Stock Code:5828

FUBON INSURANCE CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Six Months Ended June 30, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of FUBON INSURANCE CO., LTD.:

Opinion

We have audited the consolidated financial statements of FUBON INSURANCE CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of June 30, 2019, December 31 and June 30, 2018, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018 and consolidated statements of changes in equity and consolidated statements of cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fubon Insurance Co., Ltd and its subsidiaries as of June 30, 2019, December 31 and June 30, 2018, and the results of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, and of its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Statements by Insurance Enterprises and International Accounting Standard No.34"Interim Financial Reporting ", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be communicated in our report are described below:

1. The valuation of financial instruments

   Please refer to Note 4 (h) "Financial instruments" for related accounting policy, Note 5 (a) for accounting assumptions and estimates, and Note 6 (y) "Fair value and tiers information" for details of valuation of financial instruments.

   The valuation of several financial instruments of the Group are measured using the valuation models, which involved the exercise of professional judgments on valuation techniques and important parameters. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

- Inspecting the process of the management decision on fair value measurement and disclosure of financial instruments;
- Sample testing to evaluate whether the quoted prices in active markets for financial assets are appropriate;
- Appointing our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 "Fair Value Measurement" ;
- Assessing whether expression and disclosure of financial instruments are in accordance with IFRSs.

2. Valuation of investment property

Please refer to Note 4 (j) "Investment property" for related accounting policy, Note 5 (c) for accounting assumptions and estimates, and Note 6 (k) "Investment property" for details of the valuation of investment properties.

The Group holds several investment properties. The investment property appraisals are performed by appraisers from professional valuation agencies using the valuation techniques provided by the "Regulations on Real Estate Appraisal" and market evidences in accordance with the " Regulations Governing the Preparation of Financial statements by Insurance Enterprises". The selection of appraising methods involved the exercise of significant professional judgments. Therefore, the valuation of investment properties has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

- Understanding the procedure of investment property appraisals performed by professional agencies, considering whether the professional evaluation agencies select the appropriate valuation method and adoption of significant assumptions or not;
- Ensuring the presentation and disclosure of investment property are in accordance with IFRSs and the "Regulations Governing the Preparation of Financial statements by Insurance Enterprises";
- Evaluating whether the management's assessment on the valuation of investment property is reasonable based on the evidences obtained from the audit team and the external estate appraisers joint firms, as well as appraisal reports.

3. Valuation of insurance liability

Please refer to Note 4 (q) " Insurance liability" for related accounting policy, Note 5 (d) for accounting assumptions and estimates, and Note 6 (o) " Insurance liability" for details of the valuation of insurance liability.

The Group measures their insurance liability in accordance with the "Regulations Governing the Provision of Various Reserves" and related administrative interpretations. The important parameters, which involved the exercise of professional judgments in determining various statutory reserves, such as claim development factors, expected claim rates and discount rate adopted by claim reserve; provision factors according to the characteristics of different line adopted by unearned premium reserve, will affect the amount, recognized as insurance liabilities, and net movements in insurance liabilities. Therefore, the valuation of insurance liabilities has been identified as a key audit matter in our audit.

How the matter was addressed in our audit:

- Testing effectiveness of internal control process on insurance liability.
- Adopting the audit of insurance liabilities performed by our actuarial specialists, including following process:
  - — Inspecting whether the calculation and applied parameters are in accordance with the related ordinances, administrative interpretations and code of conduct announced by the Actuarial Institute of the Republic of China;
  - — Assessing the reasonableness of actuarial assumptions derived from empirical data and product specification;
  - — Sampling inspect the calculation of information's completeness that provision of reserves used, and establishing model to check the amount of provision reserves;
  - — Analyzing the movements in insurance liabilities and evaluating whether change in provision adopted by the management are reasonable based on our understanding of industry and market.

Other Matter

FUBON INSURANCE CO., LTD. has additionally prepared its parent company only financial statements as of and for the six months ended June 30, 2019 and 2018, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standard No.34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the six months ended June 30, 2019 and are therefore the key audit matters. We describe these matters in our auditor' s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are CHUNG, TANTAN and WU, LIN.

KPMG

Taipei, Taiwan (Republic of China)
August 15, 2019

Notes to Readers

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

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

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019, December 31 and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2019		December 31, 2018		June 30, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
11000	Cash and cash equivalents (notes 4, 6(a), 7 and 8)	$ 9,248,743	9	8,477,179	9	7,877,129	8
12000	Receivables (notes 4, 6(b), (c), (d), and (h))	7,282,184	7	4,857,637	5	6,247,518	6
14110	Financial assets at fair value through profit or loss (notes 4, 6(i), (y) and (z))	25,234,460	24	21,902,662	22	22,319,269	22
14145	Financial assets at amortized cost (notes 4 and 6(i))	2,571,873	3	3,678,259	4	3,598,363	4
14150	Investments accounted for using equity method, net (notes 4 and 6(i))	243,947	-	274,643	-	132,461	-
14180	Other financial assets, net (notes 4, 6(i))	373,675	-	1,000,621	1	411,845	1
14190	Financial assets at fair value through other comprehensive income (notes 4 and 6(i),(y),(z), and 8)	23,390,126	22	21,901,101	22	22,431,238	22
16700	Right-of-use assets (notes 4 and 6(j))	242,954	-	-	-	-	-
14200	Investment property (notes 4, 6(k) and 9)	10,748,409	10	10,798,611	11	10,679,892	11
15000	Reinsurance assets (notes 4 and 6(e), (f), (g) and (o))	19,562,266	19	18,102,256	19	19,264,782	19
16000	Property and equipment (notes 4 and 6(l))	3,526,745	3	3,513,399	4	3,539,820	4
17000	Intangible assets (notes 4 and 6(m))	116,768	-	133,027	-	98,560	-
17800	Deferred tax assets (notes 4 and 6(t))	919,613	1	1,120,254	1	1,075,877	1
18000	Other assets	2,065,871	2	1,961,815	2	2,082,449	2
	Total assets	**$ 105,527,634**	**100**	**97,721,464**	**100**	**99,759,203**	**100**

		June 30, 2019		December 31, 2018		June 30, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Liabilities:						
21000	Accounts payable (notes 4, 6(b), (c), (g), (h) and (o))	$ 12,472,113	12	10,978,591	11	11,318,838	11
21700	Current tax liabilities (notes 4 and 6(t))	263,435	-	207,547	-	389,884	-
23200	Financial liabilities at fair value through profit or loss (notes 4, 6(i), (y) and (z))	115,394	-	66,889	-	566,145	1
24000	Insurance liabilities(note 4, 6(o),(v) and (w))	53,914,410	51	51,768,763	53	52,724,862	53
23800	Lease liabilities (notes 4, and 6(p))	228,986	-	-	-	-	-
28000	Deferred tax liabilities (notes 4 and 6(t))	1,549,892	2	1,363,577	2	1,277,190	1
25000	Other liabilities	1,456,877	1	1,246,575	1	926,648	1
27000	Provisions (notes 4 and 6(n))	1,395,856	1	1,559,177	2	1,460,224	2
	Total liabilities	71,396,963	67	67,191,119	69	68,663,791	69
	Equity attributable to owners of parent (note6(r))						
31000	Share capital	3,178,396	3	3,178,396	3	3,178,396	3
32000	Capital surplus	5,934,408	6	5,934,408	6	5,934,408	6
	Retained earnings:						
33100	Legal reserve	3,761,712	4	3,761,712	4	3,761,712	4
33200	Special reserve	12,875,181	12	12,840,876	13	11,897,081	12
33300	Unappropriated retained earnings	2,097,211	2	2,493,372	3	2,467,367	3
	Total retained earnings	18,734,104	18	19,095,960	20	18,126,160	19
	Other equity:						
34100	Exchange differences on translation of foreign financial statements	(61,108)	-	(73,596)	-	(64,926)	-
34210	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(335,409)	-	(583,511)	(1)	(693,016)	(1)
34220	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	759,393	1	(275,050)	-	(155,490)	-
34600	Revaluation surplus	211,689	-	211,689	-	155,324	-
34950	Reserve of overlay approach	5,115,362	5	2,727,398	3	4,152,193	4
	Total other equity	5,689,927	6	2,006,930	2	3,394,085	3
	Total equity attributed to owners of parent	33,536,835	33	30,215,694	31	30,633,049	31
36000	Non-controlling interests	593,836	-	314,651	-	462,363	-
	Total equity	34,130,671	33	30,530,345	31	31,095,412	31
	Total liabilities and equity	**$ 105,527,634**	**100**	**97,721,464**	**100**	**99,759,203**	**100**

See accompanying notes to consolidated financial statements.

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

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

		For the three months ended June 30				For the six months ended June 30			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
	Operating revenue:								
41110	Written premium(note 6(w))	$ 12,220,004	121	11,404,673	117	23,906,779	120	22,381,125	116
41120	Reinsurance premium(note 6(w))	795,432	8	765,627	8	1,539,286	8	1,487,757	8
	Premium	13,015,436	129	12,170,300	125	25,446,065	128	23,868,882	124
51100	Less:Reinsurance expense(note6(w))	3,638,839	36	3,182,853	33	6,815,391	34	6,059,048	32
51310	Net change in unearned premiums reserve(notes 6(o) and (w))	486,012	5	619,031	6	1,054,760	5	1,234,693	6
	Retained earned premium	8,890,585	88	8,368,416	86	17,575,914	89	16,575,141	86
41300	Reinsurance commission received(note 6(w))	448,101	4	378,840	4	814,840	4	725,982	4
	Net income (loss) from investments								
41510	Interest income	261,740	3	271,593	3	530,832	3	533,310	3
41521	Gains on financial assets or liabilities at fair value through profit or loss	1,191,137	12	137,479	1	3,443,941	17	314,014	2
41527	Realized gains (losses) on financial assets measured at fair value through other comprehensive income	45,687	-	62,992	1	79,736	-	61,559	-
41540	Share of loss of associates and joint ventures accounted for using equity method(note 6(i))	(22,223)	-	(30,751)	-	(34,472)	-	(49,641)	-
41550	Foreign exchange gains (losses), investments	(48,649)	-	593,182	6	(109,338)	(1)	474,037	2
41570	Gains (losses) on investment property	88,991	1	91,824	1	177,265	1	177,891	1
41585	Expected credit losses or reversal of expected credit losses of investments	238	-	1,109	-	2,198	-	(291)	-
41590	Other net income (loss) from investments	6,427	-	3,007	-	6,427	-	6,367	-
41600	Gains (losses) on reclassification under the overlay approach(note 6(i))	(795,264)	(8)	(210,410)	(2)	(2,506,631)	(13)	419,502	2
41800	Other operating income	32,402	-	35,777	-	39,470	-	48,717	-
	Net Operating Revenue	10,099,172	100	9,703,058	100	20,020,182	100	19,286,588	100
	Operating costs:								
51200	Insurance claim payment(note 6(w))	6,589,508	65	5,922,012	61	12,555,813	63	11,509,985	60
41200	Less:Claims recovered from reinsurers(note 6(w))	1,437,459	14	1,206,236	12	2,690,184	13	2,250,765	12
	Retained claim payment	5,152,049	51	4,715,776	49	9,865,629	50	9,259,220	48
	Net change in insurance liability reserve(note 6(o))								
51320	Net change in claim reserve(note 6(w))	235,154	2	(178,459)	(2)	241,255	1	(170,670)	(1)
51330	Net change in liability reserve	148	-	301	-	340	-	591	-
51340	Net change in special claim reserve	(342,760)	(3)	(55,189)	(1)	(250,429)	(1)	(186,945)	(1)
51350	Net change in premium deficiency reserve	(3,265)	-	11,028	-	2,259	-	16,321	-
51500	Commission expense(notes 6(v) and (w))	1,576,936	16	1,546,710	16	3,113,660	16	3,029,872	16
51800	Other operating costs	76,073	1	67,981	1	140,017	1	121,834	1
	Total operating costs	6,694,335	67	6,108,148	63	13,112,731	67	12,070,223	63
	Operating expenses:								
58100	General expenses	2,201,128	22	2,002,881	20	4,056,037	20	3,804,488	20
58200	Administrative expenses	61,980	1	75,831	1	289,015	1	326,467	1
58300	Staff training expenses	5,068	-	3,656	-	7,373	-	4,670	-
58400	Expected credit losses or reversal of expected credit losses of non-investments	24,755	-	12,150	-	38,882	-	22,626	-
	Total operating expenses	2,292,931	23	2,094,518	21	4,391,307	21	4,158,251	21
	Net operating income	1,111,906	10	1,500,392	16	2,516,144	12	3,058,114	16

See accompanying notes to consolidated financial statements.

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

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

		For the three months ended June 30				For the six months ended June 30			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
	Non-operating income and expenses:								
59100	Gains (losses) on disposals of property and equipment	$ (145)	-	(339)	-	(38)	-	(537)	-
59200	Impairment loss or reversal of impairment loss on non-financial assets	(22,917)	-	(20)	-	(22,917)	-	(20)	-
59900	Other non-operating income and expenses	(60,503)	-	(49,436)	(1)	(112,640)	-	(102,564)	(1)
	Total non-operating income and expenses	(83,565)	-	(49,795)	(1)	(135,595)	-	(103,121)	(1)
62000	**Profit (loss) from continuing operations before tax**	1,028,341	10	1,450,597	15	2,380,549	12	2,954,993	15
63000	Less: Tax expenses (notes 4 and 6(t))	168,337	2	174,385	2	340,597	2	384,574	2
	Profit	860,004	8	1,276,212	13	2,039,952	10	2,570,419	13
83000	**Other comprehensive income:**								
83100	**Components of other comprehensive income that will not be reclassified to profit or loss**								
83120	Gains (losses) on revaluation	-	-	-	-	-	-	76,391	-
83190	Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(7,460)	-	38,221	1	202,077	1	113,363	1
83180	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))	(19,226)	-	(5,594)	-	(17,196)	-	(47,544)	-
		11,766	-	43,815	1	219,273	1	237,298	1
83200	**Components of other comprehensive income that will be reclassified to profit or loss**								
83210	Exchange differences on translation of foreign financial statements	(7,296)	-	29,047	-	22,913	-	16,764	-
83290	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	621,615	6	(364,907)	(4)	1,287,551	7	(914,984)	(4)
83295	Other comprehensive income on reclassification under the overlay approach	795,264	8	210,410	2	2,506,631	13	(419,502)	(2)
83280	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	105,336	1	(85,628)	(1)	341,042	2	(258,425)	(1)
	Total components of other comprehensive income that will be reclassified to profit or loss	1,304,247	13	(39,822)	(1)	3,476,053	18	(1,059,297)	(5)
83000	**Total other comprehensive income**	1,316,013	13	3,993	-	3,695,326	19	(821,999)	(4)
	Total comprehensive income	**$ 2,176,017**	**21**	**1,280,205**	**13**	**5,735,278**	**29**	**1,748,420**	**9**
	Profit , attributable to:								
	Owners of parent	$ 925,542	9	1,291,724	13	2,118,687	10	2,602,605	13
	Non-controlling interest	(65,538)	(1)	(15,512)	-	(78,735)	-	(32,186)	-
		$ 860,004	**8**	**1,276,212**	**13**	**2,039,952**	**10**	**2,570,419**	**13**
	Comprehensive income attributable to:								
	Owners of parent	$ 2,258,695	22	1,309,338	13	5,780,208	29	1,812,381	9
	Non-controlling interests	(82,678)	(1)	(29,133)	-	(44,930)	-	(63,961)	-
		$ 2,176,017	**21**	**1,280,205**	**13**	**5,735,278**	**29**	**1,748,420**	**9**
	Earnings per share								
	Basic earnings per share(note 6(u))	**$**	**2.91**		**4.06**		**6.67**		**8.19**
	Diluted earnings per share(note 6(u))	**$**	**2.91**		**4.06**		**6.66**		**8.18**

See accompanying notes to consolidated financial statements.

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Capital		Retained earnings				Other equity							
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 3,178,396	5,934,408	3,761,712	11,883,047	2,430,123	18,074,882	(81,275)	-	4,055,403	78,933	-	31,240,747	522,598	31,763,345
Effects of retrospective application	-	-	-	-	(4,338)	(4,338)	-	(380,259)	(4,055,403)	-	4,436,010	(3,990)	(1)	(3,991)
Equity at beginning of period after adjustments	3,178,396	5,934,408	3,761,712	11,883,047	2,425,785	18,070,544	(81,275)	(380,259)	-	78,933	4,436,010	31,236,757	522,597	31,759,354
Profit	-	-	-	-	2,602,605	2,602,605	-	-	-	-	-	2,602,605	(32,186)	2,570,419
Other comprehensive income	-	-	-	-	29,784	29,784	16,349	(628,931)	-	76,391	(283,817)	(790,224)	(31,775)	(821,999)
Total comprehensive income	-	-	-	-	2,632,389	2,632,389	16,349	(628,931)	-	76,391	(283,817)	1,812,381	(63,961)	1,748,420
Appropriation and distribution of retained earnings:														
Special reserve appropriated－Employee training and transferring plan	-	-	-	14,034	(14,034)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,416,089)	(2,416,089)	-	-	-	-	-	(2,416,089)	-	(2,416,089)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3,727	3,727
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(160,684)	(160,684)	-	160,684	-	-	-	-	-	-
Balance at June 30, 2018	**$ 3,178,396**	**5,934,408**	**3,761,712**	**11,897,081**	**2,467,367**	**18,126,160**	**(64,926)**	**(848,506)**	**-**	**155,324**	**4,152,193**	**30,633,049**	**462,363**	**31,095,412**
Balance at January 1, 2019	$ 3,178,396	5,934,408	3,761,712	12,840,876	2,493,372	19,095,960	(73,596)	(858,561)	-	211,689	2,727,398	30,215,694	314,651	30,530,345
Profit	-	-	-	-	2,118,687	2,118,687	-	-	-	-	-	2,118,687	(78,735)	2,039,952
Other comprehensive income	-	-	-	-	-	-	12,488	1,261,069	-	-	2,387,964	3,661,521	33,805	3,695,326
Total comprehensive income	-	-	-	-	2,118,687	2,118,687	12,488	1,261,069	-	-	2,387,964	5,780,208	(44,930)	5,735,278
Appropriation and distribution of retained earnings:														
Special reserve appropriated－Employee training and transferring plan	-	-	-	18,087	(18,087)	-	-	-	-	-	-	-	-	-
Special reserve appropriated－Increase in investment property that measures subsequently at fair value	-	-	-	16,218	(16,218)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,459,067)	(2,459,067)	-	-	-	-	-	(2,459,067)	-	(2,459,067)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	324,115	324,115
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(21,476)	(21,476)	-	21,476	-	-	-	-	-	-
Balance at June 30, 2019	**$ 3,178,396**	**5,934,408**	**3,761,712**	**12,875,181**	**2,097,211**	**18,734,104**	**(61,108)**	**423,984**	**-**	**211,689**	**5,115,362**	**33,536,835**	**593,836**	**34,130,671**

See accompanying notes to consolidated financial statements.

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 2,380,549	2,954,993
Adjustments:		
Adjustments to reconcile profit :		
Depreciation expense	142,192	84,616
Amortization expense	41,896	34,523
Net gain on financial assets or liabilities at fair value through profit or loss	(2,456,172)	(314,014)
Interest expense	6,328	2,039
Interest income	(530,832)	(533,310)
Net change in insurance liabilities	1,048,185	893,990
Expected credit losses or reversal of expected credit losses of investments	(2,198)	291
Expected credit losses of non-investments	38,882	22,626
Share of loss of associates and joint ventures accounted for using equity method	34,472	49,641
Loss (profit) reclassified by applying overlay approach	2,506,631	(419,502)
Loss on disposal of property and equipment	38	537
Impairment loss on non-financial assets	22,917	20
Unrealized foreign exchange loss (gain)	(138,394)	116,224
Loss on fair value adjustment of investment property	3,661	781
Total adjustments to reconcile profit (loss)	717,606	(61,538)
Changes in operating assets and liabilities:		
Increase in notes receivable	(115,821)	(128,749)
Increase in premiums receivable	(2,301,245)	(1,343,329)
Increase in other receivable	(3,360)	(184,703)
Increase in financial assets at fair value through profit or loss	(914,914)	(650,105)
Decrease (increase) in other financial assets	507,356	(65,531)
Increase in reinsurance assets	(403,709)	(115,267)
Decrease (increase) in other assets	3,722	(72,801)
Increase (decrease) in claims payable	101,654	(526,337)
Increase in commissions payable	214,748	165,006
Increase in due to reinsurers and ceding companies	1,528,107	1,260,194
Decrease in other payable	(633,476)	(495,815)
Return principal of liability reserve	(27,350)	(38,352)
Decrease in provisions for employee benefits	(163,321)	(186,581)
Increase in other liabilities	210,302	158,072
Total changes in operating liabilities	1,230,664	336,187
Total adjustments	(1,279,701)	(2,285,836)
Cash inflow generated from operations	1,100,848	669,157
Interest received	563,192	489,823
Interest paid	(6,328)	(1,605)
Income taxes paid	(9,370)	(12,455)
Net cash flows from operating activities	1,648,342	1,144,920
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,087,842)	(1,224,311)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,221,462	2,026,918
Proceeds from repayments of financial assets at amortized cost	1,211,722	14,105
Acquisition of property and equipment	(46,789)	(445,806)
Proceeds from disposal of property and equipment	2,654	629
Acquisition of intangible assets	(25,408)	(34,491)
Acquisition of investment properties	-	(100)
Net cash flows from investing activities	1,275,799	336,944
Cash flows from (used in) financing activities:		
Cash dividends paid	(2,459,067)	(2,416,089)
Payments of lease liabilities	(59,921)	-
Change in non-controlling interests	324,115	3,727
Net cash flows used in financing activities	(2,194,873)	(2,412,362)
Effect of exchange rate changes on cash and cash equivalents	42,296	15,842
Net increase (decrease) in cash and cash equivalents	771,564	(914,656)
Cash and cash equivalents at the beginning of period	8,477,179	8,791,785
Cash and cash equivalents at the end of period	$ **9,248,743**	**7,877,129**

See accompanying notes to consolidated financial statements.

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share Information and Unless Otherwise Specified)

(1) COMPANY HISTORY

FUBON INSURANCE CO., LTD. (the "Company") was founded on April 17, 1961 and primarily engaged in the business of property and casualty insurance. The enactment of the Financial Holding Company Act in Taiwan in 2001 provided an opportunity to establish Fubon Group as the holding entity of the main financial services company that had been operating under the Fubon brand. Therefore, a new Fubon Insurance (the Company) was established on December 19, 2001. Substantially, all assets and liabilities and related operations of the Old Fubon were transferred to the New Fubon. The Old Fubon was renamed as Fubon Financial Holding Co., Ltd. As of June 30, 2019 and 2018 the composition of the financial report includes the Group (hereafter "the Group")as well as the equity of the associates. The primary operating business is property insurance. The parent company and the ultimate controlling company of the group is Fubon financial holding Co.,LTD.

(2) APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issuance by the board of directors on August 15, 2019.

(3) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(p).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $241,360 of right-of-use assets and $230,113 of lease liabilities. The difference between right-of-use assets and lease liabilities is adjustments of prepaid rent. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.01%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 196,820
Operating lease commitment (excluding real estate) at December 31, 2018 that has not been disclosed in the Group's consolidated financial statements	70,327
Recognition exemption for:	
short-term leases	(24,286)
leases of low-value assets	(58)
	$ 242,803
Discounted using the incremental borrowing rate at January 1, 2019	**$ 230,113**
Lease liabilities recognized as at January 1, 2019	230,113
Prepaid rent reversed as at January 1, 2019	11,247
Right-of-use assets recognized at January 1, 2019	241,360

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021 (note)

Note： On November 14, 2018, IASB voted to pass a resolution that postpone the effective date of IFRS17 to January 1, 2022. It is to be officially announced by IASB.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 18, 2017	IFRS 17 "Insurance Contracts "	The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows: ● Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest. ● Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. ● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Unless otherwise indicated, the significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises (hereinafter referred to as the Regulations) and preparation and guidelines of IAS 34 " Interim Financial Reporting" which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of preparation

The consolidated financial reports comprise consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows and relevant notes.

The consolidated financial statements have been prepared on a historical cost basis except for the financial assets or liabilities measured at fair value through profit or losses (including derivative financial instruments), investment properties, net defined benefit liability (asset) measured at fair value of pension plan assets minuses present value of defined benefit obligation, and measurement in the effects of the ceiling which is stated at Note 4(r) are measured at fair value. The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

A subsidiary is an enterprise controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding		
Name of investor	**Name of subsidiary**	**Business Type**	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
The Company	Fubon insurance (Vietnam) Co., Ltd	Insurance	100 %	100 %	100 %
The Company	Fubon P&C Insurance Co., Ltd	Insurance	40 %	40 %	40 %
The Company	Fubon Insurance Broker (Thailand) Co., Ltd	Insurance broker	48.97 %	48.97 %	48.97 %
The Company	Fubon Insurance Broker (Philippines) Co., Ltd	Insurance broker	99.99 %	99.99 %	99.99 %

(d) Foreign currency

(i) Foreign currency transaction

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group’ s functional currency in New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group’ s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

(Continued)

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, joint control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(e) Principle of classifying assets and liabilities as current and non-current

Due to the 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. Nonetheless, the items are classified per their properties and are arranged per their liquidity.

(f) Cash and cash equivalents

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

(g) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which is arising from the acquisition less any accumulated impairment losses. The consolidated financial statements include the Group’ s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in associates, the carrying amount of the investment, including any interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(Continued)

When the Group disposes associates and lose the significant influence over the associates, any remaining investments are measured at the fair value. The difference between the fair value of remaining investments in associates plus the proceeds from disposing associates and the carrying amount of remaining investment in associates when the Group loses its significant influence is recognized in profit or loss. The amount related to associates and recognized in other comprehensive income is reclassified as profit or loss from equity.

(h) Financial Instruments

In accordance with IFRS 9, the Group classified financial assets into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets measured at amortized cost. Financial liabilities are classified primarily into those measured at fair value through profit or loss.

(i) Financial assets

1) Regular way purchase or sale

The types and the accounting classifications of all financial assets acquired by the Group are based on trade date accounting.

2) Financial assets measured at fair value through profit or loss

Financial assets in this category include the financial assets that are not classified as at amortized cost or at fair value through other comprehensive income, and the financial assets that meet the requirements to be measured at amortized cost or at FVTOCI, but irrevocably designated as at FVTPL to eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent valuation is measured at fair value. The revaluation gains and losses (including dividend and interest income) are recognized in profit or loss.

