that can be obtained, such as the trade center of the interest rate yield curve.

The Group applied the public active market participants' pricing techniques if the pricing standards of financial instruments, such as non-active market bonds, are not complex and not based on standard pricing models. Such pricing models of financial instruments are usually based on market observable information.

Derivatives financial instruments adopted the pricing model used by active market participants such as Discounted Cash Flow model. Forward foreign exchange contracts are based on forward exchange rate system based on the current evaluation, the evaluation model applies the simple discounted cash flow analysis. Interest rate derivative financial instruments used the parameters of the market which can be directly observed, and the evaluation model applies the simple discounted cash flow analysis.

2) Non-financial instruments

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

(3) Adjustment for fair value

The restraint of evaluation model and uncertain inputs. Evaluation model has its limitation and hence may not reflect all the relevant factors in both the financial and non-financial instruments of the Group.

The estimates of output based value using the evaluation model, which may not reflect the Group's all related factors. Therefore the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process after careful assessment, and appropriately adjusted according to the current market situation.

(4) Transfer between Level 1 and Level 2

The transfer between Level 1 and Level 2 is due to change in evaluation source for the year ended June 30, 2016 and 2015.

(5) Level 3 movement details

Movements in fair value measurement of financial assets classified under Level 3 are as follows:

	For the six months ended June 30, 2016							
		Valuation profit or loss		Increase		Decrease		
Name	Beginning balance	Recognized in profit or loss	Recognized in other inccomprehensive income	Purchase or issuance	Transfer to Level 3 from other tiers	Sale, disposal or settlement	Transferring to other tiers from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Available-for-sale financial assets	$ 68,364,053	(783,810)	2,185,992	18,329,204	3,556,940	1,475,944	3,638,276	86,538,159
Investment property	166,905,951	632,764	(3,655,703)	8,449,501	-	-	39,966	172,292,547
Total	$ 235,270,004	(151,046)	(1,469,711)	26,778,705	3,556,940	1,475,944	3,678,242	258,830,706

(a) Due to lack of observable market data (on such securities due to reduction in market activity) which caused the transfer to Level 3.

(b) The Group policy leads to changes in the date of transfer of matter or the situation (or during the reporting period start date or end date of reporting) which result in the transfer in and out of Level 3.

(c) Due to observable market data hence results in a transfer from Level 3 .

	For the six months ended June 30, 2015							
		Valuation profit or loss		Increase		Decrease		
Name	Beginning balance	Recognized in profit or loss	Recognized in other inccomprehensive income	Purchase or issuance	Transfer to Level 3 from other tiers	Sale, disposal or settlement	Transferring to other tiers from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Held-for-trading	$ 67,428	(67,428)	-	-	-	-	-	-
Financial assets measured at fair value on initial recognition	-	-	-	-	1,020,177	-	-	1,020,177
Available-for-sale financial assets	67,583,592	(3,199,437)	(1,607,074)	5,364,550	1,714,029	3,238,672	4,382,967	62,234,021
Investment property	113,946,178	264,599	165,819	16,945,382	-	1,162	-	131,320,816
Total	$ 181,597,198	(3,002,266)	(1,441,255)	22,309,932	2,734,206	3,239,834	4,382,967	194,575,014

(a) Due to lack of observable market data (on such securities due to reduction in market activity) which caused the transfer to Level 3.

(b) The Group policy leads to changes in the date of transfer of matter or the situation (or during the reporting period start date or end date of reporting) which result in the transfer in and out of Level 3.

(c) Due to observable market data hence results in a transfer from Level 3 .

Movement of financial liabilities measured at fair value classified to Level 3

	For the six months ended June 30, 2015						
			Increase		Decrease		
Name	Beginning balance	Valuation recognized in profit or loss	Purchase or issuance	Transfer to Level 3 from other tiers	Sale, disposal or settlement	Transferring to other tiers from Level 3	Ending balance
Financial liabilities at fair value through profit and loss							
Held-for-trading	$ 70,652	(70,652)	-	-	-	-	-

	For the six months ended June 30,	
	2016	2015
Amount recognized in profit or loss for the above-mentioned unrealized gains (losses)	$ 429,381	(2,995,110)
Amount recognized in other comprehensive income for the above-mentioned unrealized gains (losses)	$ (1,462,632)	(1,361,818)

(6) Significant unobservable fair value (Level 3)

The fair value measurements of the Group is classified as Level 3 and are mainly attributed from financial assets designated as at fair value through profit or loss on initial recognition, available-for-sale financial assets and investment property.

Due to the lack of available open market pricing to determine the fair value of available-for-sale financial assets, the Group obtains the market quotation based on public active market participants' pricing techniques or counter-parties pricing. For investment property categorized into Level 3, the fair value is determined in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Company" and evaluated by the professional appraisal agency with the support of market evidences. Please refer to Note 6(E) for details.

As of June 30, 2016, December 31, 2015, and June 30, 2015, the fair value of financial assets that are not disclosed due to the lack of significant observable information amounted to $258,830,706, $235,270,004 , and $194,575,014 , respectively.

(7) Valuation process of fair value classified in Level 3

The fair value of the Group measured using unobservable input value shall be based on both observable and unobservable parameters to make significant adjustments of fair value. Such classifications are based on two sources which are, first, pricing provided by professional financial information company and there should not be any differences in pricing due to different personnel as it requires specified settings to obtain; second, pricing obtained from counter-parties where product pricing are based on monthly reports and a copy of backup will be saved. Subsequent pricing assessment will be done to ensure the consistency and accuracy.

Investment property is appraised by external appraisers in accordance with the valuation techniques and parameters announced by FSC.

(8) Sensitivity and reasonableness of fair value of Level 3 investments

The fair value pricing of financial investments and investment property of the Group are reasonable as no self-assessment pricing model was applied and hence, no alternative or sensitivity test will be performed.

(c) Non-fair value measurement

(1) Fair value information

Other than the following financial investments as stated in the table below, such as cash and cash equivalents, receivables and other financial assets - certificates of deposit and settlement, loans, short-term debts and other payable are disclosed based on amount similar to fair value and hence fair value is not disclosed due to no major differences. Due to the lack of reliable open active market available price and hence, those financial investments are measured at cost.

Items	Carrying amount	Fair value
June 30, 2016		
Financial assets		
Non-active market of debt instruments	$ 1,072,088,391	1,123,608,029
Held-to-maturity of financial assets	25,173,189	29,601,861
Other financial assets	30,684,148	30,889,192
December 31, 2015		
Financial assets		
Non-active market of debt instruments	$ 881,393,782	881,620,944
Held-to-maturity of financial assets	25,169,487	28,546,080
Other financial assets	28,929,122	29,198,400
June 30, 2015		
Financial assets		
Non-active market of debt instruments	618,567,091	617,332,359
Held-to-maturity of financial assets	19,953,072	20,265,031
Other financial assets	39,874,061	39,960,673

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

(2) The fair value hierarchy information

	June 30, 2016			
Assets and liabilities items	Total	Quoted prices in active markets for identical financial instruments Level 1	Significant quoted prices that are observable inputs Level 2	Significant quoted prices that are unobservable inputs Level 3
Financial assets:				
Non-active market financial instruments	$ 1,123,608,029	125,046,746	646,598,374	351,962,909
Held-to-maturity of financial assets	29,601,861	29,601,861	-	-
Other financial assets	30,889,192	-	-	30,889,192

	December 31, 2015			
Assets and liabilities items	Total	Quoted prices in active markets for identical financial instruments Level 1	Significant quoted prices that are observable inputs Level 2	Significant quoted prices that are unobservable inputs Level 3
Financial assets:				
Non-active market financial instruments	$ 881,620,944	66,800,104	465,303,192	349,517,648
Held-to-maturity of financial assets	28,546,080	28,546,080	-	-
Other financial assets	29,198,400	-	-	29,198,400

	June 30, 2015			
Assets and liabilities items	Total	Quoted prices in active markets for identical financial instruments Level 1	Significant quoted prices that are observable inputs Level 2	Significant quoted prices that are unobservable inputs Level 3
Financial assets:				
Non-active market financial instruments	$ 617,332,359	24,771,203	226,070,924	366,490,232
Held-to-maturity of financial assets	20,265,031	20,265,031	-	-
Other financial assets	39,960,673	-	-	39,960,673

(3) Valuation techniques

The methods and assumptions used by the Group to determine the fair value of the financial instruments are as follows:

1) The carrying value of its short-term financial instruments on the balance sheet shows the estimate of fair value; for such items with short-term maturity, the reasonable basis can be determined based on the carrying amount. These apply to cash and cash equivalent, other financial assets –time deposit and settlement provisions, loans, short-term debts and account payable.

2) If the financial assets are based on a public offer active market, then the market price will be the fair value. If there is no active market pricing as reference, the price quoted in pricing model or from counter-parties are used as reference. This applies to held-to-maturity financial assets and other financial assets.

3) Non-active market debt instruments comprise of local government bonds, financial bonds, corporate bonds and investment-linked bonds, beneficiary certificate, and preferred stocks. Fair value assessment of no active market are based on cost and relevant disclosure are based on valuation techniques or pricing from counter-parties. Valuation techniques are based on discounted cash flow to calculate fair value.

(Z) Financial risk management

(a) Risk management system

(1) The organization structure of risk management

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

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

2) Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of the Company in order to assure the management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out the risk control and to facilitate the coordination of other risk control affairs, the Company's board of directors designates a chief risk officer to be in charge of a risk management department which is independent of all business units. The risk management department executes or assists to execute risk control duty following the regulation of risk management policy, organization rules governing the risk management committee and organization rules governing the risk related committee. The Company has established diverse risk management 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 subsidiaries is conducted per the relevant regulations of local authority and the risk management rules of the Company. It is to control certain risks such as market, credit and liquidity risk and measure and evaluate the overall investment position regularly. The risk management staff prepares management and evaluation internal monitoring reports for various risks.

(2) Risk management policies

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

(3) Risk management process

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

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

2) Risk measurement: To set up quantitative and qualitative risk management methods、 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.

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

4) Risk report: Except for the regular report during the monitoring process, the risk management staff shall report immediately when abnormal or other special situation occurs and take appropriate actions (including the diminishing, control, transfer and tolerating of risk) to minimize the possible impact to the Company.

In accordance with the risk management policies of the Company, the Company 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 Company also established measurement and evaluation management mechanism to regularly prepare management and evaluation monitoring report for various risks.

(4) Risk hedging and diminishing strategy

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

(b) Credit risk analysis

Credit risk refers to the risk resulted from the deterioration of the credit status of the investment, the descending of credit rating, the credit risk event which can be attributed to the default of contracts, and the default of the 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. Details based on industry and geographic area details are as follows:

(1) Credit risk exposure- industry

	June 30, 2016		December 31, 2015		June 30, 2015	
Financial assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Industrial enterprise	$ 66,420,918	3.43 %	54,809,297	3.04 %	25,833,890	1.64 %
Public business	73,626,721	3.80 %	70,134,609	3.89 %	60,216,945	3.83 %
Diversification	346,926	0.02 %	343,424	0.02 %	350,485	0.02 %
Mortgage backed securities	35,837,749	1.85 %	39,763,858	2.21 %	39,892,577	2.54 %
Financial sector	795,075,642	41.06 %	693,891,101	38.53 %	647,278,085	41.15 %
Consumer staples	122,040,657	6.30 %	99,204,886	5.51 %	50,973,598	3.24 %
Government	292,276,029	15.09 %	374,092,237	20.77 %	397,645,434	25.28 %
Technology	60,901,551	3.14 %	45,119,402	2.51 %	11,431,731	0.73 %
Raw material	61,535,102	3.18 %	50,700,178	2.82 %	48,384,068	3.08 %
Consumer discretionary	50,673,254	2.62 %	47,437,117	2.63 %	15,262,553	0.97 %
Energy	83,037,335	4.29 %	68,121,360	3.78 %	67,392,309	4.28 %
Assets backed securities	8,238,627	0.42 %	6,740,441	0.37 %	6,093,022	0.39 %
Telecommunication	138,002,673	7.13 %	108,920,108	6.05 %	71,175,832	4.53 %
Other	148,489,954	7.67 %	141,513,927	7.87 %	130,911,671	8.32 %
Total	$ **1,936,503,138**	**100.00** %	**1,800,791,945**	**100.00** %	**1,572,842,200**	**100.00** %

(2) Credit risk exposure-geographic area

	June 30, 2016		December 31, 2015		June 30, 2015	
Financial assets	Amount	%	Amount	%	Amount	%
Taiwan	$ 595,471,994	30.75 %	661,760,485	36.75 %	678,103,570	43.11 %
Asia except Taiwan	182,116,381	9.40 %	189,940,330	10.55 %	176,313,126	11.21 %
North America	790,961,373	40.84 %	642,546,160	35.68 %	422,384,093	26.85 %
Middle and South America	17,562,427	0.91 %	15,113,391	0.84 %	18,835,453	1.20 %
Europe	340,092,149	17.56 %	282,128,846	15.67 %	268,715,538	17.08 %
Africa/Middle East	10,298,814	0.54 %	9,302,733	0.51 %	8,490,420	0.55 %
Total	$ 1,936,503,138	100.00 %	1,800,791,945	100.00 %	1,572,842,200	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, 2016						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
$ 1,302,451,358	630,342,529	4,756,280	-	-	2,483,782	2,509,594

December 31, 2015						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
$ 1,282,025,803	518,288,688	557,462	-	-	3,093,657	2,438,759

June 30, 2015						
Low risk	Medium risk	High risk	No credit rating	Overdue but not impaired	Impaired	Accumulated impairment
$ 1,124,390,257	446,039,340	675,348	1,466,050	-	4,284,978	2,640,674

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

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 includes the preferred stock of Taiwan High Speed Rail Corporation and is classified as debt instrument without active market.

(3) Credit risk hedging or mitigation policies

1) Collateral

The Group requests loan customers to provide sufficient collaterals and regulates relevant loan policies to mitigate credit risk. The examination and calculation of loan amount of the Group takes into consideration the solvency of client, type of collateral and whether it is easy or hard to dispose the collateral to ensure the creditor's right. In addition, it is regulated in the loan contracts regarding debt preservation, collateral terms and offsetting terms to define that when a credit default event occurs, the Group is entitled to reduce the loan amount and repayment term, or to deem the loan as matured at once so as to ensure risk of loans.

2) Enhancement of other credits

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

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

(4) The maximum credit risk exposure of the Group

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

The maximum exposure of assets used as collaterals, general agreement of net amount settlement and other credit enhancement tools is the carrying amount on the consolidated balance sheet.

(c) Liquidity risk analysis

The liquidity risk of financial instruments is divided into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk that the Group does not possess sufficient cash and is not able to raise funds in time and finally failed to fulfill the obligation (debt repayment); Market liquidity risk refers to the risk that the Group is not able to settle or offset current position with reasonable market price due to the shallow market depth or market disorder or the oversized possession of the investment position and finally the Group may suffer from losses.

In terms of capital liquidity risk, the Group manages it in 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 Group applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of the Group established monitoring mechanism in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk. In addition, the Group established complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

The Group possesses sufficient operating funds, including cash 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 insignificant.

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

	June 30, 2016				
	<1 year	**1~3 years**	**3~5 years**	**>5 years**	**Total**
Accounts payable	$ 24,593,186	39,522	37,534	364,619	25,034,861
Short-term debts	69,409	-	-	-	69,409
Total	**$ 24,662,595**	**39,522**	**37,534**	**364,619**	**25,104,270**

	December 31, 2015				
	<1 year	1~3 years	3~5 years	>5 years	Total
Accounts payable	$ 19,861,798	41,855	42,844	421,307	20,367,804

	June 30, 2015				
	<1 year	1~3 years	3~5 years	>5 years	Total
Accounts payable	$ 29,410,141	35,737	43,151	430,271	29,919,300

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

	June 30, 2016				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	$ 953,376	-	-	-	953,376

	December 31, 2015				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	$ 13,162,301	-	-	-	13,162,301
Hedging derivatives liabilities	-	-	-	16,581	16,581
Total	$ 13,162,301	-	-	16,581	13,178,882

	June 30, 2015				
	<1 year	1~3 years	3~5 years	>5 years	Total
Financial liabilities at fair value through profit or loss	$ 3,370,278	68,984	-	-	3,439,262
Hedging derivatives liabilities	-	-	4,015	49,644	53,659
Total	$ 3,370,278	68,984	4,015	49,644	3,492,921

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.

(d) Market risk analysis

Market risk refers to the risk that the value of assets decreases due to disadvantageous movement of the market price and this may result in assets decrease to the Company. The risk factors of the market price fluctuation include interest rates, foreign exchange rates, stock prices, and commodity prices.

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

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

(1) Value at Risk

Value at Risk is to apply statistical techniques to measure the maximum potential loss of the investment portfolio resulted from market risk factor variation in a given period of time and under certain confidence interval. The Company applies 99% as the confidence interval to predict the VaR in the next 10 days.

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

(2) Sensitivity analysis

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

Sensitivity analysis

Units: NT$'000

June 30, 2016			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	-	35,277,756
	Price decline by 10%	-	(35,277,756)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	147	(41,211,073)
	Interest rate curve(NTD) incline by 100BPS	(791)	(23,640,697)
	Interest rate curve(Other currency) incline by 100BPS	-	(2,197,448)
	Interest rate curve(USD) decline by 100BPS	(136)	48,173,110
	Interest rate curve(NTD) decline by 100BPS	551	22,187,588
	Interest rate curve(Other currency) decline by 100BPS	-	2,248,559
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(5,725,249)	(5,771,154)
	NT$ to all currency decline by 3%	5,725,249	5,771,154

June 30, 2016			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 50BPS	70	(21,408,852)
	Interest rate curve(NTD) incline by 50BPS	(398)	(12,210,912)
	Interest rate curve(Other currency) incline by 50BPS	-	(1,120,846)
	Interest rate curve(USD) decline by 50BPS	(72)	23,210,428
	Interest rate curve(NTD) decline by 50BPS	404	12,928,618
	Interest rate curve(Other currency) decline by 50BPS	-	1,164,281

December 31, 2015			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	144,853	36,067,629
	Price decline by 10%	(144,853)	(36,067,629)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	188	(40,350,651)
	Interest rate curve(NTD) incline by 100BPS	(173,162)	(35,558,030)
	Interest rate curve(Other currency) incline by 100BPS	-	(2,301,134)
	Interest rate curve(USD) decline by 100BPS	(181)	46,874,527
	Interest rate curve(NTD) decline by 100BPS	189,781	38,848,024
	Interest rate curve(Other currency) decline by 100BPS	-	2,495,665
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(4,212,989)	(5,976,817)
	NT$ to all currency decline by 3%	4,212,989	5,976,817

December 31, 2015			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 50BPS	96	(20,902,256)
	Interest rate curve(NTD) incline by 50BPS	(88,735)	(18,376,542)
	Interest rate curve(Other currency) incline by 50BPS	-	(1,173,551)
	Interest rate curve(USD) decline by 50BPS	(89)	22,531,910
	Interest rate curve(NTD) decline by 50BPS	93,263	19,678,729
	Interest rate curve(Other currency) decline by 50BPS	-	1,222,168

June 30, 2015			
Risk factor	**Variation**	**Change in profit or loss**	**Change in Equity**
Equity risk (Price)	Price incline by 10%	102,018	40,708,054
	Price decline by 10%	(102,018)	(40,708,054)
Interest rate risk (Yield curve)	Interest rate curve(USD) incline by 100BPS	212	(41,797,610)
	Interest rate curve(NTD) incline by 100BPS	(977)	(36,455,156)
	Interest rate curve(Other currency) incline by 100BPS	-	(2,657,770)
	Interest rate curve(USD) decline by 100BPS	(212)	48,586,427
	Interest rate curve(NTD) decline by 100BPS	932	41,416,461
	Interest rate curve(Other currency) decline by 100BPS	-	2,896,859
Exchange rate risk (Currency exchange rate)	NT$ to all currency incline by 3%	(2,899,875)	(6,854,046)
	NT$ to all currency decline by 3%	2,899,875	6,854,046

Note1: 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.