3) Financial assets at fair value through other comprehensive income

Financial assets in this category include the followings:

a) Investment in debt instruments that meets both of the following conditions:

i) It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) On initial recognition of an equity investment that is not held for trading, the Group may irrevocably select to present subsequent fair value changes in other comprehensive income.

A financial asset measured at FVTOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, debt investments Impairment losses, dividend income and foreign exchange gains and losses; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVTOCI are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of equity investments are reclassified to profit or loss. However, gains and losses accumulated in other comprehensive income of debt investments are reclassified to retain earnings instead of profit or loss. The Group recognize dividend income when the date of receiving dividend.

4) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

a) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

5) Reclassification of financial instruments

In accordance with IFRS 9, the Group can only reclassify all the affected financial assets when they change the business model in which assets are managed.

6) Overlay approach

The Insurance subsidiaries have applied IFRS 9 since January 1, 2018. In order to reduce the impact and discrepancy arising from the adoption of IFRS 9 earlier than IFRS 17 (Insurance Contracts), the overlay approach of IFRS 4 "Insurance Contracts" has also been adopted to express the profit or loss of designated financial assets.

(Continued)

(ii) Financial liabilities

A financial liability is measured at fair value through profit or loss if it meets one of the following conditions:

1) Financial liabilities held for trading

a) Liabilities incurred primarily for the purpose of being repurchased in the short term;

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

c) Except for financial guarantee contracts or derivative financial liabilities which are designated as effective hedging instruments.

2) Financial liabilities designated at fair value through profit or loss

Financial liabilities in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent valuation is measured at fair value. The revaluation gains and losses are recognized in profit or loss. Financial liabilities measured at fair value through profit or loss are measured at fair value. The amount of changes in the fair value of financial liabilities designated at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income.

(iii) Derecognition

A financial asset is derecognized when the contractual rights of the cash inflow from the financial asset are terminated, or when all the risks and rewards of ownership of the financial assets are substantially transferred.

If the Group enter into securities lending transactions or pledge of bonds or stocks as security for repo transaction, the financial assets are not derecognized as substantially all risks and rewards of ownership are still retained by the Group. This accounting treatment is also adopted when the Group enter into securitization transaction in which the Group keep portion of the risk and rewards of ownership.

The Group derecognize a financial liability when its contractual obligations has been discharged, cancelled, or expire.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet if, and only if, the Group have 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.

(i) Derivative financial instruments

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

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Subsequent measurement of investment property is measured at fair value. Any gain or loss resulted from the fair value change on an investment property is recognized in profit or loss and is conducted per the regulation of IAS 40 “Investment Property” except those that are classified as held-for-sale (or included in the held-for-sale disposal group) in accordance with IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”.

An investment property is derecognized when it is disposed or it is no longer being used and is not going to retrieve any future economic benefit from the disposal. The gain or loss on the disposal is recognized in profit or loss.

The Company based on the actual purpose to determine whether to classify a property into investment property or to classify a property out of investment property. The classification is based on market valuation data of and relevant accounts are dealt with appropriate procedures. Regarding the accounting treatment of the transition of the purpose of the investment property, it is conducted per the regulation of IAS 40 “Investment Property”.

(k) Bills and bonds purchased/sold under agreements to resell/repurchase

The Group engages in trading of bonds sold under repurchase agreements and it is recognized in bonds issued under repurchase agreement. The bonds provided as the guarantees of transactions under repurchase agreements are recognized in financial asset investment accounts and are not affected by the temporary transfer-in or transfer-out of the transactions under repurchase agreements. The financing interest expenses are recognized per the duration of the repurchase agreements on accrual basis.

(l) Securities lending

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

(m) Property, plant and equipment

(i) Recognition and measurement

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. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless the useful life and the depreciation method of the 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.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Reclassification to investment property

When the use of a property changes to investment property, the Group reclassifies the property to investment property based on the carrying amount when the use is changed. The differences between book value and fair value at the date of purpose of change, the investment property should be recognized in profit or loss to the extent of previous accumulated impairment recognition. Other differences should be recognized in " Other comprehensive income—revaluation surplus" and be accumulated in "Other equity—revaluation surplus".

(iii) Subsequent cost

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

(Continued)

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated by straight line method over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee 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.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1)	Buildings and construction	3-55 years
2)	Transportation and communication equipment	5- 6 years
3)	Miscellaneous equipment	3- 8 years

Gain and loss on disposal of fixed assets are recognized in non-operating profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(n) Assets impairment

(i) Financial assets impairment

The principles for recognition of the expected credit loss are within the scope of IFRS 9:
The Group assess that whether the credit risk of financial instruments has increased significantly since initial recognition. An entity may determine that a financial asset has not suffered a significant increase in credit risk if the asset has low credit risk at each reporting date. To measure loss allowance, lifetime ECL measurement applies for those financial assets that have suffered a significant increase in credit risk since initial recognition and 12 month ECL measurement for those have not at each reporting date.

1) General approach of measuring expected credit loss:

The Group adopts the general approach to recognize expected credit loss on bond instruments and loans classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and other receivables. The Group assess that whether the credit risk of financial instruments has increased significantly since initial recognition and recognize the loss allowance. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

2) Simplified approach of measuring expected credit loss:

The Group adopts the simplified approach, 12 month ECL, to measure expected credit loss and recognize loss allowance on lease receivables and account receivables which is in the scope of IFRS 15. Considering historical experience, the Group adopts the simplified approach due to the loss rate of non-aforementioned receivables and loans from investment link product is very little. After pledging the investment link insurance as security for loans, if the buyer fails to pay the subsequent period premium and loan interest on time, the repayments of the insurance are greater than the value of the policy account, and loss allowance shall be determined when the investment link insurance is impaired.

(ii) Impairment of non-financial assets

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

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is indication that such impairment loss no longer exists or has decreased. The Group then estimates the recoverable amount of an individual asset or a cash generating unit. If the value of the recoverable amount increases after assessments, the impairment loss could be reversed to increase assets or increase the book value of cash generating units to recoverable amounts. However, the value of an individual asset or a cash generating unit could not exceed the amortized or depreciated amount without recognizing impairment loss.

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

(o) Intangible assets

(i) Computer software

Computer software is recognized per its cost and amortized in 3-10 years by straight line method.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each financial year-end. Such change shall be accounted for as changes in accounting estimates.

(p) Leases

(i) Identifying a lease (applicable from January 1, 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

   — the Group has the right to operate the asset; or

   — the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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(ii) As a lessee (applicable from January 1, 2019)

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in assessment of a purchase option; or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications such as lease subject, scope or other lease terms

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

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

(iii) As a lessor (applicable from January 1, 2019)

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor' s net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

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(iv) Lessor (applicable before 2018)

Lease income from operating lease is recognized in profit or loss on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(v) Lessee (applicable before 2018)

Operating lease asset is not recognized in the balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Under operating lease, all the payments are recognized as lease expenditures.

(q) Insurance liability

The Group determines reserves for insurance contracts in accordance with to the “Regulations Governing the Provision of Various Reserves”, “Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Regulations for the Reserve of Nuclear Insurance”, and “Directions Concerning Enhanced Natural Disaster Reserve of Property Insurance (Commercial Earthquake Insurance, Typhoon Insurance, and Flood Insurance)” 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 is calculated on the actual premiums or the premiums conforming to the rule prescribed in Tai Tsai Bao No 852367814 letter, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

The methodologies used to determine the reserves are described as follows:

(i) Unearned premiums reserve:

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have been not terminated.

(ii) Claim reserve:

The Company shall determine claim reserve, including case reserve and IBNR, using actuarial approaches, based on the historical experiences for each line of business. The case reserve shall be estimated case by case, based on actual relevant information.

(iii) Special reserve

Special reserve comprises two parts, catastrophe reserve and risk-volatility reserve. The provision each year is recognized in special reserve under equity account with the amount deducted by income tax. The amount is calculated based on IAS 12. For the amount which should be written off or reclaimed, the Company writes off and reclaims it via special reserve under equity account with the amount deducted by income tax. From January 1, 2013, the special reserve provided in liability account is reclassified to special reserve in equity account

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following the regulation of IAS 12. In accordance with "Notice to Reserve Enforcement of Insurance Companies for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon and Flood Insurance)", Property insurance companies, effective from January 1, 2013, should first fill the special catastrophe reserve and risk volatility reserve for commercial earthquake insurance and typhoon and flood insurance to maximum amount with the special catastrophe reserve and risk volatility reserve, which was in liability account and was provided before December 31, 2012, in the equity account. The amount provided is deducted by income tax. The reserves mentioned (before December 31, 2012) exclude the insurances below:

-compulsory automobile liability insurance;

-nuclear insurance;

-governmental residential earthquake insurance;

-commercial earthquake insurance;

-typhoon and flood insurance.

1) Catastrophe special reserve

Catastrophe special reserve for each line of business shall be determined based on ratios regulated by the Authority.

An event is defined as a catastrophe event if, and only if, (a) the event is announced by the Government; and (b) the net losses caused by the event exceed over NT$ 2 billion dollars for the whole insurance industry; and (c) the losses caused by the event exceed over NT$ 30 million dollars for the individual company. The portion of the losses over NT$ 30 million dollars shall be recovered from catastrophe special reserve.

Catastrophe special reserve can be released after 15 years based on the mechanism decided by the appointed actuary and filed to the Authority.

2) Risk volatility special reserve

If the actual loss, after deducting catastrophe special reserve, is less than the expected loss, a equalization special reserve shall be recognized at 15% of that difference.

If the actual loss, after deducting the catastrophe special reserve recovered for the line of business, exceeds the expected loss, the amount of that difference shall be recovered from the equalization special reserve. If the equalization special reserve is insufficient to deduct for a specific line of business, it can be released from other line of business. The amount released and the line of business from which shall follow the related regulations.

If the cumulative equalization special reserve exceeds 60% of the net earned premium, the equalization special reserve shall be released by that difference.

(iv) Premium deficiency reserve

The company shall evaluate the future losses and expenses for the unexpired policies and the policies that have been not terminated. If the expected future losses and expenses exceed the sum of the recognized unearned premium reserve and the expected future premium income, a premium deficiency reserve shall be recognized at the amount of that difference.

(v) Liability adequacy reserve

In accordance with IFRS 4, the Company should assess whether its recognized insurance liabilities are adequate, using current estimates of future cash flows at the end of each reporting period. If that assessment shows that the carrying amount of its insurance liabilities (less related intangible assets) is inadequate, the entire deficiency shall be recognized as a liability adequacy reserve.

(r) Employee benefit

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group' net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on (market yields of high quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit loss.

Remeasurement of net defined benefit liability (asset) includes: 1. Actuarial gains and losses. 2. Return on plan assets except net interests of remeasurement of net defined benefit liability (asset) 3. Any changes in the effects of the asset ceiling except net interests of remeasurement of net defined benefit liability (asset).

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Remeasurement of net defined benefit liability (asset) is recognized in other comprehensive income, but the Group can choose to transfer the recognized amount to retained earnings or to other equities. If the Group adopts to transfer the amount to other equities, the Group may not reclassify the recognized amount to profit or loss or transfer the recognized amount to retained earnings in subsequent periods. The adoption should be in accordance in future periods. The Group will recognize the remeasurement of net defined benefit plan in retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year. And adjusted by the significant market volatility, curtailment or settlement of a defined benefit plan or other significant one-time events.

(iii) Other long-term employee benefit

The accounting treatments for both other long-term employee benefit and defined benefit plans are the same. However, the related remeasurment of other long-term employee benefit should be recognized in profit or loss.

(iv) Short-term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

(i) Current income tax

Current taxes included tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate. The surtax on undistributed earnings, computed according to the ROC Income Tax Act, is charged to current income tax expense in the year when stockholders decide not to distribute the earnings.

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(ii) Deferred income tax

Deferred taxes are measured based on the enacted or substantively enacted tax rate on the reporting date applicable during the year of expected asset realization or debt settlement. For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Temporary differences arise primarily from the evaluation of financial instruments (including derivative financial instrument), pension, and the reserve and reversal of retired employees benefit. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences.

Temporary differences arising from investment in subsidiaries, associates, and joint ventures are recognized as deferred income tax assets or liabilities, except when the Company has ability and intention to control the timing of reversal of the temporary differences and it is highly possible that temporary differences are not reversible in the foreseeable future.

Deferred income tax assets and liabilities are not offset if they relate to income taxes levied by different tax authorities.

(t) 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 define significant insurance risk as the event which might lead to additional significant payment.

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.

(u) Reinsurance ceded business

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 Company shall not refuse to fulfill its’ obligation to its insurers even if the reinsurer refuse to fulfill its’ obligation.

The Group recognized reinsurance charges based on reinsurance contracts. The consideration regarding the duration covered by the financial statements is consistent with the premium income. On the balance sheet date the Company estimates the unpaid reinsurance expense via a reasonable and systematic method. Relevant income (such as reinsurance commission income) is recognized in the same period and related insurance profit or loss is not deferred.

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Reinsurance assets, including ceded unearned premium reserve, ceded claim reserve, ceded policy reserve, ceded premium deficiency reserve, and ceded liability adequacy reserve, are determined in accordance with the Regulations for the Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission and reinsurance contract term to the right of reinsurer.

The Group shall recognize the ceded premium for reinsurance ceded business based on reinsurance contracts. The period of the financial report for the ceded premium shall match with that for the premium income.

The Group shall periodically assess the impairment of the reinsurance assets described above, claims recoverable from reinsurers, reinsurance receivable and funds held by ceding companies. If the Group's reinsurance asset is impaired, the Group shall reduce its carrying amount accordingly and recognize that impairment loss in profit or loss. A reinsurance asset is impaired if, and only if (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract; and (b) that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

For those statements have not been received, the ceded reinsurance premium shall be estimated by a reasonable and systematic way at the balance sheet date .The related income (such as ceded reinsurance commissions and etc.) shall be recognized at the same period. The related reinsurance gain or loss shall not be deferred.

The Group evaluates the effects insurance with another insurer to cede risk that it has insured. If a reinsurance contract only cedes the significant insurance risk but not the underwriting risk and time risk, the contract is recognized via deposit accounting. The premium minus the company retained reinsurance premium (or fee) is recognized as deposit asset or liability.

Change in deposit asset is recognized as temporary income. The deposit does not cede risk use effective interest rate calculate interest.

(v) Coinsurance organization, coinsurance business and guarantee fund agreement.

The Group signed coinsurance contract of the compulsory automobile liability insurance with all the member companies which approved by the government to operate the compulsory automobile liability coinsurance. It was agreed that all business of compulsory automobile liability insurance should be covered by the coinsurance institution or the Company should pay the penalty and be audited by the auditor of the coinsurance organization. The business of the coinsurance was calculated based on pure premium, and distribute by coinsurance percentage. Any member companies which participate in coinsurance cannot drop out from the coinsurance organization at their own choice except for those that are shut down or liquidated. If the companies stop to operate the compulsory automobile liability insurance, it should drop out from the coinsurance organization at the same time and the responsibility of unearned premiums applies natural expiry.

The Group signed "Contract Fulfillment Guarantee Coinsurance Contract of Tourism Industry" with property insurance companies and reinsurance companies which conduct contract fulfillment guarantee of tourism industry. The contract regulates that all the contract fulfillment guarantee business is covered by the contract. The company which violates the rules is obligated to pay a penalty and the coinsurance team is entitled to audit the company.

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Coinsurance business undertaken is calculated based on the coinsurance premium received (Risk premium). Each member company undertakes its respective portion of the responsibility without joint responsibility. The member can drop out from the coinsurance organization three months before next year by sending a written statement. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the coinsurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

(w) Income recognition and acquisition costs

Premium income direct business is recognized based on the written policies and endorsement. For auto insurance business, income is recognized when premiums are collected before the insurance policy takes effect and also underwriting procedures including the signed policy and issuing of insurance certificates are completed. For personal accident and health insurance business, income is recognized when premiums are collected before the insurance policy takes effect and also underwriting procedures including the signed policy and issuing of insurance certificates are completed. For those statements have not been received, assumed reinsurance premium shall be estimated by a reasonable and systematic method on the balance sheet date. The related acquisition costs (such as: commissions, brokerages, fees, reinsurance commissions and etc.) is recognized in the same period without deferring.

Unearned premium reserve is determined based on the exposure of the unexpired period for the unexpired policies and the policies that have been not terminated.

Unearned premium reserve for the compulsory auto liability is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance.

Unearned premium reserve for the Residential earthquake insurance is determined in accordance with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premiums reserve for the nuclear insurance is determined in accordance with the Regulations for the Reserve of Nuclear Insurance.

The approaches to determine unearned premiums reserves selected based on the characteristics of the line of business and decided by the actuary (The approaches are not allowed to change without the permission of the Authority.) Unearned premium reserve shall be certified by the appointed actuary.

Income tax, based on Value-added and Non-value-added Business Tax Act, the Stamp Tax Act, and other relevant laws and regulations, related to the premium income shall be recognized on accrual basis.

(x) The cost of insurance claims

Loss for direct business is recognized based on the paid losses for the reported claims. Loss shall be estimated case by case, based on the actual relevant information, and recognized as the net change in reported but unpaid reserve for the claims which have been not yet paid, either have been determined or not been determined by the claim department.

Assumed reinsurance loss for reinsurance assumed business is recognized when the statement is arrival. For those statements have not been received, assumed reinsurance, loss shall be estimated in a reasonable and systematic way and recognized as the net change in loss reserve.

Unreported loss for direct written business and reinsurance assumed business shall be estimated using actuarial methodologies, based on the historical experience, and recognized as net change in the IBNR.

The loss receivable from the reinsurance companies according to the reinsurance ceded contract shall be recognized as claims recovered from reinsurers if the loss has been paid and recognized as net change in loss reserve if the loss has not been paid.

The loss reserve is not discounted.

The loss reserve for compulsory automobile liability insurance is determined in accordance with the Regulations for Management of the Various Reserve of Compulsory Automobile Liability Insurance.

The loss reserve for residential earthquake insurance is determined in accordance with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

The loss reserve for nuclear insurance is determined based on the Regulations for the Reserve of Nuclear Insurance.

(y) Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business shall be valued and recognized at its fair value. Subrogation legally acquired shall be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and its amount can be reliably measured.

(z) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(aa) Segment information

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

(Continued)

(5) SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The relevant information of assumption and estimate uncertainty has material risk that may result in material adjustment is as followings:

(a) Fair value of financial instrument

Financial instruments without active market or quoted market prices are measured using the valuation models or counterparty prices. When using the valuation model, all the models measured using the observable factors as inputs as much as possible and the inputs cannot be adjusted manually. In principle, the models used the factors can be long-term stably accessed in the market. To avoid the data source changed causing the gap of the financial report between the difference financial years. The models need to be adjusted and verified repeatedly to ensure the output can be measured the value of financial instruments properly.

(b) Expected credit loss

The impairment of financial assets of the Group was evaluated by identifying the credit risk of financial assets has significantly increased or not at the reporting date if the credit risk of financial asset has not significant incurred, the 12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted. To evaluate the expected credit losses for 12-month and lifetime, the Group considers the default probability of financial assets or issuers or counterparties, and loss given default rate multiplying the exposure at default, taking into account the time value of money as well evaluate 12-month and lifetime loss. The Group considers historical experiences, current market conditions and forward-looking estimates to the assumptions and input values to be used in determining the impairment loss.

(c) Fair value of property investment

The fair value of investment property is measured using valuation methods, including the income approach, market approach, and so on. Variations of assumptions used in these models will influence the reporting fair value of property investment.

(d) Insurance liability

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

Unearned premium reserve is estimated based on the exposure of the unexpired period of each business line. The provision of reserves is determined by actuarial specialists in accordance with of

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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characteristics each business line.

Claim reserve is estimated in accordance with actuarial principles based on historical claim experiences and expenses. The final claim cost is calculated based on primary assumptions of claim reserve are loss development factors and expected claim ratio. The loss development factors and expected claim ratio of each business line are calculated based on historical claim experience and adjusted by company's policies such as insurance rate and claim management.

The estimation of liability adequacy reserve is in accordance with the " Statement of Financial Accounting Standards No. 40 of principles of actuarial practice – insurance contracts and liability adequacy test" pronounced by the Actuarial Institute of the Republic of China. The expected present value of the contracts' future cash flows used in estimated liability adequacy reserve is based on reasonable estimate of future insurance claims, premium revenues and relative expenses.

The professional judgment used in the above process will affect the amount recognized, including net change in insurance liability, net change in reserve for the insurance contract with the nature of financial products, and the provision of insurance liability and reserve for the insurance contract with the nature of financial products.

(6) EXPLANATION OF SIGNIFICANT ACCOUNTS:

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 1,534	645	495
Cash in bank	7,644,792	6,807,451	6,574,181
Marketable securities	1,670,440	1,747,579	1,404,088
Less: Statutory deposits	(68,023)	(78,496)	(101,635)
Total	$ 9,248,743	8,477,179	7,877,129

The statutory deposit refers to the time deposits that serve as collateral and is recognized as guarantee deposits paid. Please refer to Note 8 for further information.

(b) Receivables and Payables

(i) Receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Receivables of insurance contracts (Note 6(c))	$ 6,546,326	4,170,406	5,390,970
Notes receivable-Not for insurance contracts (Note 6(d))	20,980	14,551	21,735
Other receivables (Note 6(h))	714,878	672,680	834,813
Total	$ 7,282,184	4,857,637	6,247,518

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Payables

	June 30, 2019	December 31, 2018	June 30, 2018
Payables of insurance contracts (Note 6(c))	$ 1,072,862	858,115	1,008,222
Due to reinsurers and ceding companies (Note 6(g))	8,080,601	6,552,494	7,343,629
Other payables (Note 6(h))	3,160,105	3,511,091	2,781,499
Indemnity payments payables (Note 6(o))	158,545	56,891	185,488
Total	$ 12,472,113	10,978,591	11,318,838

(c) Receivables (payables) of insurance contracts

(i) Receivables of insurance contracts

	June 30, 2019			
Item	Notes receivable	Premiums receivable	Overdue receivable	Total
Voluntary moto insurance	$ -	214,219	14	214,233
Compulsory auto liability insurance	-	52,533	13	52,546
Compulsory motorcycle liability insurance	-	44,261	2	44,263
Fire insurance	-	1,906,787	63,209	1,969,996
Personal insurance	-	1,268,064	15,051	1,283,115
Marine hull insurance	-	88,209	35,029	123,238
Fishing vessel insurance	-	32,811	582	33,393
New insurance	-	1,627,540	113,521	1,741,061
Marine insurance	-	215,759	18,449	234,208
Other	911,414	8,311	113	919,838
Total	911,414	5,458,494	245,983	6,615,891
Less : Allowance for bad debts	(690)	(33,128)	(35,747)	(69,565)
Total (net)	$ 910,724	5,425,366	210,236	6,546,326

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Item	December 31, 2018 Notes receivable	Premiums receivable	Overdue receivable	Total
Voluntary moto insurance	$ -	204,698	71	204,769
Compulsory auto liability insurance	-	55,632	173	55,805
Compulsory motorcycle liability insurance	-	51,546	-	51,546
Fire insurance	-	794,366	43,159	837,525
Personal insurance	-	1,058,915	436	1,059,351
Marine hull insurance	-	31,571	218	31,789
Fishing vessel insurance	-	51,334	300	51,634
New insurance	-	875,484	79,548	955,032
Marine insurance	-	137,643	6,926	144,569
Other	801,991	11,098	113	813,202
Total	801,991	3,272,287	130,944	4,205,222
Less : Allowance for bad debts	(1,752)	(13,019)	(20,045)	(34,816)
Total (net)	$ **800,239**	**3,259,268**	**110,899**	**4,170,406**

Item	June 30, 2018 Notes receivable	Premiums receivable	Overdue receivable	Total
Voluntary moto insurance	$ -	228,110	82	228,192
Compulsory auto liability insurance	-	51,718	287	52,005
Compulsory motorcycle liability insurance	-	38,950	44	38,994
Fire insurance	-	1,587,990	79,829	1,667,819
Personal insurance	-	1,130,151	709	1,130,860
Marine hull insurance	-	81,426	125	81,551
Fishing vessel insurance	-	32,937	834	33,771
New insurance	-	879,178	131,846	1,011,024
Marine insurance	-	189,806	6,114	195,920
Other	998,045	14,639	1,278	1,013,962
Total	998,045	4,234,905	221,148	5,454,098
Less : Allowance for bad debts	(1,100)	(14,716)	(47,312)	(63,128)
Total (net)	$ **996,945**	**4,220,189**	**173,836**	**5,390,970**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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As of June 30, 2019, December 31 and June 30, 2018, the notes receivable of overdue receivable are amounted to $0, $0 and $1,164, respectively, and the premiums receivable amounted to $245,983, $130,944 and $219,984, respectively.