Note2: The sensitivity analysis above changed only one risk factor at a time when evaluating the impact of changes in fair value.

Note3: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bps will cause of a decrease of $7 and $1,817 in profit or loss and a decrease of $720,542 and $837,539 in equity on June 30, 2016 and December 31, 2015 respectively.

Most investments of the subsidiary in Vietnam are conducted with equity funds and the proportion of funds from loans is insignificant. Considering the unique financial environment and risk characteristics of Vietnam, the operating funds are all saved in local financial institutions as time deposits, and some are invested in long-term government bonds that without active market. Therefore, the market risk the subsidiary faces is insignificant.

In the future, the subsidiary is going to choose appropriate investment targets based on the investment environment in Vietnam and the coordination between assets and liabilities. In addition, the subsidiary 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.

(e) Transfer of financial assets

The Group's financial assets that are not derecognized in their entirety are mostly loaned equity securities under securities lending agreement. In such transactions, the contractual rights to the cash flows from the assets has been transferred to other parties and the Group reflects the associated financial liabilities of repurchasing the equity securities loaned at fixed prices in future periods. Since the Group is not allowed to use, sell, or pledge the transferred financial assets during the effective period of the agreement, the financial assets are not derecognized in their entirety. Financial assets that do not qualify for derecognized in their entirety are disclosed as follows:

Units: NT$'000

June 30, 2016					
Type of financial assets	**Carrying amount of the transferred financial assets**	**Carrying amount of relevant financial liabilities**	**Fair value of the transferred financial assets**	**Fair value of relevant financial liabilities**	**Fair value net position**
Available-for-sale financial assets – Securities lending agreements	328,593	-	328,593	-	328,593
Debt investments without active market-Repurchase agreement	58,015	69,409	65,287	69,409	(4,122)

Units: NT$'000

December 31, 2015					
Type of financial assets	**Carrying amount of the transferred financial assets**	**Carrying amount of relevant financial liabilities**	**Fair value of the transferred financial assets**	**Fair value of relevant financial liabilities**	**Fair value net position**
Available-for-sale financial assets – Securities lending agreements	448,159	-	448,159	-	448,159

Units: NT$'000

June 30, 2015					
Type of financial assets	Carrying amount of the transferred financial assets	Carrying amount of relevant financial liabilities	Fair value of the transferred financial assets	Fair value of relevant financial liabilities	Fair value net position
Available-for-sale financial assets – Securities lending agreements	240,811	-	240,811	-	240,811

(f) The offsetting of financial assets and financial liabilities

The transactions which the Group conducts do not in conformity with the financial standards, but the Group signs general agreement of net amount settlement or similar norms with the counterparties that when both sides choose to settle in net amount, it is allowed to settle in the net amount of financial assets offsetting financial liabilities. If not agreed on both sides, then the transaction is settled in gross amount. If one party defaults on the transaction, the other party can choose to settle in net amount. Relevant information is as follows:

June 30, 2016 Financial assets under general agreement of net amount settlement or similar norms						
				Relevant amount not offset on the balance sheet (d)		
	Total financial assets recognized (a)	Total financial liabilities recognized after offsetting (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	$ 37,722,155	-	37,722,155	911,631	-	36,810,524
Repurchase agreements	131,914,456	-	131,914,456	126,781,800	-	5,132,656
Security lending agreement	328,593	-	328,593	328,593	-	-
Total	$ 169,965,204	-	169,965,204	128,022,024	-	41,943,180

June 30, 2016

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

	Total financial liabilities recognized (a)	Total financial assets recognized after offsetting (b)	Net amount of financial liabilities on the balance sheets (c)=(a) (b)	Relevant amount not offset on the balance sheet (d): Financial instruments (Note)	Relevant amount not offset on the balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	$ 953,376	-	953,376	911,631	-	41,745
Repurchase agreements	69,409	-	69,409	58,015	-	11,394
Total	**$ 1,022,785**	**-**	**1,022,785**	**969,646**	**-**	**53,139**

December 31, 2015

Financial assets under general agreement of net amount settlement or similar norms

	Total financial assets recognized (a)	Total financial liabilities recognized after offsetting (b)	Net amount of financial assets on the balance sheets (c)=(a) (b)	Relevant amount not offset on the balance sheet (d): Financial instruments (Note)	Relevant amount not offset on the balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments and structured deposits	$ 30,215,644	-	30,215,644	5,363,255	-	24,852,389
Repurchase agreements	79,437,729	-	79,437,729	78,690,400	-	747,329
Security lending agreement	448,159	-	448,159	448,159	-	-
Total	**$ 110,101,532**	**-**	**110,101,532**	**84,501,814**	**-**	**25,599,718**

December 31, 2015

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

	Total financial liabilities recognized (a)	Total financial assets recognized after offsetting (b)	Net amount of financial liabilities on the balance sheets (c)=(a) (b)	Relevant amount not offset on the balance sheet (d): Financial instruments (Note)	Relevant amount not offset on the balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial instruments	**$ 13,178,882**	**-**	**13,178,882**	**5,363,255**	**-**	**7,815,627**

June 30, 2015

Financial assets under general agreement of net amount settlement or similar norms

	Total financial assets recognized (a)	Total financial liabilities recognized after offsetting (b)	Net amount of financial assets on the balance sheets (c)=(a) (b)	Relevant amount not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments and structured deposits	$ 42,386,117	-	42,386,117	3,492,921	-	38,893,196
Repurchase agreements	97,071,508	-	97,071,508	95,857,400	-	1,214,108
Security lending agreement	240,811	-	240,811	240,811	-	-
Total	**$ 139,698,436**	**-**	**139,698,436**	**99,591,132**	**-**	**40,107,304**

June 30, 2015

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

	Total financial liabilities recognized (a)	Total financial assets recognized after offsetting (b)	Net amount of financial liabilities on the balance sheets (c)=(a) (b)	Relevant amount not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	**$ 3,492,921**	**-**	**3,492,921**	**3,492,921**	**-**	**-**

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

(AA) Structured entities

(a) Structured entities of consolidated statements

The structured entities disclosed in the consolidated financial statements are investment property and management organization. The structured entities are consolidated because the Group is exposed to their variability of returns from their performance due to its involvement and the Group has the right to influence their returns. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group has provided a non-contractual obligation loan of $24,900,032, $22,590,099 and $10,325,741 to the entities, respectively.

(b) Structured entities not included in the consolidated financial statements

(1) The Group held the following unconsolidated structured entities which funds were from the Group or external third parties:

Type of structured entity	Nature and purpose	Rights of the Group
Private equity fund investment	Invest in private equity fund issued by third-party Companies to obtain investment interests	Investment fund issued or limited partnership rights
Asset securitization items	Invest in asset securitization items to obtain investment interests.	Investment in securities issued by unconsolidated structured entity

(2) The carrying amounts of structured entity recognized but not consolidated in consolidated financial statements are as follows:

June 30, 2016	Private equity funds	Assets securitization items
Assets held by the Group		
-Available-for-sale financial assets	$ 32,521,693	7,766,927
-Bond investments without active market	-	44,076,376
Total assets of the Group	**$ 32,521,693**	**51,843,303**

December 31, 2015	Private equity funds	Assets securitization items
Assets held by the Group		
-Available-for-sale financial assets	$ 26,214,621	8,275,731
-Bond investments without active market	-	46,504,299
Total assets of the Group	**$ 26,214,621**	**54,780,030**

June 30, 2015	Private equity funds	Assets securitization items
Assets held by the Group		
-Available-for-sale financial assets	$ 18,770,008	8,445,990
-Bond investments without active market	-	45,868,803
Total assets of the Group	**$ 18,770,008**	**54,314,793**

The maximum losses from the entities are the carrying amount held by the Group.

(3) No financial support is provided for those private equity investments and asset securitization items for the six months ended June 30, 2016 and June 30, 2015.

(AB) Capital management

The targets of capital management of the Company, per the regulations of Insurance Bureau, FSC, are to maintain minimum regulatory capital, monitor the adequacy of the ability of discharging, prevent possible risk from operation, protect the interests of the insured and realize the benefit of shareholders and other stakeholders.

Meanwhile, the capital management of the Company is restricted to other domestic regulations such as the operating deposit paid to the National Treasury Administration, legal reserve and special reserve. Please refer to Note 6(J) and (O).

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

In accordance with "Regulations Governing Capital Adequacy of Insurance Companies", capital adequacy refers to 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 Company 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.

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

As of June 30, 2016, the method of capital management for the year of the Group remains the same.

(AC) Other

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

	June 30, 2016			December 31, 2015			June 30, 2015		
	Foreign Currency	Rate (Note 2)	NTD	Foreign Currency	Rate (Note 2)	NTD	Foreign Currency	Rate (Note 2)	NTD
Financial Assets									
Monetary items (Note 1)									
USD	$ 42,253,025	32.286/32.287 /32.291	1,364,181,256	34,941,195	33.066/32.254	1,155,344,013	28,745,654	30.948/31.070	893,127,401
Non-monetary items (Note 1)									
USD	6,352,468	32.286	205,095,783	7,211,537	33.066	238,456,694	8,968,571	31.070	278,653,502
HKD	8,485,978	4.161	35,307,864	9,825,141	4.266	41,914,936	11,292,752	4.008	45,259,543
CNY	3,491,840	4.861	16,975,229	4,770,203	5.097	24,313,154	-	-	-
CNH	3,326,982	4.845	16,119,163	-	-	-	-	-	-
EUR	459,508	35.983	16,534,354	-	-	-	-	-	-
Derivatives Financial Instruments (Note 1)									
USD	-	32.286	6,248,843	-	33.066	637,112	-	31.070	293,112
Equity investment under equity method									
CNY	162,263	4.842	785,660	183,814	5.035	925,557	91,918	5.009	460,418
HKD	1,736,710	4.160	7,225,234	1,784,438	4.266	7,574,984	1,775,391	4.008	7,115,765
KRW	218,076,089	0.028	6,106,130	215,438,638	0.028	6,060,333	-	-	-
Financial Liabilities									
Monetary items (Note 1)									
USD	144,649	32.286	4,670,629	17,331	33.066	570,433	104,067	31.070	3,233,344
EUR	-	-	-	4,825	36.075	174,009	-	-	-
NZD	-	-	-	26,596	22.663	602,764	-	-	-
CNH	92,000	4.845	445,738	-	-	-	-	-	-
CNY	-	-	-	35,631	5.097	181,627	-	-	-
Derivatives Financial Instruments (Note 1)									
USD	-	32.286	953,376	-	33.066	13,178,882	-	31.070	382,614

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 and liability.

(b) The amounts of total assets and liabilities which will be recovered or settled within or more than 12 months of the balance sheet date are as follows:

	June 30, 2016		
Asset	Recovery within 12 months	Recovery beyond than 12 months	Total
Cash and cash equivalents	$ 238,851,192	-	238,851,192
Receivables	36,414,856	908,585	37,323,441
Current tax assets	-	2,357,229	2,357,229
Financial assets at fair value through profit or loss	5,972,607	-	5,972,607
Available-for-sale financial assets	17,574,741	1,252,880,497	1,270,455,238
Hedging derivatives assets	9,857	1,055,543	1,065,400
Financial assets at cost	-	1,020,197	1,020,197
Investments accounted for using equity method, net	-	14,117,024	14,117,024
Bond investments without active market	2,427,165	1,069,661,226	1,072,088,391
Held-to-maturity financial assets	-	25,173,189	25,173,189
Other financial assets, net	3,357,721	28,135,324	31,493,045
Investment property	-	172,292,547	172,292,547
Loans	2,972,332	145,517,622	148,489,954
Reinsurance assets	719,744	554,580	1,274,324
Property, plant and equipment	-	17,736,464	17,736,464
Intangible assets	-	252,015	252,015
Deferred tax assets	-	4,183,288	4,183,288
Other assets	3,544,422	39,224,187	42,768,609
Assets on insurance product, separated account	977,825	135,572,423	136,550,248
Total assets	**$ 312,822,462**	**2,910,641,940**	**3,223,464,402**

	June 30, 2016		
Liabilities	Recovery within 12 months	Recovery beyond than 12 months	Total
Accounts payable	$ 24,593,186	441,675	25,034,861
Current tax liabilities	1,671,913	695,279	2,367,192
Short-term debts	69,409	-	69,409
Financial liabilities at fair value through profit or loss	953,376	-	953,376
Insurance liabilities	78,215,594	2,646,849,060	2,725,064,654
Reserve for insurance with nature of financial instrument	78,679,744	3,893,821	82,573,565
Reserve for foreign exchange fluctuation	-	5,618,120	5,618,120
Liabilities reserve	-	6,420,751	6,420,751
Deferred tax liabilities	-	8,052,811	8,052,811
Other liabilities	3,703,166	1,881,002	5,584,168
Liabilities on insurance product, separated account	-	136,550,248	136,550,248
Total liabilities	**$ 187,886,388**	**2,810,402,767**	**2,998,289,155**

Asset	December 31, 2015 Recovery within 12 months	Recovery beyond than 12 months	Total
Cash and cash equivalents	$ 176,627,971	-	176,627,971
Receivables	33,484,162	831,149	34,315,311
Current tax assets	-	2,429,232	2,429,232
Financial assets at fair value through profit or loss	630,335	3,385,823	4,016,158
Available-for-sale financial assets	13,968,445	1,337,009,583	1,350,978,028
Hedging derivatives assets	-	678,556	678,556
Financial assets at cost	-	1,030,424	1,030,424
Investments accounted for using equity method, net	-	14,560,874	14,560,874
Bond investments without active market	1,226,561	880,167,221	881,393,782
Held-to-maturity financial assets	-	25,169,487	25,169,487
Other financial assets, net	4,308,548	25,150,977	29,459,525
Investment property	-	166,905,951	166,905,951
Loans	2,684,558	138,829,369	141,513,927
Reinsurance assets	699,089	580,780	1,279,869
Property, plant and equipment	-	17,520,527	17,520,527
Intangible assets	-	255,271	255,271
Deferred tax assets	-	9,917,951	9,917,951
Other assets	3,137,955	39,009,849	42,147,804
Assets on insurance product, separated account	1,326,002	134,036,033	135,362,035
Total assets	**$ 238,093,626**	**2,797,469,057**	**3,035,562,683**

Liabilities	December 31, 2015 Recovery within 12 months	Recovery beyond than 12 months	Total
Accounts payable	$ 19,861,798	506,006	20,367,804
Current tax liabilities	17,551	682,530	700,081
Financial liabilities at fair value through profit or loss	13,162,301	-	13,162,301
Hedging derivatives liabilities	-	16,581	16,581
Insurance liabilities	68,860,244	2,496,189,197	2,565,049,441
Reserve for insurance with nature of financial instrument	64,973,681	18,643,076	83,616,757
Reserve for foreign exchange fluctuation	-	7,479,048	7,479,048
Liabilities reserve	-	7,671,582	7,671,582
Deferred tax liabilities	-	10,824,316	10,824,316
Other liabilities	6,658,456	1,872,487	8,530,943
Liabilities on insurance product, separated account	-	135,362,035	135,362,035
Total liabilities	**$ 173,534,031**	**2,679,246,858**	**2,852,780,889**

Asset	June 30, 2015 Recovery within 12 months	Recovery beyond than 12 months	Total
Cash and cash equivalents	$ 163,392,013	-	163,392,013
Receivables	27,548,055	982,162	28,530,217
Current tax assets	-	843,512	843,512
Financial assets at fair value through profit or loss	2,281,911	1,004,530	3,286,441
Available-for-sale financial assets	23,024,686	1,488,345,282	1,511,369,968
Hedging derivatives assets	-	245,792	245,792
Financial assets at cost	-	1,097,618	1,097,618
Investments accounted for using equity method, net	-	7,576,183	7,576,183
Bond investments without active market	869,421	617,697,670	618,567,091
Held-to-maturity financial assets	-	19,953,072	19,953,072
Other financial assets, net	115,839	40,211,429	40,327,268
Investment property	-	131,320,816	131,320,816
Loans	2,681,954	128,229,717	130,911,671
Reinsurance assets	673,683	577,343	1,251,026
Property, plant and equipment	-	7,969,881	7,969,881
Intangible assets	-	236,617	236,617
Deferred tax assets	-	2,109,395	2,109,395
Other assets	3,471,901	36,540,356	40,012,257
Assets on insurance product, separated account	1,153,629	133,035,078	134,188,707
Total assets	**$ 225,213,092**	**2,617,976,453**	**2,843,189,545**

Liabilities	June 30, 2015 Recovery within 12 months	Recovery beyond than 12 months	Total
Accounts payable	$ 29,410,141	509,159	29,919,300
Current tax liabilities	2,936,891	667,658	3,604,549
Financial liabilities at fair value through profit or loss	3,370,278	68,984	3,439,262
Hedging derivatives liabilities	-	53,659	53,659
Insurance liabilities	68,187,224	2,293,364,849	2,361,552,073
Reserve for insurance with nature of financial instrument	414,796	84,495,803	84,910,599
Reserve for foreign exchange fluctuation	-	1,183,158	1,183,158
Liabilities reserve	-	7,039,146	7,039,146
Deferred tax liabilities	-	3,097,618	3,097,618
Other liabilities	3,575,572	1,844,769	5,420,341
Liabilities on insurance product, separated account	-	134,188,707	134,188,707
Total liabilities	**$ 107,894,902**	**2,526,513,510**	**2,634,408,412**

7. RELATED PARTY TRANSACTIONS

(A) Names and relationships of related parties

Name of related party	Relationship with the Bank and its subsidiaries
Fubon Financial Holding Co., Ltd.	Parent company
Fubon Property & Casualty Insurance Co., Ltd.	The Group which held 40%
CITIC Capital Holdings Ltd.	The associate
Hyundai Life Insurance Co., Ltd.	The associate
Fubon Insurance Co., Ltd.	The same parent company
Taipei Fubon Commercial Bank Co., Ltd.	The same parent company
Fubon Securities Co., Ltd.	The same parent company
Fubon Financial Holding Venture Capital	The same parent company
Fubon Assets Management Co., Ltd.	The same parent company
Fubon Direct Marketing Consulting Co., Ltd.	The same parent company
Fubon Bank (Hong Kong) Limited and subsidiaries	The same parent company
Taiwan Sports Lottery	The same parent company
Fubon Securities Investment Trust Co., Ltd.	The same parent company and investee company under equity method
Fubon Futures Co., Ltd.	The same parent company and investee company under equity method
Fubon Securities Investment Consulting Co., Ltd.	The same parent company and investee company under equity method
Fusheng Insurance Agent Co., Ltd.	The same parent company and investee company under equity method
Fubon Sports & Entertainment Co., Ltd.	The same parent company and investee company under equity method
Fusheng Life Insurance Agent Co., Ltd.	The same parent company and investee company under equity method
Fubon Securities Venture Capital	The same parent company and investee company under equity method
Fulee Life Insurance Agent Co., Ltd.	Affiliates
Fubon Property Management Co., Ltd.	Affiliates
Fubon Construction Co., Ltd.	Affiliates
Fubon Real Estate Management Co., Ltd.	Affiliates
Fubon Multimedia Technology Co., Ltd.	Affiliates