(ii) Aging of receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Under 90days	$ 6,258,889	3,972,904	5,104,383
91~365 days	374,583	246,302	350,677
More than 366 days	3,401	600	20,816

(iii) Payables of insurance contracts

	June 30, 2019		
Item	Commission payables	Service charge payables	Total
Fire insurance	$ 104,458	-	104,458
New insurance	140,169	-	140,169
Marine insurance	22,833	-	22,833
Fishing vessel insurance	1,059	-	1,059
Marine hull insurance	1,924	-	1,924
Personal insurance	381,100	-	381,100
Voluntary moto insurance	207,066	-	207,066
Compulsory auto liability insurance	-	17,755	17,755
Compulsory motorcycle liability insurance	-	9,597	9,597
Other	186,901	-	186,901
Total	**$ 1,045,510**	**27,352**	**1,072,862**

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Item	December 31, 2018 Commission payables	Service charge payables	Total
Fire insurance	$ 43,340	-	43,340
New insurance	105,795	-	105,795
Marine insurance	16,063	-	16,063
Fishing vessel insurance	1,619	-	1,619
Marine hull insurance	1,266	-	1,266
Personal insurance	340,416	-	340,416
Voluntary moto insurance	191,839	-	191,839
Compulsory auto liability insurance	-	18,665	18,665
Compulsory motorcycle liability insurance	-	8,345	8,345
Other	126,605	4,162	130,767
Total	**$ 826,943**	**31,172**	**858,115**

Item	June 30, 2018 Commission payables	Service charge payables	Total
Fire insurance	$ 110,827	-	110,827
New insurance	118,799	-	118,799
Marine insurance	20,718	-	20,718
Fishing vessel insurance	1,251	-	1,251
Marine hull insurance	1,740	-	1,740
Personal insurance	361,003	-	361,003
Voluntary moto insurance	224,190	-	224,190
Compulsory auto liability insurance	-	16,792	16,792
Compulsory motorcycle liability insurance	-	9,192	9,192
Other	143,710	-	143,710
Total	**$ 982,238**	**25,984**	**1,008,222**

The counterparties of above payables are usually sales representatives, insurance brokers, insurance agents and policy holders.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(d) Notes receivable – not for insurance contracts

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	$ 20,982	14,584	21,778
Less: Allowance for bad debts	(2)	(33)	(43)
Net	**$ 20,980**	**14,551**	**21,735**

(e) Reinsurance Assets

	June 30, 2019	December 31, 2018	June 30, 2018
Claims and payments recoverable from reinsurers (Note 6(f))	$ 1,491,878	1,966,425	1,373,100
Due from reinsurers and ceding companies, net (Note 6(g))	4,518,561	3,641,063	4,371,636
Reinsurance reserve assets (Note 6(o))	13,551,827	12,494,768	13,520,046
Total	**$ 19,562,266**	**18,102,256**	**19,264,782**

(f) Claims and payments recoverable from reinsurers

Type	June 30, 2019	December 31, 2018	June 30, 2018
Fire insurance	$ 143,747	239,061	78,839
Marine Cargo insurance	86,852	682,633	54,880
Marine Hull/Fishing Vessel Aviation insurance	147,438	94,211	144,320
Voluntary moto insurance	136,108	172,132	145,581
Compulsory moto TPL insurance	750,616	458,553	527,898
Liability insurance	89,900	138,359	88,185
Engineering and Nuclear insurance	(27,219)	35,627	17,301
Surety and Credit insurance	38,274	3,323	2,757
Other property insurance	25,184	13,851	8,462
Personal accident insurance	1,372	3,210	2,570
Personal and commercial multiple peril insurance	3,337	21,769	2,528
Typhoon, flood and earth quake insurance	98,172	103,674	299,761
Health insurance	142	22	18
Foreign business	-	-	-
Total	1,493,923	1,966,425	1,373,100
Less : Allowance for bad debts	(2,045)	-	-
Net	**$ 1,491,878**	**1,966,425**	**1,373,100**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(g) Due from (to) reinsurers and ceding companies

(i) Reinsurance receivables

Item	June 30, 2019 Due from reinsurers and ceding companies	December 31, 2018 Due from reinsurers and ceding companies	June 30, 2018 Due from reinsurers and ceding companies
Fire insurance	$ 211,071	185,741	189,290
Marine Cargo insurance	21,667	19,734	14,909
Marine Hull/Fishing Vessel Aviation insurance	32,850	26,006	19,008
Voluntary moto insurance	301,738	225,045	214,885
Compulsory moto TPL insurance	196,214	186,835	188,674
Liability insurance	115,630	111,712	85,102
Engineering and Nuclear insurance	580,266	492,611	463,304
Surety and Credit insurance	742	1,146	516
Other property insurance	176,734	41,755	55,814
Personal accident insurance	34,265	144,426	31,145
Personal and commercial multiple peril insurance	-	-	-
Typhoon, flood and earthquake insurance	14,847	14,358	30,083
Health insurance	-	-	-
Foreign business	400,722	456,628	437,818
Total	2,086,746	1,905,997	1,730,548
Less : Allowance for bad debts	(11,796)	(7,207)	(14,112)
Net	**$ 2,074,950**	**1,898,790**	**1,716,436**

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(ii) Reinsurance payables

Item	June 30, 2019 Due to reinsurers and ceding companies	Other	Total
Fire insurance	$ 111,492	-	111,492
Marine Cargo insurance	11,137	-	11,137
Marine Hull/Fishing Vessel Aviation insurance	19,917	-	19,917
Voluntary moto insurance	137,030	-	137,030
Compulsory moto TPL insurance	-	-	-
Liability insurance	52,212	-	52,212
Engineering and Nuclear insurance	214,927	-	214,927
Surety and Credit insurance	321	-	321
Other property insurance	119,103	-	119,103
Personal accident insurance	13,861	-	13,861
Personal and commercial multiple peril insurance	8	-	8
Typhoon, flood and earthquake insurance	163	-	163
Health insurance	-	-	-
Overseas reinsurance assumed	172,312	-	172,312
Total	**$ 852,483**	**-**	**852,483**

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Item	December 31, 2018 Due to reinsurers and ceding companies	Other	Total
Fire insurance	$ 84,554	-	84,554
Marine Cargo insurance	9,207	-	9,207
Marine Hull/Fishing Vessel Aviation insurance	8,113	-	8,113
Voluntary moto insurance	85,963	-	85,963
Compulsory moto TPL insurance	-	-	-
Liability insurance	53,784	-	53,784
Engineering and Nuclear insurance	155,469	-	155,469
Surety and Credit insurance	412	-	412
Other property insurance	51,623	-	51,623
Personal accident insurance	27,135	-	27,135
Personal and commercial multiple peril insurance	22	-	22
Typhoon, flood and earthquake insurance	558	-	558
Health insurance	-	-	-
Overseas reinsurance assumed	184,401	-	184,401
Total	$ **661,241**	**-**	**661,241**

Item	June 30, 2018 Due to reinsurers and ceding companies	Other	Total
Fire insurance	$ 118,760	-	118,760
Marine Cargo insurance	11,066	-	11,066
Marine Hull/Fishing Vessel Aviation insurance	6,576	-	6,576
Voluntary moto insurance	94,777	-	94,777
Compulsory moto TPL insurance	-	-	-
Liability insurance	33,606	-	33,606
Engineering and Nuclear insurance	172,324	-	172,324
Surety and Credit insurance	680	-	680
Other property insurance	29,191	-	29,191
Personal accident insurance	8,376	-	8,376
Personal and commercial multiple peril insurance	-	-	-
Typhoon, flood and earthquake insurance	10,433	-	10,433
Health insurance	1,363	-	1,363
Overseas reinsurance assumed	268,595	-	268,595
Total	$ **755,747**	**-**	**755,747**

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Notes to Consolidated Financial Statements

(iii) Due from (to) reinsurers and ceding companies – holding reinsurance

Item	June 30, 2019 Due from reinsurers and ceding companies	June 30, 2019 Due to reinsurers and ceding companies
CENTRAL REINSURANCE CORPORATION	$ 250,357	834,168
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)	183,383	446,889
SOMPO INSURANCE (HONG KONG) CO., LTD.	104,569	-
ASIA CAPITAL REINSURANCE GROUP PTE LTD. (HONG KONG BRANCH)	79,225	-
ASIA CAPITAL REINSURANCE GROUP PTE LTD.	-	325,871
Other companies	1,835,461	5,621,190
Total	2,452,995	**7,228,118**
Less : Allowance for bad debts	(9,384)	
Net	**$ 2,443,611**	

Item	December 31, 2018 Due from reinsurers and ceding companies	December 31, 2018 Due to reinsurers and ceding companies
CENTRAL REINSURANCE CORPORATION	$ 86,767	504,664
INSURANCE COMPANY OF NORTH AMERICA (TAIWAN BRANCH)	124,643	342,294
SOMPO INSURANCE (HONG KONG) CO., LTD.	71,765	382,033
ASIA CAPITAL REINSURANCE GROUP PTE LTD.	51,334	219,052
AIOI NISSAY DOWA INSURANCE CO., LTD.	54,833	-
Other companies	1,365,050	4,443,210
Total	1,754,392	**5,891,253**
Less : Allowance for bad debts	(12,119)	
Net	**$ 1,742,273**	

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Item	June 30, 2018 Due from reinsurers and ceding companies	June 30, 2018 Due to reinsurers and ceding companies
CENTRAL REINSURANCE CORPORATION	$ 232,581	685,621
ASIA CAPITAL REINSURANCE GROUP PTELTD. (HONG KONG BRANCH)	156,296	304,598
INSURANCE COMPANY OF NORTHAMERICA (TAIWAN BRANCH)	110,611	377,914
SOMPO JAPAN NIPPONKOA INSURANCE (HONG KONG) CO., LTD.	74,982	-
AIOI NISSAY DOWA INSURANCE CO., LTD.	65,422	-
ASIA CAPITAL REINSURANCE GROUP PTE LTD.	-	355,021
Other companies	2,025,941	4,864,728
Total	2,665,833	**6,587,882**
Less : Allowance for bad debts	(10,633)	
Net	**$ 2,655,200**	

As of June 30, 2019, December 31 and June 30, 2018, overdue receivables of due from reinsurers and ceding companies are $207,783, $168,656 and $62,475, respectively, and the allowance for bad debts for above are amounted to $21,180, $19,326 and $13,697, respectively.

(h) Other accounts receivables (payables)

(i) Other receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Related parties	$ 3,698	3,518	4,910
Non-related parties	711,929	669,631	830,325
Total	715,627	673,149	835,235
Less: Allowance for bad debts	(749)	(469)	(422)
Net	**$ 714,878**	**672,680**	**834,813**

As of June 30, 2019, December 31 and June 30, 2018, overdue receivables of non-related party are $3,375, $2,530 and $1,478, respectively and the allowance for bad debts for above are all amounted to $223, $0 and $0, respectively.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(ii) Other payables

	June 30, 2019	December 31, 2018	June 30, 2018
Related parties	$ 289,650	200,204	327,019
Non-related parties	2,870,455	3,310,887	2,454,480
Total	**$ 3,160,105**	**3,511,091**	**2,781,499**

(i) Financial assets and liabilities

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

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss:			
Non-hedge derivative instruments			
Currency rate contracts	$ 27,589	22,952	-
FX forward contract	-	6,069	17,615
Non-derivative financial assets			
Stock	14,573,188	12,597,445	14,343,956
Beneficiary certificate	10,439,372	8,923,058	7,617,142
Bonds securitization	36,073	40,511	41,302
Other fixed income products	158,238	312,627	299,254
Total	**$ 25,234,460**	**21,902,662**	**22,319,269**

	June 30, 2019	December 31, 2018	June 30, 2018
Financial liabilities measured at fair value through profit or loss:			
Non-hedge derivative instruments			
Currency rate contracts	$ 114,315	60,960	566,145
FX forward contract	1,079	5,929	-
Total	**$ 115,394**	**66,889**	**566,145**

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1) Derivative financial instruments not for hedging

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. As of June 30, 2019, December 31 and June 30, 2018, the held-for-trading derivative financial instruments which did not apply to hedge accounting are as follows:

	June 30, 2019			
	Contract amount		Currency	Maturity period
Currency rate contracts	USD	420,000	USD to NTD	2019.07.02~2019.10.03
FX forward contract	EUR	2,644	EUR to USD	2019.07.15
FX forward contract	CNY	68,875	CNY to USD	2019.07.19

	December 31, 2018			
	Contract amount		Currency	Maturity period
Currency rate contracts	USD	550,000	USD to NTD	2019.01.02~2019.07.02
FX forward contract	EUR	3,069	EUR to USD	2019.01.22
FX forward contract	CNY	137,378	CNY to USD	2019.01.16~2019.04.29

	June 30, 2018			
	Contract amount		Currency	Maturity period
Currency rate contracts	USD	565,000	USD to NTD	2018.07.02~2019.01.02
FX forward contract	EUR	2,967	EUR to USD	2018.07.16
FX forward contract	CNY	129,232	CNY to USD	2018.07.16~2018.07.27

2) Overlay approach

From January 1, 2018, the Group adopted IFRS 9 and elected to apply the overlay approach under the IFRS 4 "Insurance Contracts" to recognize the profit and loss for the designated financial assets.

Among designated financial assets the financial assets at fair value through profit or loss under the overlay approach were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets measured at fair value through profit or loss			
Stock	$ 14,573,188	12,597,445	14,343,956
Beneficiary certificate	10,065,876	8,739,934	7,336,677
Bonds securitization	36,073	40,511	41,302
Total	$ 24,675,137	21,377,890	21,721,935

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The Group reclassified between profit or loss and other comprehensive income under the overlay approach during the three months and six months ended June 30, 2019 and 2018 as follow:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
The amount reported in profit or loss for the designated financial assets applying IFRS 9	$ 1,183,907	797,056	3,484,256	977,764
Less: The amount that would have been reported in profit or loss for the designated financial assets if the Group had applied IAS 39	(388,643)	(586,646)	(977,625)	(1,397,266)
The amount reclassified under the overlay approach	**$ 795,264**	**210,410**	**2,506,631**	**(419,502)**

Due to the adjustment of the overlay approach, the gains on financial assets at fair value through profit or loss of the Group decrease from $1,183,907 to $388,643 and decrease from $797,056 to $586,646 for the three months ended June 30, 2019 and 2018, and decrease from $3,484,256 to $977,625 and increase from $977,764 to $1,397,266 for the six months ended June 30, 2019 and 2018.

The Group did not designate financial assets previously not qualified for the overlay approach but then qualified for the six months ended June 30, 2019 and 2018 for the overlay approach and vice versa.

The Group did not de-designate any financial asset for the six months ended June 30, 2019 and 2018.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Debt investments measured at fair value through other comprehensive income:			
Government bonds	$ 4,047,127	3,804,252	4,002,061
Corporate bonds	9,907,156	9,455,553	9,550,534
Financial bonds	6,221,058	5,989,526	5,968,924
Guarantee deposits	(485,319)	(484,775)	(485,569)
Subtotal	19,690,022	18,764,556	19,035,950
Equity investments measured at fair value through other comprehensive income:			
Stocks	3,700,104	3,136,545	3,395,288
Total	**$ 23,390,126**	**21,901,101**	**22,431,238**

1) Investment in debt instruments measured at fair value through other comprehensive income

The Group has assessed that the securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities. Therefore, they were classified as financial assets measured at fair value through other comprehensive income.

2) Investment in equity instruments measured at fair value through other comprehensive income

For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, the Group recognized dividend income from abovementioned financial assets measured at fair value through other comprehensive income amounting to $40,129 and $62,749.

For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, dividend income from disposed financial assets measured at fair value through other comprehensive income within the same period amounting to $5,393 and $3,286.

For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, the Group disposed shares designated as measured at fair value through other comprehensive income due to assets allocation, managing and adjusting portfolios. The shares were sold at a fair value of $147,730, $275,522, $177,376 and $747,851; and the accumulated loss was $10,883, $62,182, $21,476 and $160,684. The accumulated loss had been transferred from other equity to retained earnings.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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3) Certain government bonds were pledged as statutory deposits. Please refer to Note 8 for further information.

4) The Group had assessed the impairment of the debt instruments of financial assets measured at fair value through other comprehensive income as of June 30, 2019 and 2018. Please refer to Note 6 (z) for the change in allowance for credit losses attribute to the above financial assets.

(iii) Investment in debt instruments at amortized cost

	June 30, 2019	December 31, 2018	June 30, 2018
Financial bonds	$ 2,386,796	3,482,438	3,386,187
Bonds securitization	186,266	197,379	213,690
Subtotal	2,573,062	3,679,817	3,599,877
Less: Loss allowance	(1,189)	(1,558)	(1,514)
Total	$ 2,571,873	3,678,259	3,598,363

1) The Group assessed that the investments were held within a business model whose objective is achieved by collecting the contractual cash flows and for which the contractual cash flows are fully be paid for the principal and interests incurred. Therefore, they were classified as investment in debt instruments at amortized cost.

2) The Group had assessed the impairment of the financial assets measured at amortized cost as of June 30, 2019 and 2018. Please refer to Note 6 (z) for the change in allowance for credit losses attribute to the above financial assets.

(iv) Investment under equity method

The Group's investment under equity method at reporting date:

	June 30, 2019	December 31, 2018	June 30, 2018
Associates	$ 243,947	274,643	132,461

1) Associates

The information of Associates is as follows:

			Owner's equity and percentage of voting right		
Name of Associate	Relationship with the Group	Registration Country	June 30, 2019	December 31, 2018	June 30, 2018
Shenzhen Teng Fu Bo Investment Limited	Investment consultant	China	31.10 %	31.10 %	31.10 %

The summarized financial information for the associates that are not individually material accounted for using the equity method is as following:

	June 30, 2019	December 31, 2018	June 30, 2018
Shenzhen Teng Fu Bo Investment Limited	$ 243,947	274,643	132,461

	Shenzhen Teng Fu Bo Investment Limited			
	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Attributed to the Company:				
Profit and loss from continuing operations	$ (22,223)	(30,751)	(34,472)	(49,641)
Other comprehensive income	-	-	-	-
Total comprehensive income	$ (22,223)	(30,751)	(34,472)	(49,641)

2) Guarantee

The investment in the equity method of the combined company has not been provided as a pledge guarantee.

(v) Other financial assets:

	June 30, 2019	December 31, 2018	June 30, 2018
Cash in bank	$ 1,394,405	1,901,761	1,340,605
Less: Statutory deposits-other	(1,020,730)	(901,140)	(928,760)
	$ 373,675	1,000,621	411,845

The statutory deposit refers to the time deposits that serve as collateral and is recognized as guarantee deposits paid. Please refer to Note 8 for further information.

(j) Right-of-use assets

	June 30, 2019	January 1, 2019
Carrying amount		
Buildings and constructions	$ 185,789	179,166
Miscellaneous equipment	40,563	43,690
Communication equipment	16,602	18,504
	$ 242,954	241,360

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Purchases	$ 49,857	60,226
Depreciation for the year		
Buildings and constructions	$ 25,898	47,833
Miscellaneous equipment	3,411	6,698
Communication equipment	2,078	4,028
	$ 31,387	58,559

As of June 30, 2019, December 31 and June 30, 2018, the Group leased office, transportation vehicles and office equipment under operating leases. Please refer to Note 6 (q) and 9 (a).

(k) Investment property

	Land	Buildings and constructions	Total
Balance, January 1, 2019	$ 8,166,739	2,631,872	10,798,611
Transferred from premises and equipment	-	3,059	3,059
Transferred to premises and equipment	(44,238)	(5,362)	(49,600)
Net (loss) gain on fair value adjustment	36,326	(39,987)	(3,661)
Balance, June 30, 2019	$ 8,158,827	2,589,582	10,748,409
Balance, January 1, 2018	$ 7,900,292	2,655,914	10,556,206
Purchase	-	100	100
Transferred from premises and equipment	103,252	21,115	124,367
Net (loss) gain on fair value adjustment	35,135	(35,916)	(781)
Balance, June 30, 2018	$ 8,038,679	2,641,213	10,679,892

For the three months and six months ended June 30, 2019 and 2018, the rent revenue from investment property amounted to $91,370, $90,017, $180,926 and $178,434 respectively; for the three months and six months ended June 30, 2019 and 2018, the direct operating expense amounted to $28,649, $17,637, $29,538 and $19,465, respectively, of which $1,292, $842, $1,321 and $968, respectively belong to the investment properties which do not generate rent revenue directly.

In accordance with Regulations Governing the Preparation of Financial Statements by Insurance Companies, the Group applies the following professional real estate appraiser's accreditation result that performs the appraisal in accordance with Regulations on Real Estate Appraisal as the base to evaluate the fair value of real estates. The appraisal date was June 30, 2019, December 31 and June 30, 2018. These appraiser firms are as follows:

The appraiser firm on June 30, 2019.

(i) Zhan-Mao Real Estate Appraisers Firm: Yang Shang Hong

(ii) REPRO International Real Estate Appraiser Firm: Wu Hung Hsu, Tsai You Siang

(Continued)

The appraiser firm on December 31 and June 30, 2018.

(i) Zhan-Mao Real Estate Appraisers Firm: Zhang Shi Xian

(ii) REPRO International Real Estate Appraiser Firm: Wu Hung Hsu, Wu Chih Hao, Shih Fu Hsueh

The fair value of investment properties is determined by professional appraisal institutions based on market evidence. The valuation methods are primarily Sales Comparison Approach, Income Approach (Including direct capitalization method and discounted cash flow method), Cost Approach and Land Development Analysis Method of Cost Approach. The valuation method of office buildings adopts mainly Sales Comparison Approach and Income Approach because they are easier to circulate within the market and it is easier to obtain sales and rental information of similar object in the neighborhood. For townhouse and land, it usually adopts Cost Approach to evaluate. Land cost of townhouse is evaluated by Sales Comparison Approach and Land Development Analysis Method. The cost of building is evaluated by Cost Approach. The cost of townhouse is the combination of the land cost and the cost of buildings.

Primary parameters applied are listed below:

	June 30, 2019	December 31, 2018	June 30, 2018
Direct capitalization rate (Net)	1.00%~5.40%	1.00%~5.40%	1.00%~5.30%
Profit rate	15.00%~21.00%	15.00%~21.00%	15.00%~21.00%
Capital interest rate	1.50%~4.10%	1.50%~4.10%	1.50%~4.10%

External appraisers apply market extraction method and collect the information of the transaction in the neighborhood which the objects' characteristics are similar to the target real estate. They also consider the market liquidity and risk premium of future disposal to determine the direct capitalization rate and discount rate.

The primary operation of investment properties is operating lease. Please refer to Note 6 (q) and 9 (a). The content of lease contracts is the same as that in general lease.

As of June 30, 2019, December 31 and June 30, 2018, all investment properties are not pledged.

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(l) Property, plant and equipment

	Land	Buildings and constructions	Machinery and computer equipment	Other equipment	Prepayment for purchases of equipment, and construction in progress	Leasehold improvements	Total
Cost or deemed cost							
Balance, January 1, 2019	$ 1,969,068	1,746,361	699,011	291,632	165,700	200,409	5,072,181
Purchase	-	15,861	17,216	4,264	5,193	4,255	46,789
Transferred from investment property	44,238	5,362	-	-	-	-	49,600
Transferred from prepayment for purchases of equipment, and construction in progress	-	11,756	-	-	-	776	12,532
Transferred to investment property	-	(3,059)	-	-	-	-	(3,059)
Disposal	-	-	(888)	(14,721)	-	-	(15,609)
Reclassified to other equipment	-	-	(25)	-	-	-	(25)
Reclassified to buildings and constructions	-	-	-	-	(11,756)	-	(11,756)
Reclassified to leasehold improvements	-	-	-	-	(776)	-	(776)
Reclassified to machinery and computer equipment	-	-	-	25	-	-	25
Effect of changes in foreign exchange rates	-	5,215	1,202	1,866	32	1,108	9,423
Balance, June 30, 2019	$ 2,013,306	1,781,496	716,516	283,066	158,393	206,548	5,159,325
Balance, January 1, 2018	$ 1,970,326	1,391,864	652,510	290,879	169,430	186,500	4,661,509
Purchase	-	369,133	12,692	7,314	51,321	5,346	445,806
Transferred form prepayment for purchase of equipment, and construction in progress	-	-	7,409	-	-	-	7,409
Transferred to investment property	(34,188)	(21,006)	-	-	-	-	(55,194)
Disposal	-	-	(547)	(3,937)	-	-	(4,484)
Reclassified to machinery and computer equipment	-	-	-	-	(7,409)	-	(7,409)
Effect of changes in foreign exchange rates	-	-	473	963	-	580	2,016
Balance, June 30, 2018	$ 1,936,138	1,739,991	672,537	295,219	213,342	192,426	5,049,653
Depreciation and impairment loss							
Balance, January 1, 2019	$ -	654,670	545,443	224,204	-	134,465	1,558,782
Depreciation for the year	-	30,985	27,584	12,819	-	12,245	83,633
Disposal	-	-	(857)	(12,060)	-	-	(12,917)
Effect of changes in foreign exchange rates	-	44	866	1,349	-	823	3,082
Balance, June 30, 2019	$ -	685,699	573,036	226,312	-	147,533	1,632,580
Balance, January 1, 2018	$ -	625,814	492,803	204,297	-	111,432	1,434,346
Depreciation for the year	-	28,386	28,458	15,563	-	12,209	84,616
Transferred to investment property	-	(7,218)	-	-	-	-	(7,218)
Disposal	-	-	(462)	(2,856)	-	-	(3,318)
Effect of changes in foreign exchange rates	-	-	305	677	-	425	1,407
Balance, June 30, 2018	$ -	646,982	521,104	217,681	-	124,066	1,509,833
Carrying amount:							
Balance, June 30, 2019	$ 2,013,306	1,095,797	143,480	56,754	158,393	59,015	3,526,745
Balance, December 31, 2018	$ 1,969,068	1,091,691	153,568	67,428	165,700	65,944	3,513,399
Balance, June 30, 2018	$ 1,936,138	1,093,009	151,433	77,538	213,342	68,360	3,539,820

The Group elected to apply the previous GAAP revaluation as the deemed cost on the transition date when adopting IFRSs endorsed by FSC. As of June 30, 2019, December 31 and June 30, 2018, the revaluation increment which is included in the cost amounted to $630,021 on all dates.

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(m) Intangible assets

	Computer software
Costs:	
Balance, January 1, 2019	$ 632,708
Purchase	25,408
Effect of changes in foreign exchange rates	1,559
Balance, June 30, 2019	**$ 659,675**
Balance, January 1, 2018	$ 527,455
Purchase	34,491
Effect of changes in foreign exchange rates	994
Balance, June 30, 2018	**$ 562,940**
Accumulated amortization:	
Balance, January 1, 2019	$ 499,681
Amortization for the year	41,896
Effect of changes in foreign exchange rates	1,330
Balance, June 30, 2019	**$ 542,907**
Balance, January 1, 2018	$ 428,973
Amortization for the year	34,523
Effect of changes in foreign exchange rates	884
Balance, June 30, 2018	**$ 464,380**
Carrying amount:	
Balance, June 30, 2019	**$ 116,768**
Balance, December 31, 2018	**$ 133,027**
Balance, June 30, 2018	**$ 98,560**

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(n) Employee benefit

(i) Defined benefit plans

Because there is no market fluctuation, curtailment, settlement or any material events occurs, the Group use December 31, 2018 and 2017 actuarially determined pension cost to measure and disclose pension cost for an interim period.

The expenses recognized in profit or loss for the three months and six months ended June 30, 2019 and 2018 are amounted to$19,528, $22,059, $37,442 and $43,769, respectively.

(ii) Defined contribution plan

The Group set aside 6% of the contribution rate of the employee’s monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The Group set aside $22,855, $22,526, $44,603 and $43,665 of the pension under the pension plan costs to the Bureau of the Labor Insurance for the three months and six months ended June 30, 2019 and 2018, respectively.