Name of related party	Relationship with the Bank and its subsidiaries
Taipei City Government	Affiliates
TFN Media Co., Ltd.	Affiliates
Taiwan Mobile Co., Ltd.	Affiliates
Taiwan Fixed Network Co., Ltd.	Affiliates
Taiwan Customer Service Technology Co., Ltd.	Affiliates
Taiwan High Speed Railway Co., Ltd.	Affiliates
World Vision Taiwan	Affiliates (Note1)
Fubon Culture and Education Foundation	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Art Foundation	Affiliates
Cable-Giant Co., Ltd.	Affiliates (Note2)
Ping Nan Cable TV Co., Ltd.	Affiliates (Note2)
Chung Hsing Construction Co., Ltd.	Affiliates
Ming Tung Investment Co., Ltd.	Affiliates
WinTV Broadcasting Co., Ltd.	Affiliates
Free Universe Education Foundation, Taipei	Affiliates
Taiwan Academy of Banking and Finance	Affiliates
Taipei New Horizon Co., Ltd.	Affiliates
The Non-Life Insurance Association of the R.O.C.	Affiliates
One Production Film Co., Ltd.	Affiliates
Safety and health technology center	Affiliates
Taiwan Digital Communications Co., Ltd.	Affiliates
PHYCOS International Co., Ltd.	Affiliates
Formosa cancer foundation	Affiliates
Easycard corporation	Affiliates
China Evangelical Seminary	Affiliates
Taiwan Cogeneration Corporation	Affiliates
China University of Technology	Affiliates
Kbro Media Co., Ltd.	Affiliates
Taiwan Telecommunication Industry Development Association	Affiliates
Taiwan Bio-Development Foundation	Affiliates
Taiwan Private Equity Association	Affiliates
Life Insurance Management Institute of the Republic of China	Affiliates
Capital Securities Corporation	Affiliates

Name of related party	Relationship with the Bank and its subsidiaries
Formosa Plastics Corporation	Affiliates
Insurance Anti-Fraud Institute	Affiliates
Danen Technology Corporation	Affiliates (Note3)
The Institute of Internal Auditors	Affiliates (Note1)
Chinese Insurance Service Association	Affiliates
Cleco Co., Ltd.	Affiliates
Chinese Christian Evangelistic Association	Affiliates
Taipei Fubon Commercial Bank Charity Foundation	Affiliates
Straits Exchange Foundation	Affiliates
Taiwan Arts & Culture Television Co., Ltd.	Affiliates
Taroko Development Co., Ltd.	Affiliates
Fupen Construction Co., Ltd	Affiliates
Fubon Hotels Management Co., Ltd	Affiliates
DETEKT Technology Inc.	Affiliates
Sunny Pharmtech Inc	Affiliates
Life Insurance Educational Foundation	Affiliates
HiTi Digital, Inc.	Affiliates
Viewpoint Electronics Co., Ltd.	Affiliates
Chinese Chirstian Relief Association	Affiliates
Classification Society	Affiliates
YAHOO! Taiwan Holdings Limited	Affiliates
Lion Travel Service CO., LTD	Affiliates
Chinese Taipei Basketball Association	Affiliates
Taipei Young Women's Christian Association	Affiliates
The Association of Police's Friends of the Republic of China	Affiliates
Sheng Yen Education Foundation	Affiliates
Other related parties	Directors, supervisors, managers and their close relatives, etc

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

Note2: No longer a related party commencing from the second quarter of 2015.

Note3: No longer a related party commencing from the first quarter of 2015.

(B) Significant related party transactions

(a) Deposits with related party

Nature		June 30, 2016	December 31, 2015	June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.				
Check deposits	$	90,288	95,429	40,865
Demand deposits		3,800,715	3,302,073	2,786,582
Time deposits		9,879,500	9,779,500	5,679,930
Structured deposits		2,853,702	2,883,805	2,913,951
Fubon Bank (Hong Kong) Co., Ltd.				
Demand deposits		1,528,239	-	-
Time deposits		110,207	-	-
Total	$	18,262,651	16,060,807	11,421,328

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

(b) Interest receivable with related parties

Name of related party		June 30, 2016	December 31, 2015	June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.	$	332,203	306,713	287,404

(c) Other receivable (payable)

Names of related parties		June 30, 2016	December 31, 2015	June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.	$	(914,952)	(714,587)	(602,589)
Fubon Bank (Hong Kong) Co., Ltd.		(21,878)	-	-
Fubon Insurance Co., Ltd.		59,253	56,257	54,628
Fulee Life Insurance Agent Co., Ltd.		(40,012)	(53,288)	(45,924)
Taiwan High Speed Railway Co., Ltd.		-	429,315	-
Fubon Securities Investment Consulting Co., Ltd.		(45,767)	-	(3,905)
Other (accounts with balance of less than $10,000)		(720)	(17,184)	(1,344)
Total	$	(964,076)	(299,487)	(599,134)

(d) Jointly declaration of tax

The Company and its parent company as well as its subsidiaries adopted the policy of jointly declaration of tax for declaring income tax and undistributed earnings.

	June 30, 2016	December 31, 2015	June 30, 2015
Jointly declaration of tax-receivables (current income tax assets)	$ 1,599,983	1,608,909	226,414
Jointly declaration of tax-payable (current income tax liabilities)	2,322,019	682,530	3,604,549

(e) Bonds transactions

(1) Purchases

Name of related party	For the six months ended June 30, 2016	2015
Taipei Fubon Commercial Bank Co., Ltd	$ 3,569,972	391,557

(2) Sales

Name of related party	For the six months ended June 30, 2016	2015
Taipei Fubon Commercial Bank Co., Ltd	$ 18,918,628	19,571,913
Fubon Securities Co., Ltd.	1,593,052	-
Total	$ 20,511,680	19,571,913

(3) Bonds purchased under resell agreements

Name of related party	For the three months ended June 30, 2016 Interest Revenue	For the six months ended June 30, 2016 Interest Revenue	As of June 30, 2016 Repo of Government Bonds
Capital Securities Corporation	$ 1,365	2,879	920,000
Fubon Securities Co., Ltd.	$ 16	406	160,015
Taipei Fubon Commercial Bank Co., Ltd	$ -	919	-

Name of related party	For the three months ended June 30, 2015 Interest Revenue	For the six months ended June 30, 2015 Interest Revenue	As of June 30, 2015 Repo of Government Bonds
Capital Securities Corporation	$ 1,431	2,529	1,357,000
Fubon Securities Co., Ltd.	$ -	476	-

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

Name of funds	June 30, 2016	December 31, 2015	June 30, 2015
Fubon Fund	$ 69,750	95,172	104,545
Fubon Chi-Hsiang Money Market Fund	3,503,599	1,500,197	1,004,914
Fubon China Money Market Fund	29,654	50,813	100,076
Fubon Emerging Asia Growth Equity Fund	-	-	6,849
Fubon Technology ETF Fund	163,758	156,864	167,101
Fubon Morgan ETF Fund	112,600	106,092	117,886
Fubon Taiwan Eight Industries ETF Fund	123,098	117,677	131,246
Fubon Taiwan Finance ETF Fund	117,931	122,226	146,029
Fubon Strategic High Income-Type A	-	47,575	50,397
Fubon Strategic High Income-Type B	44,216	42,724	46,240
Fubon Japan ETF Fund	15,890	19,730	-
Fubon SZSE 100 ETF	134,530	160,663	177,995
Fubon NASDAQ ETF Fund	23,814	-	-
Total	**$ 4,338,840**	**2,419,733**	**2,053,278**

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

Names of related parties	June 30, 2016	December 31, 2015	June 30, 2015
Fubon No.1 Real Estate Investment Trust	$ 918,814	908,592	949,479
Fubon No.2 Real Estate Investment Trust	990,915	931,124	1,038,309
	$ 1,909,729	**1,839,716**	**1,987,788**

(h) Property transactions

(1) Payments of investment property are as follows:

Names of related parties	Nature	For the six months ended June 30, 2016	2015
Fubon Construction Co., Ltd.	Management fees and etc.	$ 2,220	366
Taipei City Government	Rental of public hearing venue and etc.	9	22
China University of Technology	Technical research fees	-	242
Total		**$ 2,229**	**630**

(2) The Group sold fix assets to Fubon Insurance Company Ltd. for the six months ended June 30, 2015. The proceeds amounted to $1,778 and the Group recognized a loss on asset disposal which amounted to $85.

(3) The Group purchased miscellaneous equipment from Taipei Fubon Commercial Bank for the six months ended June 30, 2015 and the proceeds amounted to $29.

(i) Loans to related parties are as follows:

(1) Secured loans

June 30, 2016

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	- affiliates	$ 301,106	287,228	Normal	Real estate	NO

December 31, 2015

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	- affiliates	$ 301,127	291,366	Normal	Real estate	NO

June 30, 2015

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Residence mortgage loans	- affiliates	$ 355,466	338,792	Normal	Real estate	NO

No significant difference on the above-mentioned related party transactions on residence mortgage loan and trade conditions with a non-related party.

(2) Life insurance loans:

June 30, 2016

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	- affiliates	$ 37,080	25,949	Normal	Policy value	NO

December 31, 2015

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	- affiliates	$ 38,730	30,928	Normal	Policy value	NO

June 30, 2015

Category	Name of related party	Maximum Amount	Ending Balance	Performing situation	Collateral	Collateral terms are the same with other regular clients
Life insurance loans	affiliates	$ 31,817	26,724	Normal	Policy value	NO

No significant difference on the above-mentioned related party transactions on life insurance loan and trade conditions with a non-related party.

(j) Prepayment

Names of related parties	Nature	June 30, 2016	December 31, 2015	June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.	Incentives and employee welfares	$ 48,345	59,029	19,326
Fubon Insurance Co., Ltd.	Insurance fee and prepaid guarantee deposit	2,095	15,106	1,375
Taipei City Government	Prepaid superficies rent	191,897	-	120,574
Other (accounts with balance of less than $10,000)		4,475	3,613	2,713
Total		$ 246,812	77,748	143,988

(k) Rental expense and refundable deposits

The details of rental expenses and guarantee deposit paid to the related parties for the year ended June 30, 2016 and 2015 are as follows:

Guarantee deposit paid

Name of related party	June 30, 2016	December 31, 2015	June 30, 2015	Note
Fubon Insurance Co., Ltd.	$ 13,815	13,762	13,831	Office rent
Taipei City Government	1,119,174	1,119,071	1,119,171	Bid Bond /Superficies performance bond
Others (accounts with balance of less than $10,000)	8,039	8,039	6,558	Office rent
Total	$ 1,141,028	1,140,872	1,139,560	

Rental expense

Name of related party	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015	Note
Fubon Insurance Co., Ltd.	$ 20,722	20,554	41,350	38,054	Office rent
Taipei City Government	81,218	59,632	162,436	118,608	Superficies rent
Others (accounts with balance of less than $10,000)	11,678	9,971	23,124	19,518	Office rent
Total	$ 113,618	90,157	226,910	176,180	

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Guarantee deposits received			
Fubon Multimedia Technology Co., Ltd.	$ 27,219	27,219	27,219
Taroko Development Co., Ltd	34,700	34,700	35,000
Taiwan Fixed Network Co., Ltd.	10,597	10,597	45
Others (accounts with balance of less than $10,000)	19,799	17,734	12,350
Total	$ **92,315**	**90,250**	**74,614**

The above-metioned guarantee deposits are for retal investment properties.

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Rental revenue				
Fubon Multimedia Technology Co., Ltd.	$ 26,701	25,923	53,402	51,846
Taipei Fubon Commercial Bank Co., Ltd	6,032	5,566	11,726	12,010
Taroko Development Co., Ltd	28,750	-	57,500	-
TFN Media Co., Ltd.	10,266	214	13,642	240
Taiwan Mobile Co., Ltd.	7,406	2,238	11,881	4,803
Others (accounts with balance of less than $10,000)	7,921	6,533	14,919	13,285
Total	$ **87,076**	**40,474**	**163,070**	**82,184**

Rental revenues from real estate investment amounted to $86,923 and $40,334 for three months ended June 30, 2016 and 2015, $162,807 and $80,754 for the six months ended June 30, 2016 and 2015, respectively. Rental revenues from real estate investment are accounted for gain on real eatate investments.

Unearned rental revenue, accounted for other liabilities, amounted to $4,794, $1,068 and $229 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

(m) Gross Written Premiums

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Fubon Insurance Co., Ltd.	$ 10,380	7,461	24,320	17,838
Fubon Securities Co., Ltd.	9,608	6,298	19,334	15,721
Taipei Fubon Commercial Bank Co., Ltd.	23,832	22,895	47,539	45,305
Affiliates	31,237	20,000	81,410	40,000
Others (accounts with balance of less than $10,000)	281,784	231,817	599,331	409,326
Total	**$ 356,841**	**288,471**	**771,934**	**528,190**

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

(n) Commission revenues from investment-linked insurance policy

Name of related party	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Fubon Securities Investment Trust Co., Ltd	**$ 1,734**	**2,160**	**2,905**	**4,006**

(o) Commission expense

Name of related party	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.	$ 1,716,701	1,265,581	3,825,570	2,221,973
Fusheng Life Insurance Agency Co., Ltd.	82,339	94,698	182,024	199,658
Fulee Life Insurance Agency Co., Ltd.	388	448	751	876
Total	**$ 1,799,428**	**1,360,727**	**4,008,345**	**2,422,507**

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

Name of related party	June 30, 2016	December 31, 2015	June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.	$ 21,645	26,288	16,594
Fusheng Life Insurance Agency Co., Ltd.	122,598	139,238	151,840
Total	**$ 144,243**	**165,526**	**168,434**

(p) Interest revenue with related parties

Name of related party	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Taipei Fubon Commercial Bank Co., Ltd.	$ 56,388	50,793	110,635	96,215
Fubon Life Insurance (Hong Kong) Co., Ltd.	1,875	-	2,539	-
Total	$ 58,263	50,793	113,174	96,215

(q) Marketing revenue

Name of related party	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Fubon Insurance Co., Ltd.	$ 90,539	53,221	175,216	150,792
Taipei Fubon Commercial Bank Co., Ltd.	7,585	4,069	11,403	10,189
Fubon Securities Co., Ltd.	211	382	473	712
Fubon Securities Investment Trust Co., Ltd.	152	-	313	-
Total	$ 98,487	57,672	187,405	161,693

(r) Marketing expense

Name of related party	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Fubon Securities Co., Ltd.	$ 26,736	4,206	42,060	11,032
Other (accounts with balance of less than $10,000)	6,793	2,227	10,279	5,188
Total	$ 33,529	6,433	52,339	16,220

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

Name of related party	Nature	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Fubon Securities Co., Ltd.	Security lending handling fee income	$ 2,623	1,778	8,793	4,150
Fubon Insurance Co., Ltd.	Miscellaneous income	-	-	66	66
Fubon Sports & Entertainment Co., Ltd.	Miscellaneous income	-	-	39	-
Total		$ 2,623	1,778	8,898	4,216

(t) Other expenses

Names of related parties	Nature	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Fubon Securities Co., Ltd.	Entrusted with the sale of fee and consignment trading handling fee, etc	$ 10,979	18,903	32,541	43,725
Fubon Real Estate Management Co., Ltd.	Building management fee, investment property fees and etc	22,511	24,786	48,210	45,837
Fubon Insurance Co., Ltd.	Property insurance, property fees and etc	9,182	7,886	20,546	16,336
Taiwan Fixed Network Co., Ltd.	Telephone fee /telecommunication fees, exchange board rental, etc	16,643	11,561	32,880	25,912
Taipei Fubon Commercial Bank Co., Ltd.	Bank charge, custodian fee, exhibition cost and etc	203,486	139,545	374,877	251,997
Fubon Life Insurance (Hong Kong) Co., Ltd.	Bank charge, custodian fee, exhibition cost and etc	29,377	-	29,380	-
Fubon Culture and Education Foundation	Donation fee and advertisement expense	21,854	32,217	21,854	32,217
Fubon Charity Foundation	Donation fee	26,923	-	30,904	21,278
Fubon Art Foundation	Donation fee and miscellaneous expense	14,878	-	14,978	27,914
Fubon Sports & Entertainment Co Ltd	Advertisement expense	79	-	52,938	52,500
Others (accounts with balance of less than $10,000)		3,100	9,268	11,701	15,811
Total		$ **359,012**	**244,166**	**670,809**	**533,527**

(C) Major management remuneration information

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Remuneration and other short-term contract employees	$ 65,328	60,627	157,331	134,078
Other long-term contract employees	572	514	1,051	968
Post-employment benefits	3,324	2,847	6,905	5,694
Total	**$ 69,224**	**63,988**	**165,287**	**140,740**

8. PLEDGED ASSETS

Pledged assets are as follows:

Name of related party	June 30, 2016	December 31, 2015	June 30, 2015
Government bonds (Statutory deposits)	$ 8,956,468	8,550,705	5,786,730
Time deposit (Statutory deposits)	19,379	19,801	18,557
Time deposit (Leasing deposits)	500	500	930
Time deposit (Guarantee deposits)	1,279,000	1,279,000	1,279,000
Government bonds (Bond investments without active market)	58,015		-
Total	$ 10,313,362	9,850,006	7,085,217

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) In addition to recognized liability reserve, the Group's contingent liabilities which are pending claims from daily operation and have not been recognized are being assessed by qualified lawyers. Once the Group obtains the lawyers' opinion and probable and reasonably estimable amounts of the liabilities, the Group will make adjustments and recognize relevant losses.

(B) Significant unrecognized contract commitment

The unrecognized contract commitment of the Group is as follows:

	June 30, 2016(Note)	December 31, 2015	June 30, 2015
Acquisition of investment property	$ 718,509	810,500	810,500

Note: The Group acquired the superficies of No 472 subsection 2, Xinmin Road in Beitou District and 4 other superficies by bid, amounted to $1,401,000. The Group had not completed the signing process yet before the date on which the Group submitted the financial report, but signed the urban renewal business implementation of designated contract in October 2014 and paid the contract value amounted to $700,500.

The Group acquired the superficies of No 6 subsection 3, Xinyi Road in Xinyi District in June 2014 by bid. The total contract value referred to the appraisal report of Repro International Inc and Colliers International amounted to $17,288,000 and the Group signed the contract in August 2014. Starting from November 2014, the Group has amortized the superficies. In accordance with the contract, except for those exempted from Taipei City government, the Group shall be responsible for moving the water pressure booster station and gas pressure control station and their underground construction, with constructed expense limited to $110,000, before its usage license is granted. As of June 30, 2016, the contruction expense incurred amounted to $91,991.