(o) Insurance liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Unearned premium reserve	$ 25,876,012	23,489,084	24,148,459
Guarantee reserve	50,039	77,049	106,003
Special reserve	6,696,583	6,947,012	7,210,100
Claims reserve	20,492,765	20,441,948	20,525,064
Premium deficiency reserve	799,011	813,670	735,236
	53,914,410	51,768,763	52,724,862
Ceded unearned premium reserve	6,352,539	5,057,488	5,504,439
Ceded claim reserve	6,565,742	6,785,893	7,416,562
Ceded premium deficiency reserve	633,546	651,387	599,045
	13,551,827	12,494,768	13,520,046
Net	**$ 40,362,583**	**39,273,995**	**39,204,816**

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(i) Unearned premium reserve

1) Detail of reserve for unearned premiums and reserve for unearned premiums out

Item	June 30, 2019 Unearned premium reserve Direct business	Unearned premium reserve Reinsurance assumed business	Reserve for unearned ceded Reinsurance ceded business	Retained business
Fire insurance	$ 1,459,791	4,394	480,088	984,097
Marine Cargo insurance	344,678	520	143,340	201,858
Marine Hull/Fishing Vessel Aviation insurance	273,931	2,300	226,008	50,223
Voluntary moto insurance	7,863,313	217,508	424,401	7,656,420
Compulsory moto TPL insurance	2,136,413	709,193	1,278,584	1,567,022
Liability insurance	1,716,270	1,043	504,221	1,213,092
Engineering and nuclear insurance	1,668,570	21,940	1,111,680	578,830
Surety and Credit insurance	132,779	608	97,363	36,024
Other property insurance	168,697	9	78,022	90,684
Personal accident insurance	2,829,546	12,184	39,196	2,802,534
Typhoon, flood and earthquake insurance	2,240,198	35,908	1,433,782	842,324
Personal and commercial multiple peril insurance	516,585	14	26,891	489,708
Health insurance	409,939	-	4,531	405,408
Overseas reinsurance assumed	-	232,448	15,434	217,014
Overseas subsidiaries	2,037,820	839,413	495,063	2,382,170
Less: accumulated impairment	-	-	(6,065)	6,065
Total	$ 23,798,530	2,077,482	6,352,539	19,523,473

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	December 31, 2018			
	Unearned premium reserve		Reserve for unearned ceded	
Item	Direct business	Reinsurance assumed business	Reinsurance ceded business	Retained business
Fire insurance	$ 1,241,042	5,000	337,679	908,363
Marine Cargo insurance	279,943	603	92,038	188,508
Marine Hull/Fishing Vessel Aviation insurance	226,385	3,388	185,160	44,613
Voluntary moto insurance	7,458,705	181,737	371,553	7,268,889
Compulsory moto TPL insurance	2,090,322	686,926	1,248,051	1,529,197
Liability insurance	1,653,735	524	523,895	1,130,364
Engineering and nuclear insurance	942,570	16,456	424,362	534,664
Surety and Credit insurance	109,267	570	82,355	27,482
Other property insurance	93,356	10	62,134	31,232
Personal accident insurance	2,721,027	19,099	33,456	2,706,670
Typhoon, flood and earthquake insurance	1,604,613	31,531	1,054,890	581,254
Personal and commercial multiple peril insurance	486,978	26	51,517	435,487
Health insurance	341,603	-	4,279	337,324
Overseas reinsurance assumed	-	235,957	39,096	196,861
Overseas subsidiaries	2,283,274	774,437	547,023	2,510,688
Total	**$ 21,532,820**	**1,956,264**	**5,057,488**	**18,431,596**

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	June 30, 2018			
	Unearned premium reserve		Reserve for unearned ceded	
Item	Direct business	Reinsurance assumed business	Reinsurance ceded business	Retained business
Fire insurance	$ 1,496,628	2,950	497,440	1,002,138
Marine Cargo insurance	361,291	462	156,198	205,555
Marine Hull/Fishing Vessel Aviation insurance	282,002	463	233,319	49,146
Voluntary moto insurance	7,398,906	203,572	407,657	7,194,821
Compulsory moto TPL insurance	2,055,039	659,626	1,224,225	1,490,440
Liability insurance	1,618,023	313	486,341	1,131,995
Engineering and nuclear insurance	1,117,085	12,129	477,027	652,187
Surety and Credit insurance	141,524	556	105,047	37,033
Other property insurance	82,501	20	57,076	25,445
Personal accident insurance	2,645,977	11,253	33,365	2,623,865
Typhoon, flood and earthquake insurance	2,053,942	34,911	1,284,272	804,581
Personal and commercial multiple peril insurance	461,795	-	27,470	434,325
Health insurance	337,858	-	3,760	334,098
Overseas reinsurance assumed	-	285,669	44,306	241,363
Overseas subsidiaries	2,266,138	617,826	466,936	2,417,028
Total	$ 22,318,709	1,829,750	5,504,439	18,644,020

2) The movements in reserve for unearned premiums and reserve for unearned premiums ceded were as follows:

	For the six months ended June 30, 2019	
Item	Unearned premium reserve	Reserve for unearned premiums ceded
Beginning balance	$ 23,489,084	5,057,488
Provision	25,906,987	6,420,631
Recovery	(23,489,084)	(5,057,488)
Impairment losses	-	(6,065)
Other－effect of changes in foreign exchange rates	(30,975)	(62,027)
Ending balance	$ 25,876,012	6,352,539

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Item	For the six months ended June 30, 2018 Unearned premium reserve	Reserve for unearned premiums ceded
Beginning balance	$ 22,455,345	5,059,529
Provision	24,166,834	5,536,325
Recovery	(22,455,345)	(5,059,529)
Other－effect of changes in foreign exchange rates	(18,375)	(31,886)
Ending balance	**$ 24,148,459**	**5,504,439**

The Company provides the reserve for unearned premiums according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Under the Regulations, the unearned premiums of effective insurance contracts which have not matured yet or insurance contracts which are not yet effective is calculated in accordance with the unexpired risk for every type of insurance, and the reserve for unearned premium is also provided accordingly. The method of providing the reserve mentioned above, which is noted in the insurance product application filed with the Authority, is decided by actuaries in according to type of insurance. This method cannot be changed, unless approved by the Authority.

Based on local regulations, reserve for unearned premiums is provided for compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance as follows:

a) The unearned premiums reserve for compulsory private passenger automobile liability is provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance.

b) The unearned premiums reserve for nuclear insurance is provided based on The Regulations for the Reserve of Nuclear Insurance.

c) The unearned premiums reserve for resident earthquake insurance is provided according to the Enforcement Rules for the Risk Spreading Mechanism for Resident Earthquake Insurance.

(ii) Special reserve

1) Special reserve comprises two parts, catastrophe reserve and risk volatility reserve. The provision each year is recognized in special reserve under equity account with the amount deducted by income tax. The amount is calculated based on IAS 12. For the amount which should be written off or reclaimed, the Group writes off and reclaims it via special reserve under equity account with the amount deducted by income tax. From January 1, 2013, the special reserve provided in liability account is reclassified to special reserve in equity account following the regulation of IAS 12. In accordance with "Notice to Reserve Enforcement of Insurance Companies for Natural Disaster Insurance (Commercial Earthquake Insurance and Typhoon and Flood Insurance)" , Property insurance companies, effective from January 1, 2013, should first fill the special catastrophe reserve and risk volatility reserve for commercial earthquake insurance and typhoon and flood insurance to maximum amount with the special catastrophe reserve and risk volatility reserve, which was in liability account and was provided before December 31, 2012, in the equity account. The amount provided is deducted by income tax. The reserves mentioned (before December 31, 2012) exclude the insurances as below: compulsory automobile liability insurance, nuclear insurance, governmental residential earthquake insurance, commercial earthquake insurance and typhoon and flood insurance.

a) Catastrophe special reserve

Catastrophe special reserve for each line of business shall be determined based on ratios regulated by the Authority.

An event is defined as a catastrophe event if, and only if, (a) the event is announced by the Government; and (b) the net losses caused by the event exceed over NT$ 2 billion dollars for the whole insurance industry; and (c) the losses caused by the event exceed over NT$ 30 million dollars for the individual company. The portion of the losses over NT$ 30 million dollars shall be recovered from catastrophe special reserve.

Catastrophe special reserve can be released after 15 years based on the mechanism decided by the appointed actuary and filed to the Authority.

b) Equalization special reserve

If the actual loss, after deducting catastrophe special reserve, is less than the expected loss, a equalization special reserve shall be recognized at 15% of that difference.

In addition, according to Jin Guan Bao Tsai No 10002509161 on June 16, 2011, for commercial earthquake insurance and typhoon and flood insurance, if the actual claim of the retention, deducted by the balance of the insurance written off by catastrophe special reserve, is lower than the expected claim, then a equalization special reserve shall be provided based on 75% of the difference. The expected claim shall not be less than 60% of the expected rate of loss.

If the actual loss, after deducting the catastrophe special reserve recovered for the line of business, exceeds the expected loss, the amount of that difference shall be recovered from the equalization special reserve. If the equalization special reserve is insufficient to deduct for a specific line of business, it can be released from other line of business. The amount released and the line of business from which shall follow the related regulations.

If the cumulative equalization special reserve exceeds 60% of the net earned premium, the equalization special reserve shall be released by that difference.

2) Segmentation of specific assets

The Company is engaged in compulsory moto TPL insurance (hereinafter referred to as "this insurance") accounting to Compulsory Automobile Liability Insurance Law has independent operations and accounting.

According to the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance Article 5 special reserve provided by the insurer, the insurer shall deposit the reserve with a financial institution as a time deposit or treasury bills. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

a) Government bonds, not including exchangeable government bonds.

b) Financial bonds, negotiable certificates of deposit, bankers' acceptances, and commercial paper guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of time deposits and treasury bills placed in a financial institution under the preceding paragraph shall not be less than 30 percent of the total amount of the insurer's retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level it deems appropriate based on the insurer's operational status.

If the balance of the insurer's special reserve is less than 30 percent of the total amount of the insurer's retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant, then the full amount of its special reserve shall be deposited in a financial institution as a time deposit or treasury bills.

According to article 6 of the "Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance", except for the special reserve provided as prescribed in the preceding article, funds held by an insurer for this insurance shall be deposited in a financial institution in the form of demand deposits and time deposits, provided that with the approval of the competent authority, an insurer may purchase any of the following domestic securities:

a) Treasury bills.

b) Negotiable certificates of deposit, bankers' acceptances, and commercial paper guaranteed by a financial institution.

c) Government bonds in a repo transaction.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The amount of demand deposits deposited in financial institutions under the first paragraph shall not be less than 45 percent of the balance remaining after subtracting the amount of special reserves from the amount of funds held by the insurer due to the operation of this insurance, or less than 30 percent of the retained earned pure premium for the most recent period as audited or reviewed by a certified public accountant. The competent authority may raise the percentage of deposits required by the insurer to a level it deems appropriate based on the insurer's operational status.

If the total amount of unearned premium reserve and loss reserve of the insurer with respect to this insurance is less than 30 percent of the retained earned pure premiums of this Insurance for the most recent period as audited or reviewed by a certified public accountant, the funds held by the insurer through its conduct of this Insurance shall be deposited in full with a financial institution in the form of deposits.

Accounting to the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance Article 11 when an insurer suspends business operations or terminates its operation of this Insurance, the various reserves for this Insurance shall be transferred into the various reserves provided for handling of this Insurance by the other insurer that assumes the business.

When an insurer has been duly ordered to suspend business and undergo rehabilitation, ordered to dissolve, or its permission to operate this Insurance business has been revoked, and no other insurer is to assume this Insurance business, and there is no outstanding liability under this insurance and the balance of the special reserve is positive, the assets corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

3) The special reserve for compulsory private passenger auto liability, compulsory commercial auto liability and compulsory motorcycle liability were provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance.

4) Special reserve – compulsory moto TPL insurance

Item	For the six months ended June 30, 2019	2018
Beginning balance	$ 1,143,370	1,295,097
Provision	-	-
Recovery	(250,429)	(186,945)
Ending balance	**$ 892,941**	**1,108,152**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

5) Special reserve – non-compulsory auto liability insurance

	For the six months ended June 30, 2019					
	Liabilities			Special reserve		
Item	Catastrophe	Dangerous change	Total	Catastrophe	Dangerous change	Total
Ending balance(as beginning balance)	$ 315,455	5,488,187	5,803,642	2,403,482	4,955,470	7,358,952

	For the six months ended June 30, 2018					
	Liabilities			Special reserve		
Item	Catastrophe	Dangerous change	Total	Catastrophe	Dangerous change	Total
Ending balance(as beginning balance)	$ 315,455	5,786,493	6,101,948	2,054,146	4,361,011	6,415,157

Note: The special reserve above covers all the insurances except for the special reserve for compulsory automobile liability insurance, which was recognized before January 1, 2011.

6) The special reserve for nuclear insurance was provided based on the Regulations for the Reserve of Nuclear Insurance.

7) Resident earthquake insurance was based on the Regulations for danger diversified mechanism for resident earthquake insurance.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Claim reserve

1) Liabilities for claims are to be paid, reported but unpaid and incurred but not reported.

	June 30, 2019				
	Note payable (claims)	Claims payable	Claim reserve		
Item	Reported to be paid		Reported but unpaid	IBNR	Total
Fire insurance	$ -	1,869	2,137,066	468,979	2,606,045
Marine Cargo insurance	-	260	537,792	176,601	714,393
Marine Hull/ Fishing Vessel/Aviation insurance	-	92	320,198	184,674	504,872
Voluntary moto insurance	-	85,144	3,630,354	896,179	4,526,533
Compulsory moto TPL insurance	-	36,675	720,541	2,946,600	3,667,141
Liability insurance	-	7,341	1,551,853	748,400	2,300,253
Engineering and nuclear insurance	-	1,080	1,508,285	106,632	1,614,917
Surety and Credit insurance	-	835	151,761	54,350	206,111
Other property insurance	-	226	61,934	61,097	123,031
Personal accident insurance	-	13,687	316,797	1,006,048	1,322,845
Typhoon, flood and earthquake insurance	-	867	354,332	219,030	573,362
Personal and commercial multiple peril insurance	-	1,843	40,193	109,674	149,867
Health insurance	-	7,841	17,409	101,986	119,395
Overseas reinsurance assumed	-	-	331,742	41,707	373,449
Overseas subsidiaries	-	785	987,144	703,407	1,690,551
Total	$ -	158,545	12,667,401	7,825,364	20,492,765

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2018				
	Note payable (claims)	Claims payable	Claim reserve		
Item	Reported to be paid		Reported but unpaid	IBNR	Total
Fire insurance	$ -	5,968	1,939,557	40,362	1,979,919
Marine Cargo insurance	-	1,377	627,770	171,529	799,299
Marine Hull/ Fishing Vessel/Aviation insurance	-	245	357,742	182,934	540,676
Voluntary moto insurance	-	9,171	3,515,545	863,167	4,378,712
Compulsory moto TPL insurance	-	12,324	731,751	2,894,550	3,626,301
Liability insurance	-	2,377	1,543,559	788,744	2,332,303
Engineering and nuclear insurance	-	433	2,072,153	100,590	2,172,743
Surety and Credit insurance	-	778	168,024	55,850	223,874
Other property insurance	-	-	48,173	30,943	79,116
Personal accident insurance	-	10,820	182,296	967,526	1,149,822
Typhoon, flood and earthquake insurance	-	5,416	531,511	225,293	756,804
Personal and commercial multiple peril insurance	-	187	26,226	102,500	128,726
Health insurance	-	1,375	15,497	89,660	105,157
Overseas reinsurance assumed	-	-	462,742	43,378	506,120
Overseas subsidiaries	-	6,420	985,274	677,102	1,662,376
Total	$ -	56,891	13,207,820	7,234,128	20,441,948

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	June 30, 2018				
	Note payable (claims)	Claims payable	Claim reserve		
Item	Reported to be paid		Reported but unpaid	IBNR	Total
Fire insurance	$ -	12,953	2,076,600	37,047	2,113,647
Marine Cargo insurance	-	2,319	1,182,047	187,764	1,369,811
Marine Hull/ Fishing Vessel/Aviation insurance	-	168	359,462	216,597	576,059
Voluntary moto insurance	-	96,459	3,304,963	834,185	4,139,148
Compulsory moto TPL insurance	-	23,655	785,722	2,602,132	3,387,854
Liability insurance	-	4,706	1,692,699	762,968	2,455,667
Engineering and nuclear insurance	-	242	1,471,349	266,120	1,737,469
Surety and Credit insurance	-	1,068	159,609	65,890	225,499
Other property insurance	-	556	42,903	17,472	60,375
Personal accident insurance	-	12,927	175,116	888,377	1,063,493
Typhoon, flood and earthquake insurance	-	3,567	778,698	233,989	1,012,687
Personal and commercial multiple peril insurance	-	747	29,479	100,919	130,398
Health insurance	-	2,171	7,227	79,975	87,202
Overseas reinsurance assumed	-	-	271,600	53,973	325,573
Overseas subsidiaries	-	23,950	1,128,614	711,568	1,840,182
Total	$ -	185,488	13,466,088	7,058,976	20,525,064

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Reinsurance assets - the insurance ceded business for the policy holders with reported but unpaid claims or unreported claims

Item	June 30, 2019 Reported but unpaid	IBNR	Total
Fire insurance	$ 1,073,806	266,862	1,340,668
Marine Cargo insurance	150,869	77,694	228,563
Marine Hull/ Fishing Vessel/ Aviation insurance	260,709	161,038	421,747
Voluntary moto insurance	142,908	27,418	170,326
Compulsory moto TPL insurance	242,690	1,398,006	1,640,696
Liability insurance	578,674	241,871	820,545
Engineering and nuclear insurance	908,179	61,661	969,840
Surety and Credit insurance	98,311	43,724	142,035
Other property insurance	22,083	41,719	63,802
Personal accident insurance	81	3,964	4,045
Typhoon, flood and earthquake insurance	251,273	163,136	414,409
Personal and commercial multiple peril insurance	574	8,215	8,789
Health insurance	2	1,186	1,188
Overseas reinsurance assumed	22,133	3,047	25,180
Overseas subsidiaries	162,777	168,083	330,860
Less: accumulated impairment	(13,383)	(3,568)	(16,951)
Total	$ 3,901,686	2,664,056	6,565,742

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Item	December 31, 2018 Reported but unpaid	IBNR	Total
Fire insurance	$ 799,543	15,717	815,260
Marine Cargo insurance	246,582	71,889	318,471
Marine Hull/ Fishing Vessel/ Aviation insurance	303,278	158,437	461,715
Voluntary moto insurance	161,904	28,340	190,244
Compulsory moto TPL insurance	235,366	1,378,789	1,614,155
Liability insurance	567,699	287,143	854,842
Engineering and nuclear insurance	1,294,230	53,463	1,347,693
Surety and Credit insurance	105,495	44,681	150,176
Other property insurance	5,269	21,851	27,120
Personal accident insurance	132	4,397	4,529
Typhoon, flood and earthquake insurance	387,924	171,526	559,450
Personal and commercial multiple peril insurance	343	7,258	7,601
Health insurance	1	1,020	1,021
Overseas reinsurance assumed	26,693	3,367	30,060
Overseas subsidiaries	225,796	177,859	403,655
Less: accumulated impairment	(99)	-	(99)
Total	$ 4,360,156	2,425,737	6,785,893

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	June 30, 2018		
Item	Reported but unpaid	IBNR	Total
Fire insurance	$ 1,094,148	15,223	1,109,371
Marine Cargo insurance	843,435	75,299	918,734
Marine Hull/ Fishing Vessel/ Aviation insurance	303,110	190,840	493,950
Voluntary moto insurance	150,604	26,644	177,248
Compulsory moto TPL insurance	256,948	1,214,554	1,471,502
Liability insurance	714,285	297,104	1,011,389
Engineering and nuclear insurance	707,870	184,515	892,385
Surety and Credit insurance	92,933	53,303	146,236
Other property insurance	2,768	11,704	14,472
Personal accident insurance	-	6,126	6,126
Typhoon, flood and earthquake insurance	489,733	172,734	662,467
Personal and commercial multiple peril insurance	291	6,996	7,287
Health insurance	2	856	858
Overseas reinsurance assumed	18,969	6,874	25,843
Overseas subsidiaries	290,929	187,900	478,829
Less: accumulated impairment	(107)	(28)	(135)
Total	$ 4,965,918	2,450,644	7,416,562

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3) Movements in claim reserve and claim ceded reserve

Item	For the six months ended June 30, 2019 Claim reserve	Claim reserve ceded
Beginning balance	$ 20,441,948	6,785,893
Provision	20,510,733	6,613,522
Recovery	(20,441,948)	(6,785,992)
Impairment losses	-	(16,852)
Other-effect of changes in foreign exchange rates	(17,968)	(30,829)
Ending balance	$ 20,492,765	6,565,742

Item	For the six months ended June 30, 2018 Claim reserve	Claim reserve ceded
Beginning balance	$ 20,743,674	7,473,181
Provision	20,531,298	7,431,590
Recovery	(20,743,674)	(7,473,296)
Impairment losses	-	(20)
Other-effect of changes in foreign exchange rates	(6,234)	(14,893)
Ending balance	$ 20,525,064	7,416,562

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

4) Acquisition of non insurance assets from exercising the right of retrieve-salvage and subrogation

Item	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Fire insurance	$ 7,440	665	16,868	1,476
Marine Cargo insurance	28,963	6,307	39,793	28,724
Marine Hull/ Fishing Vessel/Aviation insurance	-	-	-	-
Voluntary moto insurance	113,542	109,582	236,764	217,119
Compulsory moto TPL insurance	46,971	57,236	87,585	96,680
Liability insurance	5,581	6,770	12,198	18,395
Engineering and nuclear insurance	2	-	82	264
Surety and Credit insurance	1,348	5,819	4,926	10,369
Other property insurance	115	20	175	40
Personal accident insurance	115	55	422	208
Personal and commercial multiple peril insurance	100	-	125	446
Typhoon, flood and earthquake insurance	34	591	34	636
Health insurance	90	-	90	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	2,133	6,572	4,836	6,572
Total	**$ 206,434**	**193,617**	**403,898**	**380,929**

The Company provides claims reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. Non life insurance companies should calculate the claims reserve divided into reported but unpaid claims and IBNR based on the past claim experience and payments, using the actuary methodology. Regarding to the claims reserve for reported but not paid, it should be estimated based on actual situation by each case. The claim reserve has been provided, return at final accounting in next year, and then provide it according to actual final accounting data in that very year.

The methodology for providing claims reserve is decided by actuaries and reported to the authority. If there is any change, it should adopt the same procedures as fore-mentioned.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iv) Liability reserve

1) The formula for calculating liability reserve is reported to the authority and the current interest rate is used for discounting purposes of calculating the present value of the liability reserve.

2) Movements in liability reserve and liability-ceded reserve:

Item	For the six months ended June 30, 2019 Liability reserve	2019 Liability reserve ceded	2018 Liability reserve	2018 Liability reserve ceded
Beginning balance	$ 77,049	-	143,764	-
Provision	340	-	591	-
Principal returned	(27,350)	-	(38,352)	-
Ending balance	**$ 50,039**	**-**	**106,003**	**-**

(v) Premium deficiency reserve

1) Premium deficiency reserve

Item	June 30, 2019 Premium deficiency reserve: Direct business	Premium deficiency reserve: Reinsurance ceded-in	Premium deficiency reserve ceded: Reinsurance ceded-out	Retention
Fire insurance	$ 66,904	-	-	66,904
Marine Cargo insurance	4,344	-	-	4,344
Marine Hull/ Fishing Vessel/Aviation insurance	9,430	36	-	9,466
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	26,424	-	-	26,424
Surety and Credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earth quake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	116,213	575,660	633,546	58,327
Total	**$ 223,315**	**575,696**	**633,546**	**165,465**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Item	December 31, 2018 Premium deficiency reserve Direct business	Premium deficiency reserve Reinsurance ceded-in	Premium deficiency reserve ceded Reinsurance ceded-out	Retention
Fire insurance	$ 54,961	-	-	54,961
Marine Cargo insurance	4,142	-	-	4,142
Marine Hull/ Fishing Vessel/Aviation insurance	7,809	32	-	7,841
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	24,418	-	-	24,418
Surety and Credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earth quake insurance	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	136,297	586,011	651,387	70,921
Total	$ 227,627	586,043	651,387	162,283

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	June 30, 2018			
	Premium deficiency reserve		Premium deficiency reserve ceded	
Item	Direct business	Reinsurance ceded-in	Reinsurance ceded-out	Retention
Fire insurance	$ 54,546	-	-	54,546
Marine Cargo insurance	4,267	-	-	4,267
Marine Hull/ Fishing Vessel/Aviation insurance	15,480	36	3,476	12,040
Voluntary moto insurance	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-
Liability insurance	-	-	-	-
Engineering and nuclear insurance	-	-	-	-
Surety and Credit insurance	-	-	-	-
Other property insurance	-	-	-	-
Personal accident insurance	-	-	-	-
Typhoon, flood and earth quake insurance	3,179	-	-	3,179
Personal and commercial multiple peril insurance	-	-	-	-
Health insurance	-	-	-	-
Overseas reinsurance assumed	-	-	-	-
Overseas subsidiaries	142,072	515,656	595,569	62,159
Total	$ 219,544	515,692	599,045	136,191

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2) The net change of premium deficiency reserve and premium deficiency reserve ceded

	For the six months ended June 30, 2019								
	Direct underwrite		Reinsurance ceded-in		The net change of premium deficiency	Reinsurance ceded-out		The net change of premium ceded deficiency	Net deposit of premium deficiency reserve
Item	Provision	Recovery	Provision	Recovery		Provision	Recovery		
Fire insurance	$ 66,904	54,961	-	-	11,943	-	-	-	11,943
Marine Cargo insurance	4,344	4,142	-	-	202	-	-	-	202
Marine Hull/Fishing Vessel/ Aviation insurance	9,430	7,809	36	32	1,625	-	-	-	1,625
Voluntary moto insurance	-	-	-	-	-	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and nuclear insurance	26,424	24,418	-	-	2,006	-	-	-	2,006
Surety and Credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Personal accident insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earth quake insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	-	-	-	-	-	-	-
Overseas subsidiaries	117,401	138,162	582,318	597,478	(35,921)	640,874	664,134	(23,260)	(12,661)
Other－effect of changes in foreign exchange rate	(1,188)	(1,865)	(6,658)	(11,467)	5,486	(7,197)	(13,539)	6,342	(856)
Total	$ 223,315	227,627	575,696	586,043	(14,659)	633,677	650,595	(16,918)	2,259

	For the six months ended June 30, 2018								
	Direct underwrite		Reinsurance ceded-in		The net change of premium deficiency	Reinsurance ceded-out		The net change of premium ceded deficiency	Net deposit of premium deficiency reserve
Item	Provision	Recovery	Provision	Recovery		Provision	Recovery		
Fire insurance	$ 54,546	50,620	-	-	3,926	-	-	-	3,926
Marine Cargo insurance	4,267	4,066	-	-	201	-	-	-	201
Marine Hull/Fishing Vessel/ Aviation insurance	15,480	11,524	36	65	3,927	3,476	1,938	1,538	2,389
Voluntary moto insurance	-	-	-	-	-	-	-	-	-
Compulsory moto TPL insurance	-	-	-	-	-	-	-	-	-
Liability insurance	-	-	-	-	-	-	-	-	-
Engineering and nuclear insurance	-	-	-	-	-	-	-	-	-
Surety and Credit insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Personal accident insurance	-	-	-	-	-	-	-	-	-
Personal and commercial multiple peril insurance	-	-	-	-	-	-	-	-	-
Typhoon, flood and earth quake insurance	3,179	1,816	-	-	1,363	-	-	-	1,363
Health insurance	-	-	-	-	-	-	-	-	-
Overseas reinsurance assumed	-	-	-	53	(53)	-	-	-	(53)
Overseas subsidiaries	142,815	134,438	520,584	402,331	126,630	601,260	483,723	117,537	9,093
Other－effect of changes in foreign exchange rate	(743)	1,467	(4,928)	6,354	(13,492)	(5,254)	7,640	(12,894)	(598)
Total	$ 219,544	203,931	515,692	408,803	122,502	599,482	493,301	106,181	16,321

(Continued)

3) Movements in net premium deficiency reserve net premium deficiency ceded reserve net change

	For the six months ended June 30, 2019	
Item	**Premium deficiency reserve**	**Ceding premium deficiency reserve**
Beginning balance	$ 813,670	651,387
Provision	806,857	642,315
Recovery	(813,670)	(651,387)
Other－effect of changes in foreign exchange rates	(7,846)	(8,769)
Ending balance	$ **799,011**	**633,546**

	For the six months ended June 30, 2018	
Item	**Premium deficiency reserve**	**Ceding premium deficiency reserve**
Beginning balance	$ 612,734	493,301
Provision	740,908	605,154
Recovery	(612,734)	(493,301)
Other－effect of changes in foreign exchange rates	(5,672)	(6,109)
Ending balance	$ **735,236**	**599,045**

The Company provides Premium deficiency reserve according to the Regulations Governing the Provision of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.10102501561 on February 7, 2012. 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 the aforementioned. The Company reported its methodology for providing premium deficiency reserve on June 25, 2008 and obtained the approval issued by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Yi No.09702115350.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(p) Lease liabilities

The Group's lease liabilities were as follows:

	June 30, 2019		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	$ 112,899	5,417	107,482
Between one and five years	125,408	4,604	120,804
More than five years	726	26	700
	$ 239,033	**10,047**	**228,986**

For the six months ended June 30, 2019, the Group recognized its lease liabilities amounting to $60,226, with an interest rate of 1.50%~9.00%.The lease liabilities are due from December 31, 2020 to May 31, 2024.

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	**For the six months ended June 30, 2019**
Interest on lease liabilities	**$ 1,880**	**3,642**
Variable lease payments not included in the measurement of lease liabilities	**$ 2,602**	**9,694**
Expenses relating to short-term leases	**$ 14,037**	**23,246**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 24,353**	**34,335**

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

	For the six months ended June 30, 2019
Total cash outflow for leases	**$ 130,838**

(i) Real estate leases

As of June 30, 2019, the Group leases buildings for its office space. The leases of office space typically run for a period for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of two to eight years.

In addition, The Group has elected not to recognize right-of-use assets and lease liabilities for short term leases or leases of low-value items.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(q) Operating leases

(i) Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(k).

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

	June 30, 2019
Less than one year	$ 345,015
One to two years	237,987
Two to three years	91,917
Three to four years	23,414
Four to five years	14,804
More than five years	10,794
Total undiscounted lease payments	$ 723,931

(r) Capital and other equity

(i) Share capital

As of June 30, 2019, December 31 and June 30, 2018, the Company's authorized capital amount are both $20,000,000, and the face value of each share is $10, Total shares outstanding amounted to 2,000,000 thousand shares. The paid-in capitals were amounted to $3,178,396.

(ii) Capital surplus

The details of this account were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Additional paid-in capital	$ 5,818,907	5,818,907	5,818,907
Adjustment of capital increase of the subsidiaries	115,501	115,501	115,501
Total	$ 5,934,408	5,934,408	5,934,408

Under the amended Company Act on January 2012, capital surplus should be offset a deficit when legal reserve is not sufficient to offset losses, and then be capitalized or issuing cash dividends. According to "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the amount of additional paid-in capital to be used to increase capital shall not exceed 10% of total paid-in capital.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(iii) Retained earnings

1) Legal reserve

The Company's Articles of Incorporation requires that 20% of the annual income after tax shall be provided as legal reserve until it is equal to the paid in capital. Under the amended Company Act on January 2012, the Company is able to issue new stock or cash dividend from legal reserve if there is no deficit as long as the legal reserve is over 25% of the paid in capital.

2) Special reserve

Under the Company's Articles of Incorporation, a special reserve equal to current year shareholders' equity contra account, is provided from current year's net income and prior years' inappropriate retained earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

3) Undistributed retained earnings appropriated

Under the Company's Articles of Incorporation, the Company's net income after deduction of income tax and losses (if any), should provide 20% as legal reserve, and then the remaining sum shall be used to provide special reserve according to Insurance Act and regulations of various reserve provision and the special reserve shall be written off or recovered per relevant rules. The remaining balance may be distributed as dividend according to the resolution of the shareholders' meeting.

The resolution of the shareholders' meeting held on April 26, 2019 and April 23, 2018 and decided the distribution of retained earnings for the years ended December 31, 2018 and 2017. The details of remuneration paid to directors and supervisors were as follows:

	For the years ended December 31,	
	2018	**2017**
Dividends distributed to ordinary shareholders		
Cash	$ 2,459,067	2,416,089

The relevant information about the employee bonuses remuneration paid to directors and supervisors, which were approved by the board of directors and under the consent of the shareholders' meeting, can be obtained on the website of Market Observation Post System.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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4) Other equity items

The movements in other equity items were as follows:

		Exchange difference on translation of foreign financial statements	Gain or loss on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total
Balance at January 1, 2019	$	(73,596)	(858,561)	211,689	2,727,398	2,006,930
Foreign exchange differences (after-tax-amount)		12,488	-	-	-	12,488
Share of other comprehensive income of associates and joint ventures accounted for using equity method		-	(4,138)	-	21,804	17,666
Gains or losses on valuation of financial assets measured at fair value through other comprehensive income		-	1,265,207	-	-	1,265,207
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	21,476	-	-	21,476
Other comprehensive income on reclassification under the overlay approach		-	-	-	2,366,160	2,366,160
Balance at June 30, 2019	$	**(61,108)**	**423,984**	**211,689**	**5,115,362**	**5,689,927**

		Exchange difference on translation of foreign financial statements	Gain or loss on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Other comprehensive income on reclassification under the overlay approach	Total
Balance at January 1, 2018 (after adjustments from application of new standards)	$	(81,275)	(380,259)	78,933	4,436,010	4,053,409
Foreign exchange differences (after-tax-amount)		16,349	-	-	-	16,349
Share of other comprehensive income of associates and joint ventures accounted for using equity method		-	8,389	-	(29,573)	(21,184)
Gains or losses on valuation of financial assets measured at fair value through other comprehensive income		-	(637,320)	-	-	(637,320)
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	160,684	-	-	160,684
Revaluation surplus		-	-	76,391	-	76,391
Other comprehensive income on reclassification under the overlay approach		-	-	-	(254,244)	(254,244)
June 30, 2018	$	**(64,926)**	**(848,506)**	**155,324**	**4,152,193**	**3,394,085**

(s) Employee compensation

The Bylaws of the Company that if the Company profits, 0.1% to 5.0% of that profit shall be distributed as employees’ compensation. However, the company's accumulated losses shall have been covered. The Company may have the profit distributable as employees' compensation in the preceding paragraph distributed in the form of shares or in cash. Qualification requirements of employees entitled to receive shares or cash, including the employees of subsidiaries of the company should meet certain specific requirements set by the board of directors.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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The employee compensation that the Company estimates are $7,223, $7,583, $12,598 and $14,804 for the three months and six months ended June 30, 2019 and 2018, respectively. The estimation of employees' remuneration is based on the net income before tax, before minus employees compensation, multiply the ratio specified in the Articles of Incorporation, and recognized as operating expenses. The estimated employee compensation represent 68, 82, 119 and 154 thousands shares, which was calculated based on the net assets of June 30, 2019 and 2018, when calculate diluted earnings per share.

The employee compensation that the Company estimated and actual number in 2018 did not have any difference. The related information can be obtained on the website of Market Observation Post System.

(t) Income tax

(i) Income tax expense

The components of the Group's income tax expense were listed below:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Current income tax expense				
Current period	$ 148,942	122,956	274,319	391,395
Adjustment for periods	3,168	883	3,168	11,550
	152,110	123,839	277,487	402,945
Deferred income tax expenses				
Origination and reversal of temporary differences	16,227	50,546	63,110	(18,371)
Income tax expense	**$ 168,337**	**174,385**	**340,597**	**384,574**

(ii) The details of income tax expense (benefit) recognized under other comprehensive income for the three months and six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Items not to be reclassified subsequently to profit or loss:				
Revaluation gains or losses on investments in equity instruments measured at fair value through other comprehensive income	$ (19,226)	(5,594)	(17,196)	(17,760)
Remeasurements of the defined benefit plans	-	-	-	(29,784)
	$ (19,226)	**(5,594)**	**(17,196)**	**(47,544)**

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	$ (40)	5,809	3,122	415
Gains or losses from investments in debt instruments measured at fair value through other comprehensive income	121,793	(77,894)	251,961	(167,515)
Other comprehensive income on reclassification under the overlay approach	(16,417)	(13,543)	85,959	(91,325)
	$ **105,336**	**(85,628)**	**341,042**	**(258,425)**

(iii) The Company, its parent company and the parent company's major subsidiaries have filed consolidated income tax returns since 2002.

(iv) The R.O.C tax authorities adjusted the Company's income tax returns in 2014 . The parent company of the Company disagreed with the assessment of 2012 and 2011 and applied for recheck within the statutory period.

(u) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were shown as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Profit attributable to ordinary shareholders of the Company	$ **925,542**	**1,291,724**	**2,118,687**	**2,602,605**
Weighted average number of ordinary shares (thousands shares)	317,840	317,840	317,840	317,840
Dilutive potential common shares - employee compensation (thousands shares)	68	82	119	154
	317,908	**317,922**	**317,959**	**317,994**
Basic earnings per share (in dollars)	$ **2.91**	**4.06**	**6.67**	**8.19**
Diluted earnings per share (in dollars)	$ **2.91**	**4.06**	**6.66**	**8.18**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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(v) Disclosure of acquisition cost of insurance contracts

Acquisition cost of insurance contracts

	For the three months ended June 30, 2019					
Item	**Commission expense**	**Agent fee**	**Charge**	**Reinsurance commission expense**	**Other cost**	**Total**
Fire insurance	$ 56,289	-	-	109	-	56,398
Marine Cargo insurance	22,361	-	938	6	-	23,305
Marine Hull/Fishing Vessel Aviation insurance	7,913	-	(863)	2	-	7,052
Voluntary moto insurance	493,859	-	89	28,839	-	522,787
Compulsory moto TPL insurance	-	-	94,784	-	-	94,784
Liability insurance	79,368	-	6	-	-	79,374
Engineering and Nuclear insurance	20,172	-	562	1,681	-	22,415
Surety and Credit insurance	8,899	-	-	-	-	8,899
Other property insurance	43,832	-	-	-	-	43,832
Personal accident insurance	276,533	-	4	730	-	277,267
Personal and commercial multiple peril insurance	61,719	-	-	-	-	61,719
Typhoon, flood and earthquake insurance	57,917	-	-	191	-	58,108
Health insurance	67,770	-	-	-	-	67,770
Overseas business	-	-	6,003	17,975	-	23,978
Overseas subsidiaries	152,114	-	-	77,134	-	229,248
Total	$ 1,348,746	-	101,523	126,667	-	1,576,936

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
	For the three months ended June 30, 2018					
Fire insurance	$ 54,459	-	-	(1)	-	54,458
Marine Cargo insurance	20,923	-	68	141	-	21,132
Marine Hull/Fishing Vessel Aviation insurance	4,679	-	12	632	-	5,323
Voluntary moto insurance	459,519	-	161	30,189	-	489,869
Compulsory moto TPL insurance	-	-	91,729	-	-	91,729
Liability insurance	77,893	-	12	44	-	77,949
Engineering and Nuclear insurance	17,261	-	(210)	957	-	18,008
Surety and Credit insurance	9,460	-	-	-	-	9,460
Other property insurance	13,098	-	-	-	-	13,098
Personal accident insurance	258,623	-	(31)	584	-	259,176
Personal and commercial multiple peril insurance	51,135	-	-	-	-	51,135
Typhoon, flood and earthquake insurance	63,559	-	221	79	-	63,859
Health insurance	55,753	-	-	-	-	55,753
Overseas business	-	-	6,249	41,296	-	47,545
Overseas subsidiaries	288,216	-	-	-	-	288,216
Total	$ 1,374,578	-	98,211	73,921	-	1,546,710

Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
	For the six months ended June 30, 2019					
Fire insurance	$ 104,425	-	(1)	164	-	104,588
Marine Cargo insurance	46,163	-	97	6	-	46,266
Marine Hull/Fishing Vessel Aviation insurance	15,068	-	45	2	-	15,115
Voluntary moto insurance	983,338	-	306	71,872	-	1,055,516
Compulsory moto TPL insurance	-	-	185,654	-	-	185,654
Liability insurance	162,396	-	23	34	-	162,453
Engineering and Nuclear insurance	40,303	-	1,257	3,820	-	45,380
Surety and Credit insurance	13,694	-	-	-	-	13,694
Other property insurance	87,885	-	-	-	-	87,885
Personal accident insurance	560,487	-	(71)	(886)	-	559,530
Personal and commercial multiple peril insurance	117,502	-	-	-	-	117,502
Typhoon, flood and earthquake insurance	99,444	-	-	351	-	99,795
Health insurance	138,092	-	-	-	-	138,092
Overseas business	-	-	11,265	39,802	-	51,067
Overseas subsidiaries	287,424	-	-	143,699	-	431,123
Total	$ 2,656,221	-	198,575	258,864	-	3,113,660

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30, 2018					
Item	Commission expense	Agent fee	Charge	Reinsurance commission expense	Other cost	Total
Fire insurance	$ 103,758	-	-	379	-	104,137
Marine Cargo insurance	44,326	-	69	164	-	44,559
Marine Hull/Fishing Vessel Aviation insurance	8,147	-	12	71	-	8,230
Voluntary moto insurance	921,469	-	287	61,683	-	983,439
Compulsory moto TPL insurance	-	-	183,337	-	-	183,337
Liability insurance	155,337	-	18	45	-	155,400
Engineering and Nuclear insurance	37,577	-	402	956	-	38,935
Surety and Credit insurance	13,404	-	-	-	-	13,404
Other property insurance	17,722	-	-	-	-	17,722
Personal accident insurance	532,132	-	6	1,381	-	533,519
Personal and commercial multiple peril insurance	101,274	-	-	-	-	101,274
Typhoon, flood and earthquake insurance	98,876	-	1	299	-	99,176
Health insurance	113,760	-	-	-	-	113,760
Overseas business	-	-	9,970	77,351	-	87,321
Overseas subsidiaries	545,659	-	-	-	-	545,659
Total	$ **2,693,441**	**-**	**194,102**	**142,329**	**-**	**3,029,872**

(w) Disclosure of insurance cost-benefit analysis

(i) Direct underwriting business cost-benefit analysis

	For the three months ended June 30, 2019					
Item	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 10,995,180	1,800,745	1,348,746	4,613,405	1,401,192	(202,806)
Compulsory insurance	1,224,824	25,007	94,784	1,251,633	80,286	(149,794)
Total	$ **12,220,004**	**1,825,752**	**1,443,530**	**5,865,038**	**1,481,478**	**(352,600)**

	For the three months ended June 30, 2018					
Item	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 10,231,696	1,034,963	1,374,578	4,352,906	(158,299)	2,331,070
Compulsory insurance	1,172,977	7,367	91,729	863,973	(74,608)	85,692
Total	$ **11,404,673**	**1,042,330**	**1,466,307**	**5,216,879**	**(232,907)**	**2,416,762**

	For the six months ended June 30, 2019					
Item	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 21,494,940	2,315,465	2,656,221	9,330,949	274,974	3,096,052
Compulsory insurance	2,411,839	46,091	185,654	1,965,224	28,350	(100,710)
Total	$ **23,906,779**	**2,361,556**	**2,841,875**	**11,296,173**	**303,324**	**2,995,342**

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Item	For the six months ended June 30, 2018					
	Premium revenue	Net change in unearned premium reserve	Insurance contract acquisition cost	Insurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 20,056,350	1,681,230	2,693,441	8,774,829	(311,489)	4,117,704
Compulsory insurance	2,324,775	31,071	183,337	1,558,997	(18,449)	244,475
Total	$ 22,381,125	1,712,301	2,876,778	10,333,826	(329,938)	4,362,179

(ii) Reinsurance cost-benefit analysis

Item	For the three months ended June 30, 2019					
	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 497,321	(23,468)	133,406	270,031	(874,891)	966,359
Compulsory insurance	298,111	4,153	-	454,439	7,545	(168,026)
Total	$ 795,432	(19,315)	133,406	724,470	(867,346)	798,333

Item	For the three months ended June 30, 2018					
	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 465,656	25,440	80,403	418,302	79,811	18,860
Compulsory insurance	299,971	25,707	-	286,831	72,875	(85,442)
Total	$ 765,627	51,147	80,403	705,133	152,686	(66,582)

Item	For the six months ended June 30, 2019					
	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 963,282	24,015	271,785	569,650	(204,745)	261,500
Compulsory insurance	576,004	22,267	-	689,990	12,490	(148,743)
Total	$ 1,539,286	46,282	271,785	1,259,640	(192,255)	112,757

Item	For the six months ended June 30, 2018					
	Reinsurance Premium	Net change in unearned premium reserve	Reinsurance commission expense	Reinsurance claim payment	Net change in claim reserve	Gain/Loss
Non-compulsory insurance	$ 935,581	45,598	153,094	517,559	108,963	251,442
Compulsory insurance	552,176	36,484	-	658,600	96,672	(239,580)
Total	$ 1,487,757	82,082	153,094	1,176,159	205,635	11,862

(iii) Gain/Loss on reinsurance contracts

Item	For the three months ended June 30, 2019					
	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	Gain/Loss
Non-compulsory insurance	$ 3,099,675	1,303,866	448,101	686,269	326,937	254,383
Compulsory insurance	539,164	16,559	-	751,190	52,041	(280,626)
Total	$ 3,638,839	1,320,425	448,101	1,437,459	378,978	(26,243)

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Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change ceded in claim reserve	Gain/Loss
	For the three months ended June 30, 2018					
Non-compulsory insurance	$ 2,667,177	467,267	378,840	686,285	145,516	932,514
Compulsory insurance	515,676	7,179	-	519,951	(47,278)	35,824
Total	**$ 3,182,853**	**474,446**	**378,840**	**1,206,236**	**98,238**	**968,338**

Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	Gain/Loss
	For the six months ended June 30, 2019					
Non-compulsory insurance	$ 5,754,932	1,322,545	814,840	1,522,170	(156,727)	2,118,581
Compulsory insurance	1,060,459	30,533	-	1,168,014	26,541	(164,629)
Total	**$ 6,815,391**	**1,353,078**	**814,840**	**2,690,184**	**(130,186)**	**1,953,952**

Item	Reinsurance expense	Net change in unearned premium reserve	Reinsurance commission received	Claims recovered from reinsurers	Net change in ceded claim reserve	Gain/Loss
	For the six months ended June 30, 2018					
Non-compulsory insurance	$ 5,038,405	538,453	725,982	1,321,672	59,573	2,287,524
Compulsory insurance	1,020,643	21,237	-	929,093	(13,206)	83,519
Total	**$ 6,059,048**	**559,690**	**725,982**	**2,250,765**	**46,367**	**2,371,043**

(x) Nature and scope of insurance contract risk

(i) Insurance contract risk management objective, policy, procedure and method.

1) Risk management policy and objective

The Group accounting to the Risk Management Practice Principles for Insurance Enterprises, the Regulations Governing the Implementation of Internal Control and Audit Systems by Insurance Enterprises and Fubon Financial Holding Co., Ltd. Risk Management Policy prescribed risk management policy ensure conservatism operating to pursuit of shareholder value maximization.

2) Risk management framework organization responsibility and accountability

Risk Management Committee and Independent Risk Management Department are subordinate to the Board. Their related responsibility as followed:

a) The Board of Directors

i) Aware of all risks related to operating in the insurance industry, ensures the efficacy of risk management, and assumes ultimate responsibility.

ii) Assures that the company establishes the appropriate risk management mechanism and culture, approves risk management policies, and achieves an optimal allocation of resources.

iii) Consider the effects of aggregating all risk information from the overall perspective of the company, the statutory capital required by the authorities, and relevant regulations that could potentially affect capital allocation.

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b) Risk Management Committee

The Risk Management Committee was formed pursuant to the Risk Management Committee Charter. In discharge of its duties, the committee sets risk management policies, structure, organizational function and executes the Board's risk management decisions. The committee also oversees the overall development, establishment and performance of the Group's risk management mechanism, reporting to the Board on the implementation of risk management and proposing necessary improvement.

c) Chief Risk Officer

A Chief Risk Officer is appointed by the Group and held accountable for the overall operation of risk management, from strategic planning, supervising the Group’ s establishment of and compliance with the risk management protocols, monitoring the adequacy of risk exposure and effectiveness of risk control mechanism, to overseeing the risk management department of the Group.

d) Risk Management Department

i) Risk monitoring, measuring, evaluating of Company daily routine affairs.

ii) Assist in the formulation and the implementation of the risk management policies and strategies approved by the Board.

iii) Accounting the Company risk appetite set risk tolerance

iv) Summarize risk information, coordinated and communicated for carrying out policy and quota of each group.

v) Risk management report is proposed regularly.

vi) Monitor the risk of each operating groups regularly.

vii) Assistance of pressure test.

viii) Back testing.

ix) Others

e) Operating Segments

i) Execute risk management independent and help to execute risk management effectively.

ii) Be responsible for preparing daily risk report, taking actions and conveying risk management information to risk management department regularly.

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iii) The responsibilities of operating segments are as follows:

1. Recognize risk, measure risk and report the risk information to Risk Management Department.

2. Reviewing the effectiveness of the setting risk tolerance.

3. Monitor risk exposure and measure the risk exceed the tolerance.

4. Ensure the effectiveness of internal control.

5. Gather the information which is related to operational risk.

3) Scope and nature of risk reporting and measurement system

The Group measures insurance risks against each of their risk factors: commodity price, underwriting, claims, catastrophe, reinsurance, reserve; It monitors key risks by setting key risk indicators. The Group considers the risk-bearing capacity of its underwriting businesses and sets per retention limit and per occurrence limit to implement risk management and control. Meanwhile, using scenario simulation method, the Group sets risk tolerance for key risks (insurance risk, market risk, credit risk and operational risk) to ensure that the overall risk does not exceed the Group’ s risk appetite. Report risk management to Risk Management Committee every month or every season, reporting on risk managing committee board, summarize management report and risk monitoring indicator in every half year, reviewing the operation of managing risk mechanism and other specific topics of managing risk.

4) Insurance risk process and method

Insurance risk is an act whereby the parties concerned agree that one party pays a premium to the other party, and the other party is liable for pecuniary indemnification for damage caused by unforeseeable events or force majeure.

The Group prescribed risk management policy to measure: underwrite, reinsurance, catastrophic, claims, commodity price and reserve.

The risk management processes include risk identification, risk measurement, risk monitoring and risk responding. To ensure the timeliness, liability and safety of risk management information, except for the tiers disclosure per the regulations, the Company also updates and keeps the relevant risk management documents and reports through tiers authorization.