(C) The unfunded commitments for the Group's signed private equity agreements (Unit: thousand dollars):

	June 30, 2016	December 31, 2015	June 30, 2015
USD	$ 1,828,061	1,573,742	1,236,142
EUR	$ 203,575	201,450	200,410

10. SIGNIFICANT DISASTER LOSS: None.

11. SIGNIFICANT SUBSEQUENT EVENT

The Group acquired an investment property located at Subsection 4, Xihu, Neihu Dist., Taipei City 114, Taiwan (R.O.C.) on July 18, 2016. The amount of the agreement totaled $4,080,000 (including taxes) with reference to appraisal reports issued by Hong Bang Real Estate Appraisers Firm and Repro International Real Estate Appraisers Joint Firm. As of the report date of the consolidated financial statements, the Group has paid $3,876,000.

In order to enhance working capital, strengthen the financial structure, and align with the Company's medium and long-term development plan, the Company is going to issue cumulative perpetual subordinated corporate bonds as a way to raise capital adequacy ratio. The Company was authorized by the Board of Directors to issue bonds up to $35 billion on August 23, 2016 and is in the process of obtaining approval from authorities.

12. OTHER

(A) Personnel expenses, depreciation and amortization for the year ended June 30, 2016 and 2015 are categorized by function as follows:

Function / Nature	For the three months ended June 30,					
	2016			2015		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees Benefits						
Salaries and wages	4,329,681	988,224	5,317,905	2,945,498	958,872	3,904,370
Insurance	-	364,495	364,495	-	312,536	312,536
Pension	84,012	208,094	292,106	95,137	186,293	281,430
Other	-	123,771	123,771	-	114,888	114,888
Depreciation	-	77,565	77,565	-	64,060	64,060
Amortization	140,639	32,712	173,351	137,931	25,873	163,804

Function / Nature	For the six months ended June 30,					
	2016			2015		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees Benefits						
Salaries and wages	7,465,509	1,972,753	9,438,262	5,472,703	1,908,200	7,380,903
Insurance	-	744,119	744,119	-	666,619	666,619
Pension	169,725	410,603	580,328	194,945	370,647	565,592
Other	-	229,366	229,366	-	211,871	211,871
Depreciation	-	149,157	149,157	-	126,585	126,585
Amortization	281,188	64,170	345,358	280,619	50,948	331,567

(B) When conducting business or transaction, joint business promotion as well as information and facilities sharing with Fubon Financial Holdings Co., Ltd. and other associates, the Group is using a direct allocation method based on the business characteristic or other reasonable methods to allocate income, cost, expense and profit or loss to each couterparty.

(C) The borrowing that meets cash flow arising from payment of major insurance claims: None.

(D) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund, refer to Note 6(B)(b).

(E) The information of discontinued operations: None.

(F) The adjustment of significant units and significant reform of management regulation: None.

(G) The significant impact due to variation of government rules: None

13. NOTES TO DISCLOSURE EVENTS

(A) Information on Significant Transactions:

In accordance with the "Principles of Preparing Financial Reports for Insurance Companies", the Group disclosed the information on significant transactions for the year ended June 30, 2016 is as follows:

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

Units:$'000

Aquired Company (Note 1)	Property Name	Occurrence Date	Amount (Note2)	Amount Paid	Counterparty	Relationship	Previous transfer information, as counterparty is a related party,				Reference for price	Purpose and usage	other
							Owner	Relations with the issuer	Transfer Date	Amount			
Fubon Ellipse (Belgium) S.A.	Ellipse Building, 35 Boulevard Roi Albert II, 1030 Brussels, Belgium	105.01	EUR 215,000	Paid in accordance with the contract	AG Insurance S.A., AG Real Estate Finance S.A., Incresco S.A.	Not related party	-	-	-	-	Referred to appraisal reports	Investment Property	

Note1: The acquired company, Access S.A, has renamed to Fubon Ellipse(Belgium) S.A on May 17, 2016.

Note2: Total agreement amount, excluding transaction costs.

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

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

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

Units:NT$'000

Company	Counterparty	Relationship	Amount	Turnover	Overdue receivables		Recovered amount	Allowance for bad debts
					Amount	Method		
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.	The parent company	1,599,983	- %	-	-	-	-

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 (Y).

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

Units:NT$'000

No	Company	Counterparty	Trade Relationship	Transaction details: Accounts	Amount	Trading terms	Percentage ratio against total operating income or total assets
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Loan	2,686,946	Same as non related-party transactions	0.08 %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Receivables	30,551	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	1	Interest income	63,181	Same as non related-party transactions	0.02 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Loan	6,506,388	Same as non related-party transactions	0.20 %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Receivables	74,035	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	1	Interest income	153,108	Same as non related-party transactions	0.05 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Loan	10,845,793	Same as non related-party transactions	0.34 %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Receivables	124,385	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	1	Interest income	257,235	Same as non related-party transactions	0.08 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Loan	4,860,905	Same as non related-party transactions	0.15 %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Receivables	42,416	Same as non related-party transactions	- %
0	Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A.	1	Interest income	73,861	Same as non related-party transactions	0.02 %
1	Carter Lane (Guernsey) Limited	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	2,686,946	Same as non related-party transactions	0.08 %
1	Carter Lane (Guernsey) Limited	Fubon Life Insurance Co., Ltd.	2	Accounts payable	30,551	Same as non related-party transactions	- %
1	Carter Lane (Guernsey) Limited	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	63,181	Same as non related-party transactions	0.02 %
2	Bow Bells House (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	6,506,388	Same as non related-party transactions	0.20 %
2	Bow Bells House (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Accounts payable	74,035	Same as non related-party transactions	- %
2	Bow Bells House (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	153,108	Same as non related-party transactions	0.05 %
3	Fubon MTL Property (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	10,845,793	Same as non related-party transactions	0.34 %
3	Fubon MTL Property (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Accounts payable	124,385	Same as non related-party transactions	- %
3	Fubon MTL Property (Jersey) Limited	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	257,235	Same as non related-party transactions	0.08 %
4	Fubon Ellipse (Belgium) S.A.	Fubon Life Insurance Co., Ltd.	2	Other financial liabilities	4,860,905	Same as non related-party transactions	0.15 %
4	Fubon Ellipse (Belgium) S.A.	Fubon Life Insurance Co., Ltd.	2	Accounts payable	42,416	Same as non related-party transactions	- %
4	Fubon Ellipse (Belgium) S.A.	Fubon Life Insurance Co., Ltd.	2	Other operating expenses – interest expenses	73,861	Same as non related-party transactions	0.02 %

Note1: Each number represents the following definitions:

(1) Zero stands for the parent company

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

Note2: Transaction relationship is as follows:

(1) Parent company to subsidiary company

(2) Subsidiary company to parent company

(3) Subsidiary company with subsidiary company

(B) Disclosure on Business Investments:

Disclosure on business investments as follows:

Units:NT$'000

Investor Company	Investee Company	Location	Major Business	Original Investment		Held by the Company			Income (losses) of investee company	Income (losses) recognized from investee company	Note
				Period-end	End of prior year	Shares	Percentage (%)	Book Value			
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Vietnam) Co., Ltd.	Hanoi Vietnam	Life insurance business	2,153,217	2,153,217	-	100.00 %	1,812,569	(8,671)	(8,671)	Note 1
Fubon Life Insurance Co., Ltd.	Fubon Life Insurance (Hong Kong) Co., Ltd.	Hong Kong	Life insurance business	2,157,707	105,593	500,000,000	100.00 %	1,923,125	(132,343)	(132,343)	Note1
Fubon Life Insurance Co., Ltd.	Carter Lane (Guernsey) Limited	Guernsey	Investment property lease	3,348,784	3,301,196	41,514,743	100.00 %	3,109,392	38,134	38,134	Note 1 Note 2
Fubon Life Insurance Co., Ltd.	Bow Bells House (Jersey) Limited	Jersey	Investment property lease	2,186,556	2,186,556	46,172,931	100.00 %	2,089,187	(60,366)	(60,366)	Note 1 Note 2
Fubon Life Insurance Co., Ltd.	Fubon MTL Property (Jersey) Limited	Jersey	Investment property lease	4,936,196	4,936,196	98,181,000	100.00 %	3,670,409	(11,390)	(11,390)	Note 1 Note 2
Fubon Life Insurance Co., Ltd.	Fubon Ellipse (Belgium) S.A	Brussels,Belgium	Investment property lease	2,579,463	-	1,133,718	100.00 %	2,328,574	(262,347)	(262,347)	Note 1 Note 3
Fubon Life Insurance Co., Ltd.	Fubon Property and Casualty Insurance Co., Ltd.	Xiamen, China	Property and casualty Insurance business	1,940,016	1,940,016	-	40.00 %	785,660	(237,451)	(94,981)	
Fubon Life Insurance Co., Ltd.	CITIC Capital Holdings Co., Ltd.	Hong Kong	Holding Company	7,046,304	7,046,304	13,979,798	20.00 %	7,225,234	(16,957)	1,004	
Fubon Life Insurance Co., Ltd.	Hyundai Life Insurance Co., Ltd.	Korea	Life insurance business	6,168,561	6,168,561	37,009,000	48.62 %	6,106,130	1,190	(188,220)	