In addition, the Company manages insurance risk by establishing risk tolerance, risk limit and critical risk indicators and reports to the Risk Management Committee per the reporting frequencies of respective indicators. If the risk tolerance, risk limit or critical risk exceeds the limit of the indicators, the responsible unit shall submit an explanation for the limit breach and a solution of improvement. The explanation and solution shall be reviewed by the insurance risk team then submitted to the Risk Management Committee. Once approved, the Risk Management Department shall keep track of the improvement per the content approved.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Insurance risk information

1) Insurance risk sensitivity analysis

Test assumptions

	For the three months ended June 30, 2019						
			Expected loss ratio increase or decrease in 1%				
			Effect on Profit or Loss		Effect on Equity		
Item	Insurance revenue	Expected rate of loss	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	$ 750,709	63.1%	6,444	2,858	5,155	2,286
Marine cargo insurance	304,533	61.6%	3,082	1,452	2,466	1,162
Marine Hull/ Fishing Vessel / Aviation insurance	158,628	71.8%	1,604	175	1,283	140
Voluntary motor insurance	3,809,376	66.6%	36,390	35,379	29,112	28,303
Compulsory motor TPL insurance	1,522,935	No applicable	No applicable	No applicable	No applicable	No applicable
Liability insurance	707,580	68.2%	7,521	5,272	6,017	4,218
Engineering and Nuclear insurance	829,856	60.7%	3,071	1,081	2,457	865
Surety and credit insurance	85,624	67.4%	569	132	455	106
Other property insurance	205,447	66.3%	1,703	544	1,362	435
Personal accident insurance	1,436,452	70.6%	14,081	13,929	11,265	11,143
Typhoon, flood and earthquake insurance	1,369,607	73.7%	8,765	2,253	7,012	1,802
Personal and commercial multiple peril insurance	284,785	68.2%	2,676	2,478	2,141	1,982
Health insurance	268,791	63.8%	2,448	2,420	1,958	1,936
Overseas reinsurance assumed	114,156	64.1%	1,071	908	856	727
Overseas subsidiaries	1,166,957	65.5%	12,590	10,329	10,072	8,263

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the three months ended June 30, 2018						
			Expected loss ratio increase or decrease in 1%				
			Effect on Profit or Loss		Effect on Equity		
Item	Insurance revenue	Expected rate of loss	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	$ 742,564	62.8%	6,556	3,188	5,245	2,550
Marine cargo insurance	310,979	61.5%	2,956	1,478	2,365	1,182
Marine Hull/ Fishing Vessel / Aviation insurance	160,529	72.0%	1,548	260	1,239	208
Voluntary motor insurance	3,580,598	66.3%	33,983	32,708	27,187	26,166
Compulsory motor TPL insurance	1,472,948	No applicable	No applicable	No applicable	No applicable	No applicable
Liability insurance	858,005	68.2%	8,690	5,103	6,953	4,082
Engineering and Nuclear insurance	320,310	60.6%	2,740	1,318	2,192	1,054
Surety and credit insurance	110,453	68.2%	645	152	516	122
Other property insurance	64,116	66.7%	525	168	420	135
Personal accident insurance	1,301,134	71.0%	12,843	12,698	10,275	10,158
Typhoon, flood and earthquake insurance	1,377,106	72.7%	8,503	1,790	6,803	1,433
Personal and commercial multiple peril insurance	244,014	68.2%	2,388	2,229	1,910	1,783
Health insurance	214,437	63.5%	1,952	1,931	1,561	1,544
Overseas reinsurance assumed	145,187	65.2%	1,139	1,041	911	833
Overseas subsidiaries	1,267,920	65.4%	12,371	10,304	9,897	8,243

	For the six months ended June 30, 2019					
			Expected loss ratio increase or decrease in 1%			
			Effect on Profit or Loss		Effect on Equity	
Item	Insurance revenue	Expected rate of loss	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	$ 1,296,436	63.0%	13,085	5,865	10,468	4,692
Marine cargo insurance	648,495	61.6%	5,884	2,954	4,707	2,363
Marine Hull/ Fishing Vessel / Aviation insurance	357,648	72.0%	3,379	362	2,703	290
Voluntary motor insurance	7,842,391	66.6%	72,378	70,311	57,902	56,249
Compulsory motor TPL insurance	2,987,843	No applicable	No applicable	No applicable	No applicable	No applicable
Liability insurance	1,580,406	68.2%	15,266	10,454	12,213	8,363
Engineering and Nuclear insurance	1,349,759	60.7%	6,109	2,317	4,887	1,853
Surety and credit insurance	147,013	68.0%	1,233	295	986	236
Other property insurance	422,052	66.3%	3,467	1,005	2,774	804
Personal accident insurance	2,876,194	70.6%	27,636	27,340	22,109	21,872
Typhoon, flood and earthquake insurance	2,375,146	73.8%	17,427	4,240	13,942	3,392
Personal and commercial multiple peril insurance	555,733	68.2%	5,261	4,860	4,209	3,888
Health insurance	546,585	63.8%	4,782	4,727	3,826	3,782
Overseas reinsurance assumed	234,732	64.4%	2,368	2,013	1,894	1,611
Overseas subsidiaries	2,225,632	65.6%	24,454	20,135	19,563	16,108

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the six months ended June 30, 2018						
			Expected loss ratio increase or decrease in 1%				
			Effect on Profit or Loss		Effect on Equity		
Item	Insurance revenue	Expected rate of loss	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Fire insurance	$ 1,282,322	62.7%	13,500	6,291	10,800	5,033
Marine cargo insurance	646,717	61.5%	5,547	3,034	4,438	2,427
Marine Hull/ Fishing Vessel / Aviation insurance	349,806	71.8%	3,300	405	2,640	324
Voluntary motor insurance	7,371,681	66.4%	67,606	64,974	54,085	51,979
Compulsory motor TPL insurance	2,876,951	No applicable	No applicable	No applicable	No applicable	No applicable
Liability insurance	1,829,188	68.2%	17,132	10,223	13,706	8,178
Engineering and Nuclear insurance	643,972	60.6%	5,516	2,623	4,413	2,098
Surety and credit insurance	155,822	68.4%	1,305	321	1,044	257
Other property insurance	117,109	66.7%	875	277	700	222
Personal accident insurance	2,653,008	71.0%	25,144	24,869	20,115	19,895
Typhoon, flood and earthquake insurance	2,286,395	73.0%	18,422	3,657	14,738	2,926
Personal and commercial multiple peril insurance	516,944	68.2%	4,646	4,338	3,717	3,470
Health insurance	437,311	63.5%	3,723	3,684	2,978	2,947
Overseas reinsurance assumed	261,170	65.0%	3,172	2,922	2,538	2,338
Overseas subsidiaries	2,440,486	65.5%	25,050	20,033	20,040	16,026

2) Concentration of insurance risk

a) The premium proportion of underwriting and reinsurance.

The insurance contracts which the Company underwrites are separated in various types of insurances and not concentrated in any single type of insurance. As of June 30, 2019, the top 5 insurances in terms of proportion is voluntary moto insurance, compulsory moto TPL insurance, personal accident insurance, typhoon, flood and earthquake insurance and liability insurance. The voluntary moto insurance has the highest proportion accounts for 29.3%, 29.5%, 30.9% and 30.8% for the three months and six months ended June 30, 2019 and 2018, respectively. Although the proportion is slightly higher than other insurances, the loss experience of voluntary moto insurance is stable and the risk variation is low. There is no risk concentration in other insurances.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The premium proportion of underwriting insurance and reinsurance:

	For the three months ended June 30,			
	2019		2018	
Type	**Amount**	**Percentage**	**Amount**	**Percentage**
Fire insurance	$ 750,709	5.8 %	742,564	6.1 %
Marine Cargo insurance	304,533	2.3 %	310,979	2.6 %
Marine Hull/ Fishing Vessel / Aviation insurance	158,628	1.2 %	160,529	1.3 %
Voluntary moto insurance	3,809,376	29.3 %	3,580,598	29.5 %
Compulsory moto TPL insurance	1,522,935	11.7 %	1,472,948	12.1 %
Liability insurance	707,580	5.4 %	858,005	7.0 %
Engineering and Nuclear insurance	829,856	6.4 %	320,310	2.6 %
Surety and Credit insurance	85,624	0.6 %	110,453	0.9 %
Other property insurance	205,447	1.6 %	64,116	0.5 %
Personal accident insurance	1,436,452	11.0 %	1,301,134	10.7 %
Typhoon, flood and earthquake insurance	1,369,607	10.5 %	1,377,106	11.3 %
Personal and commercial multiple peril insurance	284,785	2.2 %	244,014	2.0 %
Health insurance	268,791	2.1 %	214,437	1.8 %
Overseas business	114,156	0.9 %	145,187	1.2 %
Overseas subsidiaries	1,166,957	9.0 %	1,267,920	10.4 %
Total	**$ 13,015,436**	**100.0 %**	**12,170,300**	**100.0 %**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the six months ended June 30,			
	2019		2018	
Type	Amount	Percentage	Amount	Percentage
Fire insurance	$ 1,296,436	5.1 %	1,282,322	5.4 %
Marine Cargo insurance	648,495	2.5 %	646,717	2.7 %
Marine Hull/ Fishing Vessel / Aviation insurance	357,648	1.4 %	349,806	1.5 %
Voluntary moto insurance	7,842,391	30.9 %	7,371,681	30.8 %
Compulsory moto TPL insurance	2,987,843	11.8 %	2,876,951	12.0 %
Liability insurance	1,580,406	6.2 %	1,829,188	7.7 %
Engineering and Nuclear insurance	1,349,759	5.3 %	643,972	2.7 %
Surety and Credit insurance	147,013	0.6 %	155,822	0.7 %
Other property insurance	422,052	1.7 %	117,109	0.5 %
Personal accident insurance	2,876,194	11.3 %	2,653,008	11.1 %
Typhoon, flood and earthquake insurance	2,375,146	9.3 %	2,286,395	9.6 %
Personal and commercial multiple peril insurance	555,733	2.2 %	516,944	2.2 %
Health insurance	546,585	2.1 %	437,311	1.8 %
Overseas business	234,732	0.9 %	261,170	1.1 %
Overseas subsidiaries	2,225,632	8.7 %	2,440,486	10.2 %
Total	$ 25,446,065	100.0 %	23,868,882	100.0 %

b) Percentage of retained premium

The top 5 insurances with the highest proportion is voluntary moto insurance, personal accident insurance, compulsory moto TPL insurance, liability insurance and typhoon, flood and earthquake insurance. The voluntary moto insurance which has the highest proportion accounts for 38.3%, 37.9%, 39.8% and 39.0%, for the three months and six months ended June 30, 2019 and 2018, respectively. The Company considered that the loss experience of voluntary moto insurance is stable and retained all the reinsurance. For other insurances the Company evaluated the possibility of significant accumulated loss and arranged appropriate reinsurance contracts to diversify the risk and there is no risk concentration.

In addition, the insurance which is likely to result in significant accumulated loss is catastrophe insurance (For example, earthquake, typhoon and flood) and the insurances are likely to result in accumulation are property insurance (fire insurance and engineering insurance), marine insurance and personal accident insurance. To avoid the operating risk resulting from the underwriting risk concentration, the Company has bought catastrophe reinsurance contracts in advance for abovementioned insurances to diversify the risk.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The percentage of retained premium was as follows:

	For the three months ended June 30,			
	2019		2018	
Type	Amount	Percentage	Amount	Percentage
Fire insurance	$ 360,366	3.8 %	354,063	3.9 %
Marine Cargo insurance	151,462	1.6 %	148,960	1.7 %
Marine Hull/ Fishing Vessel / Aviation insurance	17,972	0.2 %	13,586	0.2 %
Voluntary moto insurance	3,587,031	38.3 %	3,410,891	37.9 %
Compulsory moto TPL insurance	983,771	10.5 %	957,272	10.7 %
Liability insurance	550,529	5.9 %	551,369	6.1 %
Engineering and Nuclear insurance	121,730	1.3 %	128,714	1.4 %
Surety and Credit insurance	11,135	0.1 %	21,079	0.2 %
Other property insurance	75,825	0.8 %	20,296	0.2 %
Personal accident insurance	1,408,768	15.0 %	1,282,328	14.3 %
Typhoon, flood and earthquake insurance	446,351	4.8 %	476,344	5.3 %
Personal and commercial multiple peril insurance	281,963	3.0 %	235,859	2.6 %
Health insurance	265,837	2.8 %	212,051	2.4 %
Overseas business	113,970	1.2 %	114,878	1.3 %
Overseas subsidiaries	999,887	10.7 %	1,059,757	11.8 %
Total	$ 9,376,597	100.0 %	8,987,447	100.0 %

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Type	For the six months ended June 30, 2019 Amount	2019 Percentage	2018 Amount	2018 Percentage
Fire insurance	$ 660,769	3.5 %	625,182	3.5 %
Marine Cargo insurance	308,755	1.7 %	313,381	1.8 %
Marine Hull/ Fishing Vessel / Aviation insurance	41,821	0.2 %	49,324	0.3 %
Voluntary moto insurance	7,418,657	39.8 %	6,969,397	39.0 %
Compulsory moto TPL insurance	1,927,384	10.3 %	1,856,308	10.4 %
Liability insurance	1,128,126	6.1 %	1,173,624	6.6 %
Engineering and Nuclear insurance	275,840	1.5 %	285,376	1.6 %
Surety and Credit insurance	38,012	0.2 %	38,507	0.2 %
Other property insurance	159,907	0.9 %	35,271	0.2 %
Personal accident insurance	2,829,861	15.2 %	2,610,322	14.7 %
Typhoon, flood and earthquake insurance	685,069	3.7 %	679,445	3.8 %
Personal and commercial multiple peril insurance	540,260	2.9 %	472,492	2.7 %
Health insurance	540,834	2.9 %	432,663	2.4 %
Overseas business	222,928	1.2 %	209,549	1.2 %
Overseas subsidiaries	1,852,451	9.9 %	2,058,993	11.6 %
Total	$ 18,630,674	100.0 %	17,809,834	100.0 %

c) Claims trend

i) Accumulated reported claims - gross

Occurrence year	June 30, 2019 ≦2014	2015	2016	2017	2018	2019
At the end of occurrence year	-	22,579,989	31,913,710	24,454,718	25,697,335	14,551,590
The first year	-	20,598,978	29,629,159	22,668,464	24,331,579	-
The second year	-	20,632,953	29,184,929	22,564,937	-	-
The third year	-	20,506,780	29,182,697	-	-	-
The fourth year	-	20,381,110	-	-	-	-
Estimation of accumulated claims	-	20,381,110	29,182,697	22,564,937	24,331,579	14,551,590
Cumulative payment to date	-	19,952,008	28,339,379	20,152,868	18,714,563	4,499,391
Subtotal	894,129	429,102	843,318	2,412,069	5,617,016	10,052,199
Reconciliations (Note)						359,366
Consolidated write-offs						(114,434)
Total amount recognized on balance sheet						20,492,765

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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	December 31, 2018					
Occurrence year	≦2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	20,868,234	22,552,161	31,870,143	24,415,651	25,661,983
The first year	-	18,752,095	20,575,076	29,592,112	22,637,619	-
The second year	-	18,558,197	20,608,742	29,147,807	-	-
The third year	-	18,365,021	20,482,542	-	-	-
The fourth year	-	18,230,311	-	-	-	-
Estimation of accumulated claims	-	18,230,311	20,482,542	29,147,807	22,637,619	25,661,983
Cumulative payment to date	-	17,565,610	19,478,526	27,744,472	18,734,217	13,069,424
Subtotal	642,197	664,701	1,004,016	1,403,335	3,903,402	12,592,559
Reconciliations (Note)						351,775
Consolidated write-offs						(120,037)
Total amount recognized on balance sheet						20,441,948

	June 30, 2018					
Occurrence year	≦2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	20,916,724	22,618,151	31,975,388	24,506,287	13,362,313
The first year	-	18,793,802	20,632,454	29,682,366	22,892,626	-
The second year	-	18,599,457	20,666,917	29,385,125	-	-
The third year	-	18,406,310	20,600,899	-	-	-
The fourth year	-	18,303,484	-	-	-	-
Estimation of accumulated claims	-	18,303,484	20,600,899	29,385,125	22,892,626	13,362,313
Cumulative payment to date	-	17,572,306	19,392,548	26,571,067	17,122,345	4,289,707
Subtotal	696,697	731,178	1,208,351	2,814,058	5,770,281	9,072,606
Reconciliations (Note)						342,495
Consolidated write-offs						(110,602)
Total amount recognized on balance sheet						20,525,064

Note: Reconciliations are paid-distributable claims expense.

ii) Accumulated reported claims - net

	June 30, 2019					
Occurrence year	≦2014	2015	2016	2017	2018	2019
At the end of occurrence year	-	16,623,946	18,313,417	19,083,376	19,982,973	11,273,457
The first year	-	15,592,043	17,369,172	17,862,517	19,288,564	-
The second year	-	15,554,067	17,322,370	17,807,982	-	-
The third year	-	15,474,349	17,278,174	-	-	-
The fourth year	-	15,425,945	-	-	-	-
Estimation of accumulated claims	-	15,425,945	17,278,174	17,807,982	19,288,564	11,273,457
Cumulative payment to date	-	15,195,700	16,851,570	16,343,861	15,588,463	3,848,897
Subtotal	305,075	230,245	426,604	1,464,121	3,700,101	7,424,560
Reconciliations (Note)						376,317
Total amount recognized on balance sheet						13,927,023

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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	December 31, 2018					
Occurrence year	≦2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	15,491,526	16,602,093	18,285,579	19,052,171	19,955,358
The first year	-	14,058,371	15,572,648	17,344,652	17,836,776	-
The second year	-	14,078,684	15,534,336	17,297,652	-	-
The third year	-	13,959,088	15,454,640	-	-	-
The fourth year	-	13,908,222	-	-	-	-
Estimation of accumulated claims	-	13,908,222	15,454,640	17,297,652	17,836,776	19,955,358
Cumulative payment to date	-	13,698,841	14,978,906	16,451,466	15,472,493	11,039,931
Subtotal	493,170	209,381	475,734	846,186	2,364,283	8,915,427
Reconciliations (Note)						351,874
Total amount recognized on balance sheet						13,656,055

	June 30, 2018					
Occurrence year	≦2013	2014	2015	2016	2017	2018
At the end of occurrence year	-	15,528,372	16,656,289	18,354,469	19,128,628	10,125,094
The first year	-	14,090,931	15,620,635	17,405,201	18,114,917	-
The second year	-	14,111,410	15,583,161	17,323,146	-	-
The third year	-	13,991,841	15,529,083	-	-	-
The fourth year	-	13,965,711	-	-	-	-
Estimation of accumulated claims	-	13,965,711	15,529,083	17,323,146	18,114,917	10,125,094
Cumulative payment to date	-	13,709,673	14,923,348	16,147,917	14,332,958	3,612,695
Subtotal	434,512	256,038	605,735	1,175,229	3,781,959	6,512,399
Reconciliations (Note)						342,630
Total amount recognized on balance sheet						13,108,502

Note: Reconciliations are paid-distributable claims expense and cumulative impairment.

(iii) Credit risk, Liquidity risk, Market risk

1) Credit risk

The credit risk of insurance contracts comes mainly from reinsurance business (The reinsurers' default or bad financial condition which leads to the incapability of paying the reinsurance claims). The Company arranges its reinsurance contracts in accordance with "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The reinsurers which the Company engages are mostly with certain credit rating and are qualified for the criteria for authorized reinsurer. The Company also established relevant risk control procedures to regularly track and monitor and credit rating change of reinsurers.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
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Compliance with the “Regulations Governing the Provision of Unauthorized Reinsurance Reserves for Insurance Company” No.5, the transaction with unauthorized reinsurers shall be represented in the notes of financial statements and the content shall include the summary of unauthorized reinsurance contracts and types of reinsurance, the reinsurance premium expense of unauthorized reinsurance contracts and General description of the amount of unauthorized reserve and its components.

a) Until June 30, 2019 the major unauthorized reinsurance companies that the Group had transactions with are as follows:

   i) AMERICAN INTERNATIONAL GROUP UK LTD. etc.： Facultative reinsurance of engineering insurance.

   ii) EMIRATES RETAKAFUL LIMITED etc.： Treaty reinsurance of fire insurance.

   iii) ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED etc.： Facultative reinsurance of commercial fire insurance.

   iv) TUGU INSURANCE CO., LTD. etc.： Facultative reinsurance of marine insurance.

   v) BRIGHTSTAR RE. LTD etc.：Facultative reinsurance of casualty insurance.

   vi) TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C. (C) TRUST RE, LABUAN etc.： Treaty reinsurance of engineering insurance.

   vii) PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED： Facultative reinsurance of individual fire insurance.

b) Until December 31, 2018, the major unauthorized reinsurance companies that the Group had transactions with are as follows:

   i) TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO.B.S.C (C) TRUST RE, LABUAN etc.： Facultative reinsurance of engineering insurance.

   ii) MILLI REASURANS T.A.S. (SINGAPORE BRANCH). etc.：Treaty reinsurance of fire insurance.

   iii) ALLIANZ C.P. GENERAL INSURANCE COMPANY LIMITED etc.： Facultative reinsurance of commercial fire insurance.

   iv) TUGU INSURANCE CO., LTD. etc.： Facultative reinsurance of marine insurance.

   v) TRUST INTERNATIONAL INSURANCE AND REINSURANCE CO. B.S.C. (C) TRUST RE etc. ：Treaty reinsurance of marine insurance.

   vi) BRIGHTSTAR RE. LTD. etc.：Facultative reinsurance of casualty insurance.

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vii) EMIRATES RETAKAFUL LIMITED etc.： Treaty reinsurance of engineering insurance.

viii) PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED： Facultative reinsurance of individual fire insurance.

c) Until June 30, 2018, the major unauthorized reinsurance companies that the Group had transactions with are as follows:

i) AIG EUROPE LIMITED etc.： Facultative reinsurance of engineering insurance.

ii) EMIRATES RETAKAFUL LIMITED etc.： Treaty reinsurance of fire insurance.

iii) SCHWARZMEER UND OSTSEE VERS-AG SOVAG (UK BRANCH) etc.：Facultative reinsurance of commercial fire insurance.

iv) TUGU INSURANCE CO., LTD. etc.： Facultative reinsurance of marine insurance.

v) MILLI REASURANS T.A.S. (SINGAPORE BRANCH) etc.： Treaty reinsurance of marine insurance.

vi) BRIGHTSTAR RE. LTD. etc.： Facultative reinsurance of casualty insurance.

vii) RIVERSTONE FRANCE S.A. etc.： Treaty reinsurance of engineering insurance.

viii) PAOFOONG INSURANCE COMPANY (HONG KONG) LIMITED： Facultative reinsurance of individual fire insurance.

d) As of June 30, 2019, December 31 and June 30, 2018, the expenses for reinsurance, which were dealt with unauthorized reinsurance company, amounted to $25,595, $143,431 and $19,870, respectively.

e) As of June 30, 2019, December 31 and June 30, 2018, the unauthorized reinsurance reserves amounted to $220,006, $301,880 and $218,499, respectively. The components of this account includes: (a) unearned premium reserve amounted to $75,876, $77,262 and $40,114, respectively. (b) claims recoverable from reinsurers of paid claims overdue in nine months amounted to $88,390, $123,953 and $46,410, respectively. (c) claims recoverable from reinsurers which were reported but unpaid amounted to $55,740, $100,665 and $131,975, respectively.

2) Liquidity risk

The Group’ s written insurance contract was most for a one-year policy period. Significant claims will lead to insurance contract liquidity risk which may cause funding liquidity risk so the Company evaluated liquidity risk with current ratio. To ensure that the total amount of cash, cash equivalent and assets which can be transferred into cash is larger than the risk limit of capital liquidity in order to prevent insufficient liquidity.

3) Market risk

The market risk of insurance contracts comes mainly from the market risk of the various reserves provided for insurance contracts, such as the variation of market interest rate.

According to " Regulations Governing the Provision of Reserves for Insurance Companies" , the reserves which the Company provides include unearned premium reserve, claims reserve, special reserve, premium deficiency reserve liability adequacy reserve and liability reserve. None of the reserves is discounted by market interest rate except liability reserve. The variation of market interest rate does not have influence over the estimated reserve.

Liability reserve is provided for long-term return premium fire insurance (this insurance operation has been terminated). Currently it is provided for effective and undue policies. The discount rate which is applied for the provision of liability reserve takes into account the average remaining years and the trend of past market interest rate. Yet the product ceased to exist and the remaining effective policies are not many. After the evaluation the variation of market interest rate does not have significant influence over the provision of liability reserves and the profit or loss of the Group.

(y) Fair value and tiers information

(i) Fair value information

1) Definition of fair value

Fair value refers to the price which market participants can collect from selling assets or pay from transferring liability on the measurement date in an orderly market. Financial instrument are measured at fair value at initial recognition, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are measured at fair value on a recurring basis. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities. If the market is not active, the fair value of financial instruments is determined in accordance with valuation techniques, valuation provided by the professional information providers which are commonly used by market participants, or quoted prices of the counter party.

2) Definition of the 3 tiers of fair value

a) First tier

The input of this tier is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. The equity instruments and debt instruments with public quote in an active market possessed by the Group belong to the first tier.

b) Second tier

The input of this tier refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments without public quotes in an active market and the derivative financial instruments of the Group belong to the second tier.

c) Third tier

Third tier inputs are valuation parameters which are not based on the information available in the market or the quoted price from the counter party. The investment in equity and debt instruments without active market prices but based on counter party as well as most investment property are categorized in third tier.

When evaluating a financial instrument, if the direct market parameters cannot be obtained, the value of the financial instrument is accessed by the public parameters of other comparable companies. However, the public parameters of other comparable companies are indirectly related; therefore, the financial instrument is within the scope of third tier. The investments in unlisted stocks are categorized in third tier.

(ii) Measured at fair value

1) Tier information of the fair value

The financial instruments measured at fair value and investment properties possessed by the Group are both measured at fair value based on repeatability. The fair value tier information of the Group is as follows:

	June 30, 2019				
Assets and liabilities		**Total**	**Quoted prices in active markets for identical assets (1st Tier)**	**Significant other observable inputs (2nd Tier)**	**Significant unobservable inputs (3rd Tier)**
Repeatable fair value measurement					
Non-derivative financial assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss					
Security Investment	$	14,573,188	14,557,039	-	16,149
Bond Investment		36,073	-	-	36,073
Other		10,597,610	10,287,125	158,238	152,247
Financial assets measured at fair value through other comprehensive income					
Security Investment		3,700,104	2,262,744	-	1,437,360
Bond Investment (Note)		20,175,341	16,209,766	1,574,715	2,390,860
Investment property		10,748,409	-	-	10,748,409
Derivative financial assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss		27,589	-	27,589	-
Liabilities:					
Financial liabilities at fair value through profit or loss		115,394	-	115,394	-

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Assets and liabilities		December 31, 2018 Total	Quoted prices in active markets for identical assets (1st Tier)	Significant other observable inputs (2nd Tier)	Significant unobservable inputs (3rd Tier)
Repeatable fair value measurement					
Non-derivative financial assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss					
Security Investment	$	12,597,445	12,580,713	-	16,732
Bond Investment		40,511	-	-	40,511
Other		9,235,685	8,756,654	312,627	166,404
Financial assets measured at fair value through other comprehensive income					
Security Investment		3,136,545	2,118,716	-	1,017,829
Bond Investment (Note)		19,249,331	14,614,197	2,440,644	2,194,490
Investment property		10,798,611	-	-	10,798,611
Derivative financial assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss		29,021	-	29,021	-
Liabilities:					
Financial liabilities at fair value through profit or loss		66,889	-	66,889	-

Assets and liabilities		June 30, 2018 Total	Quoted prices in active markets for identical assets (1st Tier)	Significant other observable inputs (2nd Tier)	Significant unobservable inputs (3rd Tier)
Repeatable fair value measurement					
Non-derivative financial assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss					
Security Investment	$	14,343,956	14,325,443	-	18,513
Bond Investment		41,302	-	-	41,302
Other		7,916,396	7,449,983	299,254	167,159
Financial assets measured at fair value through other comprehensive income					
Security Investment		3,395,288	2,418,964	-	976,324
Bond Investment (Note)		19,521,519	15,805,961	1,331,117	2,384,441
Investment property		10,679,892	-	-	10,679,892
Derivative financial assets and liabilities					
Assets:					
Financial assets at fair value through profit or loss		17,615	-	17,615	-
Liabilities:					
Financial liabilities at fair value through profit or loss		566,145	-	566,145	-

Note: Includes securities serving as government bond of refundable deposits.

2) Valuation techniques of fair value measurement

a) Financial instruments

If there is a public quotes in an active market for the financial instrument (Main exchanges, Bloomberg or Reuters), the market price is regarded as the fair value of the financial instrument. The fair value of some financial instruments is obtained from the quote or model valuation techniques of the trade counterparties. The fair value derived from valuation techniques can be calculated by applying models with reference to the present fair value of other substantially similar financial instruments, Discounted Cash Flow Method or other valuation techniques (including accessible market data on the balance sheet date, such as yield curve of Taipei Exchange). Regarding financial instruments with higher complexity, the Group measures the fair values with the quote of the trade counterparties or by purchased or self-developed valuation models using valuation methods or techniques widely accepted in the industry.

The method and assumptions the Group applies when estimating the fair value of financial instrument are as follows: If there is a quoted price in an active market, the market price is the fair value. The fair value of investments without active market, mainly domestic or foreign financial bonds, corporate bonds, beneficiary certificates and preferred stocks, is determined per the order below (1) OTC yield rate/clean price or the fair value of Bloomberg corporate bonds (2) Quote or model price from the trade counterparties.

The fair value of derivative financial instruments is the price which the Group should receive or pay assuming it terminates the contracts on the balance sheet date. Generally it includes the unrealized profit or loss of the unsettled contracts in the period. The derivative financial instruments of the Group all refer to the quotes of the trade counterparties.

b) Non-financial instruments

The determination of the fair value of investment properties is, in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Companies, based on the accreditation of professional appraisal institutions. The appraisal institutions conduct the accreditation with the support of market evidence. Please refer to Note 6(k).

3) Adjustment of fair value

All valuation models have their limits and may not be able to reflect all relevant factors of the financial instruments possessed by the Group. Therefore, the estimates of the valuation models may be adjusted based on additional parameters. Because the fair value valuation models of the Group are equipped with verification procedures, the valuation adjustment is adequate and necessary. The price information and parameters used in the valuation process are assessed with prudence and are adjusted based on current market status.

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4) Transfer between the first tier and the second tier

During January 1 to June 30, 2019, investment instruments measured at fair value through other comprehensive income with a carrying amount of $210,171 were transferred from first tier to second tier because activeness of source is lower than original; investment instruments measured at fair value through other comprehensive income with a carrying amount of $1,000,003 were transferred from second tier to first tier because activeness of source is greater than original.

During January 1 to June 30, 2018, investment instruments measured at fair value through other comprehensive income with a carrying amount of $113,828 were transferred from first tier to second tier because activeness of source is lower than original; investment instruments measured at fair value through other comprehensive income with a carrying amount of $936,737 were transferred from second tier to first tier because activeness of source is greater than original.

5) Changes of the third tier financial assets

Changes of financial assets categorized in the third tier

	For the six months ended June 30, 2019							
		Valuation profit or loss		Increase		Decrease		
Name	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer to the 3rd tier from other tiers	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	Balance at the end of the year
Financial assets measured at fair value through profit or loss	$ 223,647	(12,173)	-	-	-	7,005	-	204,469
Financial assets measured at fair value through other comprehensive income	3,212,319	3,051	(59,080)	-	671,930	-	-	3,828,220
Investment properties	10,798,611	(3,661)	-	-	3,059	-	49,600	10,748,409
Total	$ 14,234,577	(12,783)	(59,080)	-	674,989	7,005	49,600	14,781,098

	For the six months ended June 30, 2018							
		Valuation profit or loss		Increase		Decrease		
Name	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer to the 3rd tier from other tiers	Sale, disposal or settlement	Transferring to other tiers from the 3rd tier	Balance at the end of the year
Financial assets measured at fair value through profit or loss (note1)	$ 211,725	-	18,536	2,291	-	5,578	-	226,974
Financial assets measured at fair value through other comprehensive income (note2)	2,688,061	1,653	(28,079)	200,000	500,000	870	-	3,360,765
Investment properties	10,556,206	(781)	-	100	124,367	-	-	10,679,892
Total	$ 13,455,992	872	(9,543)	202,391	624,367	6,448	-	14,267,631

Note1: Available-for-sale financial assets and debts instrument without active market transfer to FVTPL were $182,360 and $29,365, respectively, under IFRS9.

Note2: Available-for-sale financial assets, financial assets at cost and debts instrument without active market transfer to FVTOCI were $360,788, $927,273 and $1,400,000, respectively, under IFRS9.

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	For the six months ended June 30, 2019	2018
For the valuation profit or loss recognized in current profit or loss, the change of unrealized profit or loss which can be attributed to the assets and liabilities possessed by the Group	$ (12,783)	572
For the valuation profit or loss recognized in other comprehensive income, the changes of unrealized profit or loss which can be attributed to the assets and liabilities possessed by the Group	$ (59,080)	79,842

6) Quantified information of the fair value measurement of significant unobservable inputs (the third tier).

The financial instruments which are classified as third tier are including FVTPL, FVTOCI and investment property. Some financial instruments which are classified as FVTPL and FVTOCI in third tier use quoted prices of the counter party or valuation provided by the professional information providers which are commonly used by market participants because the quantified unobservable input is not established during the fair value measurement. In accordance with the Regulations Governing Preparation of Financial and Operational Reports, investment property is classified as third tier. The fair value is determined by professional appraisal institutions based on market evidence. (The details please refer to note 6(k)).Because the relationship between significant unobservable inputs and the fair value cannot be fully controlled, there is no quantified information disclosed. The fair value of the assets mentioned above are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Ending balance	$ 14,781,098	14,234,577	14,267,631

7) Valuation procedure of the third tier inputs

When the Company and its subsidiaries' fair value measurement uses both unobservable inputs and observable inputs which need a significant adjustment based on the parameters of unobservable inputs, the asset or liability is categorized into third tier. The third tier inputs come from:

a) Prices referring from the professional finance information providers (Bloomberg), which are not different for each acquirer despite having a low activeness of source and which shall be acquired by specific facility.

b) Prices referring from quoted prices of the counter party or evaluation agency. Price information is provided on a monthly or a quarterly basis and shall be kept properly.

c) Prices referring from the evaluation of equity investment using market method, profit method or assets method. Valuation shall be reviewed regularly to ensure the consistency with reference pricing source and the reasonability of the valuation.

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

8) Sensitivity analysis of the third tier fair value if reasonably possible alternative assumptions used

Financial instruments and investment properties of the Company and its subsidiaries is reasonable. The Group does not use evaluation model for measuring fair value in third tier and there's no need to execute alternative assumptions of sensitivity analysis.

(iii) Financial instruments not measured at fair value

1) Fair value information

Except those listed in the table below, for financial instruments not measured at fair value, such as cash and cash equivalents, account receivables, reinsurance contract assets, account payables and other financial liabilities, the carrying amount is a reasonable approximation of the fair value. Therefore, the Group does not disclose the fair value.

Item	Book value	Fair value
June 30, 2019		
Financial assets		
Financial assets measured at amortized cost	$ 2,571,873	2,490,075
December 31, 2018		
Financial assets		
Financial assets measured at amortized cost	3,678,259	3,494,560
June 30, 2018		
Financial assets		
Financial assets measured at amortized cost	3,598,363	3,432,807

2) Fair value information

	June 30, 2019			
Item	**Total**	**Quoted prices in active markets for identical assets (1st Tier)**	**Significant other observable inputs (2nd Tier)**	**Significant unobservable inputs (3rd Tier)**
Financial assets:				
Financial assets measured at amortized cost	$ 2,490,075	1,553,965	-	936,110

(Continued)

	December 31, 2018			
Item	**Total**	**Quoted prices in active markets for identical assets (1st Tier)**	**Significant other observable inputs (2nd Tier)**	**Significant unobservable inputs (3rd Tier)**
Financial assets:				
Financial assets measured at amortized cost	$ 3,494,560	1,537,575	-	1,956,985

	June 30, 2018			
Item	**Total**	**Quoted prices in active markets for identical assets (1st Tier)**	**Significant other observable inputs (2nd Tier)**	**Significant unobservable inputs (3rd Tier)**
Financial assets:				
Financial assets measured at amortized cost	$ 3,432,807	1,525,140	40,334	1,867,333

3) Value method

The assumption and the methods of estimating financial instruments not measured at fair value used by the Group are as follows:

a) The fair value of short-term financial commodity is estimated by the carrying amount of balance sheet. The carrying amount is the reasonable basis to estimate the fair value, because the maturity date of the commodity is near. The method applied on cash and equivalent cash, accounts receivables, current tax asset, guarantee deposits paid, accounts payables, current tax liability and other financial liabilities.

b) If investments assets measured at amortized cost have transaction price or quotes of the market makers, use the recent transaction price and quotes as the basis of estimating fair value. If without market value, discounted cash flow method or the quotes of the counterparties are used to calculate fair value or the quoted prices of the counter party.

c) The fair value of financial commodity not listed in TWSE or traded in GTSM is the evaluation amount provided by consultant management company.

(z) Financial risk information

(i) Risk management system

1) The organization structure of risk management

The board of directors is ultimately responsible for the risk management of the Consolidated Group. Other relevant departments include Establishment of Risk Management Committee and Independent Risk Management Department. The general manager acts as the coordinator in the committee who appoints the vice coordinator, executive secretary and the conveners and members of each group. The difference between the groups of the committee is nature of the risks. In the 18th board meeting taking place on August 22, 2013, the Board resolved to establish a position of Director of Risk Management who is in charge of the risk management of the company and participates in the Company’s important decision making to execute risk management.

2) Objectives and policies of the risk management

The risk management policy of the Group includes risk management strategy and objective, risk management organization and responsibility, main types of risk, risk appetite, and risk management operation and documentation. This policy is intended to define the overall organization structure, to ensure that the Company shall maximize shareholder's value, to improve confidence level of the insured, and to ensure the corporate image. The objective of risk management is established to conform to related regulations from authority and to achieve business objectives.

The Risk management procedures include risk identification, risk measurement, risk processing, risk monitoring, risk responding and information, communication and documentation. In addition, the Group established management principles and regulated measurement and assessment methods in terms of primary risks such as market risk, liquidity risk, credit risk, operation risk and insurance risk and provides risk reports to monitor various risks regularly.

With respect to information, communication and documentation, the risk management of the Company ensures the timeliness, reliability and security of the information and discloses information per different tiers to make sure that each competent authority fully understands and complies with relevant regulations. Furthermore, risk management papers and reports are documented, undated and preserved under appropriate delegation.

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(ii) Risk management process, and principles of measurement and control

Risk management process and principles of measurement and control of market risk, liquidity risk, and credit risk are listed separately as follows:

1) Market risk

Market risk is the risk of losses in the value of assets in a given period resulting from unfavorable changes in the asset’s market prices. To prevent the occurrence of market risk, the Company management has set a monitor system on the concentration of daily transactions, limits of investment position and current asset allocation pursuant to internal management policies and relevant regulations. Moreover, The Company also established a sound crisis response mechanism to deal with working capital demand due to emergency or abnormal event.

a) Management process of market risk

i) Risk identification

To achieve market risk management goal, the Group identified potential market risk factors encountered during operation process. Positions held by The Group in different financial instruments were classified into four categories, mainly interest, foreign exchange rate, equity security and commodity, according to accounting standards. Each category further divided by different purposes into trading position and non trading position, and market risk management focused on trading position.

ii) Risk measurement

1. Establish a risk quantification model, adopting basic statistical measurement, sensitivity analysis and scenario analysis etc., for different risk factors to measure market risk.

2. Analyze outcome from the risk model for better market risk planning, supervision and control.

3. Measure possible losses from the holding position daily under normal market fluctuation and perform stress testing monthly.

4. Evaluate accuracy of the risk model by retroactive testing or other methodologies.

iii) Risk monitoring

The Group established market risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limit is breached. The Group has established proper monitoring frequency and hierarchical reporting mechanism to ensure proper reporting whenever there is any abnormal situation occurred or any deficiency identified. A specific reporting procedure would be followed to ensure the control of timing in dealing with significant market risk.

iv) Risk responding

As market risk occurs, the head of any related unit being impacted or in charge unit with relevant authority would respond to the event immediately, and report to risk management and related departments based on the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the risk event, develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

b) Concentration of market risk

The mainly counterparty and buyer of financial instruments of the Group were financial industry. There were rules about limitation of the government bonds, fixed income bonds, bonds, convertible bonds, funds, stocks, derivative financial instruments, structured notes and bonds securitization to control the risk.

c) Market risk management mechanism

i) Risk tolerance management

Risk tolerance refers to the maximum amount of risk an entity is willing to withstand. Market risk tolerance is submitted to and approved by the risk management committee annually.

ii) Risk limit management

Establishment of risk limits is to put risk tolerance management into practice. Risk limits for different financial products were made by trading position, investment position and hedging position separately. When setting risk limits, various factors were taken into account, such as risk tolerance, business history, expected budget target, market liquidity of a specific product, historical utilization of risk limits, traders' trading experiences, trading system and supports by the operation department. The amendment of risk limits should be approved in advance by the company's risk department; after being signed and authorized through internal delegation, it is then submitted to the risk management committee for review before being presented to the Board of Directors for approval. Under system support, Fubon Insurance and its subsidiaries' limits include VaR and position.

iii) Valuation management

Commodity was evaluated based on the market value if it is available. If the market value is not readily available, the product value will be calculated by the latest market price, quotation from the counterparty or valuation model.

(Continued)

d) Risk value model

Risk value is a statistical estimate of probable worst outcome during normal fluctuation. The Group used value at risk (VaR) model to measure the potential maximum loss in value of a investment portfolio at risk over a period of ten day for a 99% confidence interval with respect to different market factors.

The Group applied retroactive testing which provides estimates of the accuracy of VaR model to check whether a VaR methodology is being used appropriately, completely and accurately in measuring the potential maximum loss in value of an investment portfolio. The retroactive testing procedure consists of calculating the number or percentage of times that the actual portfolio returns fall outside the VaR estimate. A VaR was computed over a period of one year with reconciled profit and loss on a daily basis. The Company will periodically monitor the outcome of the aforementioned model and test the accuracy of parameters and assumptions being used.

	June 30, 2019		
Common VaR	**Average**	**High**	**Low**
Fixed income group	$ 500,403	603,233	323,704
Equity group	857,383	966,617	769,752
Fund group	78,107	95,917	57,331
Asset securitization group	35,364	37,827	32,341
Total position	1,039,551	1,207,376	874,614

	December 31, 2018		
Common VaR	**Average**	**High**	**Low**
Fixed income group	$ 475,111	540,845	353,012
Equity group	1,052,296	2,197,243	463,839
Fund group	90,278	136,667	60,573
Asset securitization group	42,651	71,216	26,215
Total position	1,045,082	2,022,723	560,035

	June 30, 2018		
Common VaR	**Average**	**High**	**Low**
Fixed income group	$ 476,260	522,721	353,012
Equity group	965,063	2,197,243	463,839
Fund group	94,950	125,508	85,066
Asset securitization group	47,266	54,064	37,164
Total position	920,275	1,688,209	560,035

Note 1: VaR was adopted from January 1 to June 30 2019, January 1 to December 31, 2018 and January 1 to June 30, 2018.

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

(Continued)

2) Liquidity risk

Liquidity risk is divided into two types: “market liquidity risk” and” funding liquidity risk.” The Group monitored liquidity risk in compliance with its risk management rules. Funding liquidity risk is the risk that the entity cannot provide sufficient funding to meet the needs for the growth of asset level and the settlement of the obligation of matured liabilities, which caused late payment to counterparties or called for an emergency fund raising requirement to cover the funding gaps. Market liquidity risk is the loss incurred as a market participant unable to easily exit a position on a prevailing market price or to liquidate a position immediately while not hitting the best price due to insufficiency of market depth or market transparency, or market failure.

a) Management process of liquidity risk

i) Risk identification

To achieve liquidity risk management goal, the Company identified potential liquidity risk factors encountered during operation process. Those risk factors were such as funding liquidity risk factors, market liquidity risk factors and characteristics of products being traded.

ii) Risk measurement

The Group measured the possibility of occurrence and the degree of negative impact of risk events and risk factors by qualitative or quantitative method, and compared these influences with risk limits set by the management which was used as a basis for the setting of the priority in risk control and the response measures subsequently.

iii) Risk monitoring

The Group established liquidity risk monitoring procedure to review and monitor utilization of various risk limits monthly. An action would be taken if the risk limits is breached. The Group has established proper monitor frequency and hierarchical reporting mechanism to deal with whenever there is any abnormal situation occurred or deficiency identified. A specific reporting procedure would be followed to ensure the timely response to significant liquidity risk.

iv) Risk responding

As liquidity risk occurs, the head of any related unit being impacted or relevant unit with the authority to deal with the event would respond to the event immediately, and report to risk management and related departments in accordance with the established authorization. Afterwards, every related unit would work with risk management department to investigate the underlying reason for the event, and develop a remediation plan, and risk management department would monitor the progress of the follow up actions.

(Continued)

b) Liquidity risk management mechanism

i) Management strategy of funding liquidity risk in operation and investment were as follows: ensure balance of capital inflow and outflow, examine and predict capital demand at present and in the future in accordance with strategies of operational management and investment activities, establish critical indicators of funding liquidity risk, and make appropriate adjustment with business strategy and market condition.

The Group manages the liquidity risk efficiently in two aspects, short-term and medium long term. Besides setting the percentage of liquid assets in total assets and the net everyday cash flow as standards of measurement and control, the Group has already established the immediate cash using information system, using proper market monetary instruments or foreign exchange instruments to allocate daily cash. Medium-long term liquidity management decreases related risk through annual reviewing on the assessment report of using assets and liabilities and applying the model of cash flow analysis to monitor the using of assets and liabilities.

ii) For the liquidity risk management in the market, consider the transaction volume mainly, the strategy of sales development and the target of budget, according to the market size, dimension and market liquidity of every product, to set the key indicators of the liquidity risk in the market. For lower liquidity products, avoiding the occurrence liquidity risk, the Company controls the transaction amount and the transaction conditions in every transaction.

iii) The Group established complete risk management system to deal with the mass demand of cash in abnormal or urgent condition. Monitoring daily net cash flow, the Group established immediate cash flow estimation system and preserved proper amount of equivalent cash for future response. Financial department and accounting office provide risk management department with the condition of cash liquidity monthly, while risk management department also regularly reviews the limitation of market liquidity risk and it should inform the risk management committee with the indicators of the market liquidity risk and the management of the limitation. If the management indicator approaches the limitation, it should enhance the intention of the capital variation.

Possessing sufficient operating capital, government bonds and other securities to satisfy the capital demand in investment, pay liabilities matured and execute contracts' obligation, the Group confronts low liquidity in compliance with rules.

iv) The maturity analysis is as follows:

	June 30, 2019							
	less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets								
Financial assets measured at fair through profit or loss	$ 158,238	-	-	-	36,073	-	-	194,311
Financial assets measured at fair value through other comprehensive income	158,056	1,334,947	2,642,274	6,300,002	3,071,860	4,568,202	2,100,000	20,175,341
Financial assets measured at amortized cost	-	-	-	-	186,176	2,385,697	-	2,571,873
	$ 316,294	1,334,947	2,642,274	6,300,002	3,294,109	6,953,899	2,100,000	22,941,525

	December 31, 2018							
	less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets								
Financial assets at fair through profit or loss	$ 312,627	-	-	-	40,511	-	-	353,138
Financial assets measured at fair value through other comprehensive income	156,936	634,275	3,014,121	5,968,741	2,376,368	4,998,890	2,100,000	19,249,331
Financial assets measured at amortized cost	-	-	-	-	197,379	3,480,880	-	3,678,259
	$ 469,563	634,275	3,014,121	5,968,741	2,614,258	8,479,770	2,100,000	23,280,728

	June 30, 2018							
	less than one year	1 to 3 year	3 to 5 year	5 to 10 year	10 to 20 year	more than 20 years	no maturity date	Total
The maturity analysis of financial assets								
Financial assets at fair through profit or loss	$ 299,254	-	-	-	41,302	-	-	340,556
Financial assets measured at fair value through other comprehensive income	159,943	634,128	2,375,924	6,595,909	2,557,067	5,098,548	2,100,000	19,521,519
Financial assets measured at amortized cost	-	-	-	-	213,690	3,384,673	-	3,598,363
	$ 459,197	634,128	2,375,924	6,595,909	2,812,059	8,483,221	2,100,000	23,460,438

3) The maturity analyses of derivative assets and liabilities

All of the forward rate contracts and swap contracts are not held for trading, but mainly for avoiding the foreign exchange rate risk generated from the foreign investment capital. Being high liquidity monetary, whose probability of being unable to sale in the market is extremely small, the liquidity risk of the currency held is low. Matured forward rate contracts and swap contracts almost will be continued and there is enough capital for settlement. Therefore, the liquidity risk of the capital is low. The maturity analysis of derivative financial instruments is as follows:

	June 30, 2019					
	less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets	$ 27,589	-	-	-	-	27,589
The maturity analysis of financial liabilities	$ 115,394	-	-	-	-	115,394

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	December 31, 2018					
	less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets	$ 29,021	-	-	-	-	29,021
The maturity analysis of financial liabilities	$ 66,889	-	-	-	-	66,889

	June 30, 2018					
	less than one year	1 to 3 year	3 to 5 year	5 to 10 year	no maturity date	Total
The maturity analysis of financial assets	$ 17,615	-	-	-	-	17,615
The maturity analysis of financial liabilities	$ 566,145	-	-	-	-	566,145

4) Credit risk

Credit risk is the risk the Group would suffered from the loss due to the downgrade of borrower's credit rating or borrower failing to make payments, the counterparty's failure or refusing to meet its obligation. The risk includes but not limited to the following risks: the credit risk of the issuer, the counterparty and the underlying assets.

Credit risk mainly comes from the trading of financial instruments generated from operating activity of the Group. The Group decreases the probability of a larger loss resulting from any single credit risk event due to the over concentration of the portfolios through regular analysis and monitor as follows:

a) Management process of credit risk

i) Risk identification

The Group's management process of credit risk could identify the existing and potential risk, analyze the source of the major risk of the operation and the product, and plan proper control system.

ii) Risk measurement

When measuring credit risk, the Group considers the factors including the content of contracts, the condition of the market, securities or guarantees, the variation of the future probable risk of the counterparty and evaluating the risk in asset portfolios with credit risk except for individual risk. Also, by collecting related information of credit rating, the Group analyzes and quantitatively measures the credit risk in accordance with the level of business and practical settlement methods and calculates the credit risk capital based on the rules stipulated by the authority. For AC, FVOCI and other credit position, depending on the practical settlement methods, the Company measures the credit risk by referring to the expected loss formula (ECL=EAD×PD×LGD).

iii) Risk monitoring

Based on the process of risk monitoring established, the Group reviews and monitors the credit limit and the condition of exceeding the limit regularly with proper disposition. Through proper and monitoring frequent and hierarchical control system, the responsible person could submit the report by related rules when finding mistakes and unusual events. When the relevant unit gets aware of significant credit risk event, it should notify risk management department of the Group by email and deal with the problem according to Fubon Financial Holding's guidelines related to the reporting of significant credit risk event to control the timeliness of the dealing process.

iv) Risk responding

When an event of credit risk occurs, the head of any related unit involved or who has authority to deal with the event would respond to the event immediately, and report to risk management department by following authorization table of the Group. Afterwards, the reason of the event would be investigated, the remediation plan would be developed and the progress of actions would be followed.

b) Credit risk management mechanism

Credit risk management mechanism includes:

i) Credit risk management before transaction:

Before the Group is engaged in investment and transaction business, a completed evaluation and analysis will be performed on subject of investments and transactions, issuer, credit and financial position information of counterparty and guarantee agency and it also will confirm the legality of the transaction. Meanwhile, the Group will confirm if transaction counterparty, issuer and guarantee agency exceed credit limits. In case of involving in the decision making process of complex structured instrument, the Group should follow the authorization level related to credit risk management, and have proper notification process and operating activities.

ii) Management of credit limit by hierarchy:

Considering the complexity and characteristics of the investment assets, the Group sets credit hierarchical management system and manages them by different hierarchy, including the following:

1. By counterparty, issuer and guarantee agency, set credit limit and manage by different hierarchy.
2. By country, set credit limit and manage hierarchically.

Besides, it will reexamine credit limit when inside or outside economic circumstances have changed severely.

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iii) Credit risk management after transaction:

1. Examine credit status periodically: Periodically review the overall credit market conditions to understand trends in the credit markets and get an early warning to credit risk. Also periodically examine credit status of counterparty, issuer and guarantee agency to fully reveal their risk situation.

2. Control credit risk limit by each position: Measure credit exposure amount monthly, compare with authorized credit risk limit and monitor the risk. Classification of the measuring credit exposure amount of the Company includes: counterparty, issuer, guarantee agency, country and commodity. According to different business characteristics, the Company takes individual or portfolio management approach to review the changes in credit status in connection with the transaction balance or position periodically.

c) Concentration of credit risk

In order to control the asset concentration risk, there are limits for single transactions and total transaction amounts with each counterparty, to ensure the risk is under control to certain degree.

i) Concentration of credit risk - district

	June 30, 2019					
By area	**Taiwan**	**Rest of Asia**	**North America**	**Central and South America**	**Europe**	**Total**
Exposure amount	$ 44,470,583	7,054,835	7,760,308	640,277	7,402,521	67,328,524
Ratio of the total	66.05 %	10.48 %	11.52 %	0.96 %	10.99 %	100.00 %

	December 31, 2018					
By area	**Taiwan**	**Rest of Asia**	**North America**	**Central and South America**	**Europe**	**Total**
Exposure amount	$ 41,354,011	6,283,361	7,553,424	580,828	8,063,812	63,835,436
Ratio of the total	64.78 %	9.85 %	11.83 %	0.91 %	12.63 %	100.00 %

	June 30, 2018					
By area	**Taiwan**	**Rest of Asia**	**North America**	**Central and South America**	**Europe**	**Total**
Exposure amount	$ 40,606,861	6,984,820	7,235,839	596,287	8,309,763	63,733,570
Ratio of the total	63.71 %	10.96 %	11.35 %	0.94 %	13.04 %	100.00 %

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d) Credit risk exposure

Under IFRS 9 and IAS 32, maximum credit risk exposure (without considering collateral or other credit enhancements instruments) is carrying value deducted by expected credit loss.