Note 1：Write off under consolidated financial statements

Note 2：Investment properties are located in London, England

Note 3 : Investment property is located in Brussels,Belgium

(C) Disclosure on Investments in Mainland China：

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

Units:$'000

Investee company	Main business	Paid-in capital	Method of investment	Accumulated outward fund of investment from Taiwan at the beginning	Outward remittance or inward recovery		Accumulated outward fund of investment from Taiwan at the balance sheet date	Investee company gains/(losses) in current period	Directly or indirectly share holdin percentage	Income(losses) recognized from investee company	Book value of investment at period end	Recovery investment profit
					Outward	Inward						
Fubon Property & Casualty Insurance Co., Ltd.	Property Insurance	4,841,900 (CNY 1,000,000)	(a)	1,940,016	-	-	1,940,016	(237,451) (CNY(47,543))	40.00 %	(94,981) Note2	785,660	-
CITIC Full Joy (Da Lian) Co., Ltd.	Real estate investment	1,497,708 (HKD 360,000)	(b)	-	-	-	-	(4,755) (CNY (952))	20.00 %	951 (CNY (190))	Note3	-
Xiang Xin Real Estate (Shenyang) Co., Ltd.	Real estate investment	2,080,150 (HKD 500,000)	(b)	-	-	-	-	(53,062) (CNY (10,624))	20.00 %	(10,612) (CNY (2,125))	Note3	-
CITIC Capital (Shanghai) Consulting Co., Ltd.	Investment Consultancy	4,521 (USD 140)	(b)	-	-	-	-	4,071 (CNY 815)	20.00 %	814 (CNY 163)	Note3	-
CITIC Capital Partners (Shanghai) Limited	Investment Consultancy	17,760 (USD 550)	(b)	-	-	-	-	8,641 (CNY 1,730)	10.20 %	881 (CNY 176)	Note3	-
CITIC Jin Xiu Capital Management Co., Ltd.	Investment Management	242,095 (CNY 50,000)	(b)	-	-	-	-	57,967 (CNY 11,606)	6.00 %	3,478 (CNY 696)	Note3	-
Kaixin Investment Co., Ltd.	Manage the investment business of Venture Capital Enterprises	96,838 (CNY 20,000)	(b)	-	-	-	-	8,121 (CNY 1,626)	10.00 %	812 (CNY 163)	Note3	-

Note 1: The method of investment is defined based on the following three methods, indicating in the following categories:

(a) Direct investments in Mainland China.

(b) Investment in Mainland China companies through a company invested, CITIC Capital Holdings Limited, in a third region.

(c) Other method of investing in Mainland China.

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

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

Note 4: There are some more investees the Group invested through CITIC Capital Holdings Limited, which are CITIC Capital Equity Investment (Tianjin) Ltd., Shanghai Xin Ming Investment Consulting Co., Peng Yu Investment Consulting (Shanghai) Co., Ltd., and Shenzhen Huizhi Juxin Investment Management Co., Ltd.

Note 5: For the part of the table which involves foreign currencies, it is calculated based on the spot rate on June 30, 2016 or the average exchange rate for the six-months period ended June 30, 2016.

The Group and its affiliate company, Fubon Insurance Co., Ltd, have jointly invested in the set-up of Fubon Property and Casualty Insurance Co., Ltd in 2010 for its insurance business operation in Mainland China with the registered capital CNY 400 million. In order to develop regional markets, raise working capital, enhance solvency, and attract strategic investors, the Group signed a joint investment contract with Fubon Insurance Co., Ltd, and Xiamen Port Holding Group on September 10, 2012. Under this joint venture contract, Fubon Property & Casualty Insurance Co., Ltd. was to increase its capital stock by CNY100 million, which to be acquired entirely by Xiamen Port Holding Group. This capital increase was approved by China Insurance Regulatory Commission on August 7, 2013. and the record date for the capital increase was August 16, 2013. In addition, the capital increase of Fubon Property and Casualty Insurance Co., Ltd. was approved by China Insurance Regulatory Commission as of September 23, 2014. The Group subscribed to the capital increase on a pro rata basis.

Additionally, the board of directors of the Group on March 18, 2015 agreed on participating in the capital increase by cash in Fubon Property & Casualty Insurance Co., Ltd. The Group was approved by the Investment Commission, MOEA, Jing Shen (2) Letter No. 10400108050 to invest CNY 150 million in Fubon Property & Casualty Insurance, and remitted CNY 120 million on August 10, 2015. The investment project had been approved by the China Insurance Regulatory Commission on October 9, 2015 and the record date for the capital increase was October 20, 2015. As of June 30, 2016, the paid-in capital of Fubon Property & Casualty Insurance Co., Ltd was CNY 1 billion. The investment of the Group amounted to CNY 400 million.

The Group and Fubon Insurance Co., Ltd had signed a joint investment contract with Nanjing Zijin Investment Co., Ltd. to set up a life insurance company in Mainland China. The project had been approved by the Financial Supervisory Commission, Executive Yuan, per the letter Gin Guan Bao Li No.10002542061 on January 14, 2011. However, the board of directors of the Group had approved to terminate the joint investment agreement on January 29, 2016.

The Group, under the approval of Investment Commission, MOEA and per the regulation of JinShen (2) Zhi No. 10400036470 letter, remitted HKD 1,800 million to undertake 20% share of CITIC Capital Holdings Co., Ltd. which was possessed by Kompass Investment LLC. The Group indirectly acquired the share equity of CITIC Full Joy (Da Lian) Co., Ltd., Xiang Xin Real Estate (Shenyang) Co., Ltd., CITIC Capital (Shanghai) Consutling Co., Ltd., CITIC Capital Partners (Shanghai) Limited, CITIC Jin Xiu Capital Management Co., Ltd., and Kaixin Investment Co., Ltd. The percentage of share acquired ranged from 6% to 20%.

(b) Fubon Property & Casualty Insurance Co., Ltd is a property insurance company, the information for its cash management and profitability is disclosed as follows:

(1) Capital status and its profit and loss：No significant investment.

(2) The Fubon Property & Casualty Insurance Co., Ltd. provides premium deficiency reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Gin Guan Bao Tsai No.09802513192 on December 28, 2009. Non life insurance companies should evaluate the claim payments and expense which will be incurred in the future and compare the fore-mentioned expenditures to the premium based on insurance policy without expiration or the accepting risk which is not terminative. If the expenditures are lower than the premium, non life insurance companies should provide the differences as the premium deficiency reserve. The methodology for providing premium deficiency reserve is decided by actuaries and reported to the authority. If there is any change, it should adopt the same procedures as for mentioned.

	June 30, 2016	December 31, 2015	June 30, 2015
Unearned premium reserve	$ 2,585,703	2,448,635	2,216,463
Claim reserve	1,310,437	1,099,789	941,275
Premium deficiency reserve	61,167	52,728	53,626
Total	**$ 3,957,307**	**3,601,152**	**3,211,364**

(3) Ratio accounted for the total premium revenue of the Group: 0.93%

(4) Ratio accounted for the total claim payment of the Group: 1.17%

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

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

2) Amount and profit and loss of property transaction: None.

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

4) Other significant transactions which would influence current profit and loss and other financial condition, such as the provision or receipt of labor service: None.

(6) The name and premium revenue (expense) from the reinsurance business counterparties which are the branches of foreign insurance companies located in China or the branch of Chinese insurance companies: None.

(7) Name and premium revenue of significant insurance business with Chinese people, legal entities and groups located overseas: None.

(c) Limit of investment in China：

Unit:NTD$'000

Name of Company	Accumulated amount transferred from Taiwan, end of the period	Investment amount approved by Ministry of Finance	Limit of investment regulated by Investment Audit Committee of Ministry of Finance.
Fubon Life Insurance Co., Ltd.	18,033,518	30,739,463	135,105,148

Note: The limit of investment is $90,070,099 according to the Regulations Governing Foreign Investments by the Group.

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

14. SEGMENT FINANCIAL INFORMATION DISCLOSURE

(A) General information

The Group 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 4.

(B) Segment information

	For the three months ended June 30, 2016				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	$ 161,234,485	653,805	576,345	-	162,464,635
(Losses) gains from internal segments	376,410	-	-	(376,410)	-
Total revenue	$ 161,610,895	653,805	576,345	(376,410)	162,464,635
Net income	$ 10,857,972	(85,223)	190,246	(105,023)	10,857,972

	For the three months ended June 30, 2015				
	Taiwan Insurance Business	Asia Insurance Business (Note 1)	Europe Investment property Business	Adjustments and Eliminations (Note 2)	Total
Revenue					
Gains from external customers	$ 138,294,932	44,242	287,266	-	138,626,440
(Losses) gains from internal segments	238,750	-	-	(238,750)	-
Total revenue	$ 138,533,682	44,242	287,266	(238,750)	138,626,440
Net income	$ 15,827,215	(28,149)	150,077	(121,928)	15,827,215

	For the six months ended June 30, 2016				
	Taiwan Insurance Business	**Asia Insurance Business (Note 1)**	**Europe Investment property Business**	**Adjustments and Eliminations (Note 2)**	**Total**
Revenue					
Gains from external customers	$ 311,348,171	681,346	215,913	-	312,245,430
(Losses) gains from internal segments	110,403	-	-	(110,403)	-
Total revenue	**$ 311,458,574**	**681,346**	**215,913**	**(110,403)**	**312,245,430**
Net income	**$ 12,995,056**	**(141,014)**	**(295,969)**	**436,983**	**12,995,056**
Total assets	**$3,220,386,739**	**5,183,638**	**37,999,844**	**(40,105,819)**	**3,223,464,402**

	For the six months ended June 30, 2015				
	Taiwan Insurance Business	**Asia Insurance Business (Note 1)**	**Europe Investment property Business**	**Adjustments and Eliminations (Note 2)**	**Total**
Revenue					
Gains from external customers	$ 269,207,199	84,594	118,030	-	269,409,823
(Losses) gains from internal segments	26,742	-	-	(26,742)	-
Total revenue	**$ 269,233,941**	**84,594**	**118,030**	**(26,742)**	**269,409,823**
Net income	**$ 29,079,661**	**(52,680)**	**(105,868)**	**158,548**	**29,079,661**
Total assets	**$2,842,251,842**	**1,027,596**	**16,736,746**	**(16,826,639)**	**2,843,189,545**

Note1: Asia Insurance Business does not include Taiwan.

Note2: The adjustments and eliminations are eliminating entries used to adjust intercompany transactions when preparing the consolidated financial statements.