		June 30, 2019	
Non-Derivatives Financial Instruments		**Book value**	**maximum credit risk exposure**
Financial assets:			
Cash and cash equivalents	$	9,248,743	9,248,743
Receivables		7,282,184	7,282,184
Financial assets at fair value through profit or loss		25,206,871	25,206,871
Financial assets at amortized cost		2,571,873	2,571,873
Other financial assets		373,675	373,675
Financial assets at fair value through other comprehensive income		23,390,126	23,390,126
Reinsurance assets		6,010,439	6,010,439
Other assets		1,691,442	1,691,442
Financial liabilities:			
Payables		12,472,113	12,472,113
Current tax liabilities		263,435	263,435
Lease liabilities		228,986	228,986
Other liabilities		118,985	118,985
Derivatives Financial Instruments			
Financial assets:			
Financial assets at fair value through profit or loss		27,589	27,589
Financial liabilities:			
Financial liabilities at fair value through profit or loss		115,394	115,394

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		December 31, 2018	
Non-Derivatives Financial Instruments		**Book value**	**maximum credit risk exposure**
Financial assets:			
Cash and cash equivalents	$	8,477,179	8,477,179
Receivables		4,857,637	4,857,637
Financial assets at fair value through profit or loss		21,873,641	21,873,641
Financial assets at amortized cost		3,678,259	3,678,259
Other financial assets		1,000,621	1,000,621
Financial assets at fair value through other comprehensive income		21,901,101	21,901,101
Reinsurance assets		5,607,488	5,607,488
Other assets		1,579,989	1,579,989
Financial liabilities:			
Payables		10,978,591	10,978,591
Current tax liabilities		207,547	207,547
Other liabilities		110,537	110,537
Derivatives Financial Instruments			
Financial assets:			
Financial assets at fair value through profit or loss		29,021	29,021
Financial liabilities:			
Financial liabilities at fair value through profit or loss		66,889	66,889

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Non-Derivatives Financial Instruments		June 30, 2018 Book value	June 30, 2018 maximum credit risk exposure
Financial assets:			
Cash and cash equivalents	$	7,877,129	7,877,129
Receivables		6,247,518	6,247,518
Financial assets at fair value through profit or loss		22,301,654	22,301,654
Financial assets at amortized cost		3,598,363	3,598,363
Other financial assets		411,845	411,845
Financial assets at fair value through other comprehensive income		22,431,238	22,431,238
Reinsurance assets		5,744,736	5,744,736
Other assets		1,612,420	1,612,420
Financial liabilities:			
Payable		11,318,838	11,318,838
Current tax liabilities		389,884	389,884
Other liabilities		115,763	115,763
Derivatives Financial Instruments			
Financial assets:			
Financial assets at fair value through profit or loss		17,615	17,615
Financial liabilities:			
Financial liabilities at fair value through profit or loss		566,145	566,145

e) Credit quality analysis

The Group periodically follows credit rating information issued by credit rating agency, and based on the rating, classified as low risk, moderate risk and high risk as following table:

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

ii) Medium risk: The issuers or the counterparties have lower capability of fulfilling their obligation. Negative news or disadvantageous economic conditions may weaken their financial statuses and result in the doubt of asset impairment or the loss of Fubon Life Insurance and its subsidiaries.

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iii) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.

iv) The impaired items represent the amount of loss allowance provided for financial assets based on the regulations of accounting standards. Under the principle of prudence, the impaired amount is able to reflect the current value of the impaired assets. The information of credit quality is as follow:

	June 30, 2019										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)						
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal	Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
Financial assets at fair value through other comprehensive income－debt instruments	$ 20,175,341	-	-	20,175,341	-	-	-	-	-	-	20,175,341
Financial assets at amortized cost	2,573,062	-	-	2,573,062	-	-	-	-	-	1,189	2,571,873
Total	$ 22,748,403	-	-	22,748,403	-	-	-	-	-	1,189	22,747,214

	December 31, 2018										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)						
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal	Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
Financial assets at fair value through other comprehensive income－debt instruments	$ 19,249,331	-	-	19,249,331	-	-	-	-	-	-	19,249,331
Financial assets at amortized cost	3,679,817	-	-	3,679,817	-	-	-	-	-	1,558	3,678,259
Total	$ 22,929,148	-	-	22,929,148	-	-	-	-	-	1,558	22,927,590

	June 30, 2018										
	12-month ECL				Lifetime ECL (not credit-impaired financial assets)						
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal	Lifetime ECL (credit-impaired financial assets)	Impairment allowance	Total
Financial assets at fair value through other comprehensive income－debt instruments	$ 19,521,519	-	-	19,521,519	-	-	-	-	-	-	19,521,519
Financial assets at amortized cost	3,599,877	-	-	3,599,877	-	-	-	-	-	1,514	3,598,363
Total	$ 23,121,396	-	-	23,121,396	-	-	-	-	-	1,514	23,119,882

Note: The Group does not purchase new impairment financial assets.

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For all notes receivable, accounts receivable and repayable receivable, the Group applies the simplified approach to estimate the expected credit impairment, the analysis is as follows:

	June 30, 2019				
	Current	1 to 30 days past due	31 to 90 days past	More than 90 days past	Total
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Gross carrying amount	$ 7,875,987	2,189,352	579,546	531,729	11,176,614
Loss allowance provision	-	32,533	20,046	38,168	90,747

	December 31, 2018				
	Current	1 to 30 days past due	31 to 90 days past	More than 90 days past	Total
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Gross carrying amount	$ 5,556,199	1,585,415	287,853	450,728	7,880,195
Loss allowance provision	-	14,115	10,024	30,036	54,175

	June 30, 2018				
	Current	1 to 30 days past due	31 to 90 days past	More than 90 days past	Total
Expected credit loss rate	0%	2%~5%	10%~25%	25%~100%	
Gross carrying amount	$ 6,672,357	1,899,313	672,922	627,665	9,872,257
Loss allowance provision	-	14,321	15,522	58,073	87,916

f) Determining the credit risk has increased significantly since initial recognition

i) If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition. Judgment criteria: external credit rating above investment grade (BBB-).

ii) At each reporting date, the Group assessed all the financial instruments applicable for IFRS 9 to determine whether the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group considers reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The criteria include external credit rating, overdue status, credit spreads, and other market information related to the issuers or debtors.

g) Definitions of default and credit-impaired financial assets

The definition of a financial asset default is the same as the assessment of a credit impairment in a financial asset. When one or more of the following events are met, the financial assets are credit-impaired.

i) Quantitative indicators: When accounts receivable of financial assets are overdue for more than 90 days, it is determined that the financial assets have been credit-impaired.

ii) Qualitative indicators: If there is evidence that the issuer or the debtor will be unable to pay the contract, or has significant financial difficulties, such as:

1. the issuers or debtors are bankrupt or probably going to enter bankruptcy or financial reorganization;
2. the contracts of other financial instruments of issuers or debtors have been default;
3. The financial market for the financial asset disappeared due to the financial difficulties of the issuers or the debtors;
4. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.

iii) The above definition of default and credit impairment applies to all financial assets held by the Group and is consistent with the definition of the relevant financial assets used for internal credit risk management purposes and is also used in the relevant impairment assessment model.

iv) If a financial asset no longer meets the definition of default and credit-impaired for six consecutive months, it is deemed to return to the state of compliance and is no longer considered to be a financial asset that has been default or credit-impaired.

h) Measuring the expected credit losses

i) The methods and assumptions

If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the allowance for impairment of the financial instrument using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly since initial recognition, the Group shall measure the allowance for impairment using the lifetime expected credit losses.

In order to measure expected credit losses, the Group considers the default probability (Probability of default, "PD") of financial assets or issuers or debtors, and loss given default rate ("LGD") multiplying the exposure at default (" EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the probability that the issuers or the debtors defaults, and the loss given default rate is the rate of loss caused by default by the issuers or debtors. The relevant indicators used by the Group are based on the default rate and loss given default rate published by Moody's.

The Group measures the Exposure at default based on the amortized cost of financial instruments plus accrued interest. At reporting date, the Group assesses the expected change in default risk during the life time of the financial instrument to determine if the credit risk has increased significantly since the initial recognition. The rules for determination are as follows: The financial instruments have the original rating, and at the reporting date is a non-investment grade, and it falls not more than one notch from the originally obtained.

ii) Consideration of forward-looking information

The Group obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The default probability used for impairment assessment of the Group is based on the information which already includes forward-looking general economic information published by Moody's.

iii) For the six months ended June 30, 2019, there were no significant changes in evaluation techniques or material assumptions used in the measurement of expected credit losses.

iv) The changes in allowance for credit losses:

1. The changes in allowance for credit losses- investment in debt instruments measured at fair value through other comprehensive income.

	For the six months ended June 30, 2019			
	12-month ECL	**Lifetime ECL (assessed on collective)**	**Lifetime ECL (assessed on individual)**	**The provision of impairment in accordance with IFRS 9**
Beginning balance	$ 11,264	-	-	11,264
Changes in financial instruments that have been identified at the beginning of the period:				
－The financial assets that have been derecognized	(241)	-	-	(241)
Originated or purchased new financial assets	244	-	-	244
Foreign exchange and other movement	(1,759)	-	-	(1,759)
Ending balance	**$ 9,508**	**-**	**-**	**9,508**

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	For the six months ended June 30, 2018			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	$ 10,626	-	-	10,626
Changes in financial instruments that have been identified at the beginning of the period:				
－The financial assets that have been derecognized	(339)	-	-	(339)
Originated or purchased new financial assets	238	-	-	238
Foreign exchange and other movement	284	-	-	284
Ending balance	$ 10,809	-	-	10,809

2. The changes in allowance for credit losses- Investment in debt instruments at amortized cost.

	For the six months ended June 30, 2019			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	$ 1,558	-	-	1,558
Changes in financial instruments that have been identified at the beginning of the period:				
－The financial assets that have been derecognized	(312)	-	-	(312)
Foreign exchange and other movement	(57)	-	-	(57)
Ending balance	$ 1,189	-	-	1,189

	For the six months ended June 30, 2018			
	12-month ECL	Lifetime ECL (assessed on collective)	Lifetime ECL (assessed on individual)	The provision of impairment in accordance with IFRS 9
Beginning balance	$ 1,452	-	-	1,452
Foreign exchange and other movement	62	-	-	62
Ending balance	$ 1,514	-	-	1,514

(iii) Transfer of financial assets

Among the routine operational transactions 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, but the Group still bears the risks of interest rates and credit loans. As of June 30, 2019, December 31, and June 30, 2018, the Group did not have any derecognized transfer of financial assets.

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(iv) Offsetting financial asset and financial liability

The Group has some offsetting condition not following the standards, but has signed some commitments or similar protocol specification with counterparty. If it settles on a net basis, financial assets and financial liabilities can be offset to settle. If not, it settles on a total basis. But if anything against commitment occurs, another party of the transaction can choose to settle on a net basis. The details are as follows:

June 30, 2019 Financial asset which available offset master netting arrangement or similar agreement standard						
	Total recognized financial assets (a)	Total recognized financial liability has offset in financial statement (b)	Net recognized financial assets (c)=(a)-(b)	Not offset amount in financial statement (d) Financial instruments	Collateralized cash	Total (e)=(c) (d)
Derivative financial instruments	$ 27,589	-	27,589	27,589	-	-

June 30, 2019 Financial liability which available offset master netting arrangement or similar agreement standard						
	Total recognized financial liability (a)	Total recognized financial asset has offset in financial statement (b)	Net recognized financial liability (c)=(a)-(b)	Not offset amount in financial statement (d) Financial instruments	Collateralized cash	Total (e)=(c) (d)
Derivative financial instruments	$ 115,394	-	115,394	27,589	-	87,805

December 31, 2018 Financial asset which available offset master netting arrangement or similar agreement standard						
	Total recognized financial assets (a)	Total recognized financial liability has offset in financial statement (b)	Net recognized financial assets (c)=(a)-(b)	Not offset amount in financial statement (d) Financial instruments	Collateralized cash	Total (e)=(c) (d)
Derivative financial instruments	$ 29,021	-	29,021	29,021	-	-

December 31, 2018 Financial liability which available offset master netting arrangement or similar agreement standard						
	Total recognized financial liability (a)	Total recognized financial asset has offset in financial statement (b)	Net recognized financial liability (c)=(a)-(b)	Not offset amount in financial statement (d) Financial instruments	Collateralized cash	Total (e)=(c) (d)
Derivative financial instruments	$ 66,889	-	66,889	29,021	-	37,868

June 30, 2018 Financial asset which Available offset Master netting arrangement or similar Agreement standard						
	Total recognized financial assets (a)	Total recognized financial liability has offset in financial statement (b)	Net recognized financial assets (c)=(a)-(b)	Not offset amount in financial statement (d) Financial instruments	Collateralized cash	Total (e)=(c) (d)
Derivative financial instruments	$ 17,615	-	17,615	17,615	-	-

June 30, 2018 Financial liability which Available offset Master netting arrangement or similar Agreement standard						
	Total recognized financial liability (a)	Total recognized financial asset has offset in financial statement (b)	Net recognized financial liability (c)=(a)-(b)	Not offset amount in financial statement (d) Financial instruments	Collateralized cash	Total (e)=(c) (d)
Derivative financial instruments	$ 566,145	-	566,145	17,615	-	548,530

(aa) Capital Management

The target of capital management of the Group is ensuring the ability of going concern to realize the benefit of shareholders, protect the interests of the other stakeholders, and maintain an optimal capital structure to reduce the cost of funds

In order to maintain or adjust the structure of Capital, the Group may adjust the dividends paid to shareholders, deduct capital by returning cash to stockholders, issue new shares, or sell assets to pay the liabilities.

The Group control the capital based on the liabilities to capital ratio, calculated as the company's net liabilities divided by its total capital. Net liabilities include total liabilities minus cash and Cash and Cash equivalents. Total capital consists of the components of equity, such as Common stock, Capital surplus - additional paid- in capital, Retained earnings, Other equity, and Non-controlling interest, and Net liabilities.
As of June 30, 2019, the method of capital management of the Group remains the same.

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

(i) The Group possesses the equities of the following structured entities which are not included in the consolidated financial statements. The fund is from the Group and an outside third party:

Types of structured entity	Characteristic and purpose	Equity owned by the Group
Private equity fund	Invests in funds that cannot be traded in a public market	Invests in the fund units issued by the funds or limited partnership equity
Assets securitization products	Invests in assets securitization products of commercial real estate.	Asset-backed securities issued by the entity

(ii) The carrying amount of the assets related to the structured entities recognized by the Group but not yet included in the consolidated financial statements on June 30, 2019, December 31 and June 30, 2018, is as follows:

June 30, 2019	Private equity fund	Asset securitization products
Assets possessed by the Group		
-Financial assets at fair value through profit or loss	$ 142,330	1,747,475
-Financial assets at amortized cost	-	186,176
Total assets possessed by the Group	**$ 142,330**	**1,933,651**

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December 31, 2018		Private equity fund	Asset securitization products
Assets possessed by the Group			
-Financial assets at fair value through profit or loss	$	156,358	1,691,945
-Financial assets at amortized cost		-	197,379
Total assets possessed by the Group	$	**156,358**	**1,889,324**

June 30, 2018		Private equity fund	Asset securitization products
Assets possessed by the Group			
-Financial assets at fair value through profit or loss	$	156,163	1,642,233
-Financial assets at amortized cost		-	213,690
Total assets possessed by the Group	$	**156,163**	**1,855,923**

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

(iii) The Group did not provide any financial support for the private equity funds and the asset securitization products not included in the consolidated financial statements for the six months ended June 30, 2019 and 2018.

(7) RELATED-PARTY TRANSACTIONS:

(a) Names and relationship of related parties

Name of Related Party	Relationship with the Group
Fubon Financial Holding Co., Ltd.	Parent company
Fubon Life 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 Direct Marketing Consulting 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 Bank (Hong Kong) Limited	The same parent company
Taiwan Sports Lottery	The same parent company
Fubon Bank (China) Co., Ltd	A subsidiary of Fubon Financial Holdings and Taipei Fubon Commercial Bank holding 100% shares
Fubon Ellipse (Jersey) Limited	The investee recognized under Equity Method

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Name of Related Party	Relationship with the Group
Fubon Ellipse (Belgium) Limited	The investee recognized under Equity Method
Fubon Life Insurance (Hong Kong) Co., Ltd.	The investee recognized under Equity Method
Fubon Life Insurance (Vietnam) Co., Ltd.	The investee recognized under Equity Method
Fusheng Life Insurance Agent Co., Ltd.	The investee recognized under Equity Method
Fusheng Insurance Agent Co., Ltd.	The investee recognized under Equity Method
Fubon Equity Investment Ltd	The investee recognized under Equity Method
Fubon Securities (Hong Kong) Ltd.	The investee recognized under Equity Method
Fubon Credit (Hong Kong) Ltd.	The investee recognized under Equity Method
Fubon Investment Management Limited	The investee recognized under Equity Method
Fubon Sports & Entertainment Co., Ltd.	The investee recognized under Equity Method
Fubon Securities Investment Trust Co., Ltd.	The investee recognized under Equity Method
Fubon Insurance Brokers Limited	The investee recognized under Equity Method
Fubon Securities Investment Consulting Co.,Ltd	The investee recognized under Equity Method
Fubon Stadium Co., Ltd.	The investee recognized under Equity Method
Fubon Securities Venture Capital Co., Ltd.	The investee recognized under Equity Method
Admiralty Finance Company Limited	The investee recognized under Equity Method
Fubon Venture Capital Co., Ltd.	The investee recognized under Equity Method
Fubon Futures Co., Ltd.	The investee recognized under Equity Method
Fubon MTL Property(Jersey) Limited	The investee recognized under Equity Method
Fubon Hyundai Life Insurance Co., Ltd	The investee recognized under Equity Method
Carter Lane (Guernsey) Limited.	The investee recognized under Equity Method
Fubon Securities (BVI) Ltd.	The investee recognized under Equity Method
Fubon Nominees(Hong Kong)Limited	The investee recognized under Equity Method
Bow Bells House (Jersey) Limited	The investee recognized under Equity Method
Fubon Securities (HK) Ltd.	The investee recognized under Equity Method
Aquarius (Nominees) Limited	The investee recognized under Equity Method
Fubon Convoy Asset Management (HK) Limited	The investee recognized under Equity Method
Fubon Property Management Co., Ltd.	The investee recognized under Equity Method
Founder Fubon Fund Management Limited	The investee recognized under Equity Method
Citic Futong Financial Leasing CO., Ltd.	The investee recognized under Equity Method
CITIC Capital Holdings Limited	The investee recognized under Equity Method
Fubon Health Management Consulting Co., Ltd.	The investee recognized under Equity Method
AMIS Co., Ltd.	The investee recognized under Equity Method

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Related Party	Relationship with the Group
Bravelog Sport Technology Co., Ltd.	The investee recognized under Equity Method
Shing Ho Energy Co., Ltd.	The investee recognized under Equity Method
Shing Yau Energy Co., Ltd.	The investee recognized under Equity Method
Cofit Healthcare Inc.	The investee recognized under Equity Method
Xiamen Bank	The investee recognized under Equity Method
Line Biz Plus Taiwan Limited	The investee recognized under Equity Method
Ho Shih Shuo Power Co., Ltd.	The investee recognized under Equity Method
Shenzhen Teng Fu Bo Investment Limited	The associate of Fubon Insurance Corp under Equity method
Fubon Multimedia Technology Co, Ltd.	Affiliates
Taiwan Mobile Co., Ltd.	Affiliates
Taiwan Pelican Express Co., Ltd.	Affiliates
Taiwan High Speed Railway Co., Ltd.	Affiliates
Taipei City Government	Affiliates
Fuli Property Insurance Agent Co., Ltd.	Affiliates
Taipei Culture Foundation	Affiliates
Inventech Co., Ltd.	Affiliates
Powerchip Co., Ltd.	Affiliates
Metropolitan Transport co., Ltd.	Affiliates
Kbro Media Co., Ltd.	Affiliates
Yuanjin Green Energy Co., Ltd.	Affiliates
Taiwan Fixed Network Co , Ltd.	Affiliates
Formosa Petrochemical Corporation	Affiliates
Other related parties	Directors, supervisors, managers, chairman of the board, general manager and their close relatives and other affiliates, etc.

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Significant transactions with related parties are as follows:

(i) The details of premium were as follows:

1) Premium

Names of related parties	For the three months ended June 30, 2019 Amount	2019 %	2018 Amount	2018 %
Taipei Fubon Commercial Bank Co., Ltd.	$ 8,808	0.07	7,700	0.06
Fubon Life Insurance Co., Ltd.	42,279	0.32	63,820	0.52
Fubon Multimedia Technology Co., Ltd.	337	-	296	-
Fubon Securities Co., Ltd.	924	0.01	6,152	0.05
Taiwan Mobile Co., Ltd.	52,090	0.40	169,055	1.39
Taiwan Pelican Express Co., Ltd..	285	-	459	-
Taiwan High Speed Railway Co., Ltd.	191	-	446	-
Taipei City Government.	1,276	0.01	20,129	0.17
Powerchip Co., Ltd.	915	0.01	33,289	0.27
Metropolitan Transport co., Ltd.	(23)	-	20,065	0.16
Kbro Media Co., Ltd.	17,673	0.14	16,774	0.14
Inventech Co., Ltd.	2	-	8,152	0.07
Yuanjin Green Energy Co., Ltd.	21,274	0.16	-	-
Others (accounts with balances of less than $10,000 thousands)	22,472	0.17	23,518	0.19
	$ 168,503		**369,855**	

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the six months ended June 30,			
	2019		2018	
Names of related parties	Amount	%	Amount	%
Taipei Fubon Commercial Bank Co., Ltd.	$ 41,683	0.16	38,245	0.16
Fubon Life Insurance Co., Ltd.	59,657	0.23	68,021	0.28
Fubon Multimedia Technology Co., Ltd.	21,447	0.08	17,376	0.07
Taiwan Securities Co., Ltd.	9,547	0.04	11,370	0.05
Taiwan Mobile Co., Ltd.	140,270	0.55	354,588	1.49
Taiwan Pelican Express Co., Ltd.	16,933	0.07	14,486	0.06
Taiwan High Speed Railway Co., Ltd.	1,258	-	65,089	0.27
Taipei City Government.	56,935	0.22	35,878	0.15
Powerchip Co., Ltd.	1,595	0.01	34,139	0.14
Metropolitan Transport co., Ltd.	(763)	-	20,065	0.08
Kbro Media Co., Ltd.	19,945	0.08	18,552	0.08
Inventech Co., Ltd.	(70)	-	10,699	0.04
Yuanjin Green Energy Co., Ltd.	21,274	0.08	-	-
Others (accounts with balances of less than $10,000 thousands)	55,195	0.22	45,615	0.19
	$ 444,906		734,123	

2) Premium revenue receivables

	June 30, 2019		December 31, 2018		June 30, 2018	
Names of related parties	Amount	%	Amount	%	Amount	%
Taipei Fubon Commercial Bank Co., Ltd.	$ 18,158	0.32	23,424	0.70	14,891	0.34
Fubon Life Insurance Co., Ltd.	58,954	1.05	11,039	0.33	-	-
Taiwan Mobile Co., Ltd.	35,695	0.63	48,459	1.44	38,572	0.88
Taiwan High Speed Railway Co., Ltd.	1,450	0.03	82,879	2.46	-	-
Taiwan Culture Foundation	-	-	16,270	0.48	-	-
Inventech Co., Ltd.	8,390	0.15	10,427	0.31	9,971	0.23
Powerchip Co., Ltd.	792	0.01	148	-	33,182	0.76
Kbro Media Co., Ltd.	17,663	0.31	-	-	16,878	0.38
Others (accounts with balances of less than $10,000 thousands)	20,766	0.37	32,283	0.96	11,186	0.25
	$ 161,868		224,929		124,680	

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

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Rental revenue

	For the three months ended June 30,			
	2019		2018	
Names of related parties	Rental Revenue	%	Rental Revenue	%
Taipei Fubon Commercial Bank Co., Ltd.	$ 25,240	27.62	25,207	28.00
Fubon Life Insurance Co., Ltd.	22,764	24.91	21,761	24.17
Fubon Financial Holding Co., Ltd.	6,217	6.80	6,214	6.90
Others (accounts with balances of less than $10,000 thousands)	12,255	13.41	12,591	13.99
	$ 66,476		65,773	

	For the six months ended June 30,			
	2019		2018	
Names of related parties	Rental Revenue	%	Rental Revenue	%
Taipei Fubon Commercial Bank Co., Ltd.	$ 50,471	27.90	50,436	28.27
Fubon Life Insurance Co., Ltd.	45,484	25.14	43,462	24.36
Fubon Financial Holding Co , Ltd.	12,434	6.87	12,423	6.96
Others (accounts with balances of less than $10,000 thousands)	24,359	13.46	24,664	13.82
	$ 132,748		130,985	

	June 30, 2019		December 31, 2018		June 30, 2018	
Names of related parties	Guarantee deposit received	%	Guarantee deposit received	%	Guarantee deposit received	%
Taipei Fubon Commercial Bank Co., Ltd.	$ 26,011	21.86	17,371	15.72	17,371	15.01
Fubon Life Insurance Co., Ltd.	23,773	19.98	23,773	21.51	22,739	19.64
Others (accounts with balances of less than $10,000 thousands)	17,665	14.85	17,585	15.91	16,223	14.01
	$ 67,449		58,729		56,333	

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

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Investments purchased from Fubon Securities Investment Trust Co., Ltd. were as follows:

Names of funds	June 30, 2019	December 31, 2018	June 30, 2018
Fubon China Policy Bond	$ 139,549	145,250	144,410
Fubon 7-10 Years US Treasury Bond ETF	-	118,650	-
	$ 139,549	263,900	144,410

(iv) Investments purchased from Fubon No.1 and No.2 REIT were as follows:

Names of related parties	June 30, 2019	December 31, 2018	June 30, 2018
Fubon No.1 REIT	$ 855,724	835,269	779,584
Fubon No.2 REIT	855,678	816,165	821,347
	$ 1,711,402	1,651,434	1,600,931

(v) Other accounts receivable (payable) and prepaid (advance receipts)

1) Other accounts receivable and prepaid

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Others (accounts with balances of less than $10,000 thousands)	$ 4,334	0.40	6,072	0.58	5,479	0.42

2) Accounts payable and advance receipts

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Taipei Fubon Commercial Bank Co., Ltd.	$ 5,770	0.10	29,027	0.53	4,908	0.11
Fubon Life Insurance Co., Ltd.	283,978	5.10	158,743	2.89	140,193	3.05
Fusheng Insurance Agent Co., Ltd.	189,377	3.40	187,699	3.41	167,498	3.65
Fuli Property Insurance Agent Co., Ltd.	14,214	0.26	961	0.02	8,018	0.17
Others (accounts with balances of less than $10,000 thousands)	8,239	0.15	19,979	0.36	8,646	0.19
	$ 501,578	9.01	396,409	7.21	329,263	7.17

(vi) Consolidated Tax Return System

Commencing from 2002, Fubon Financial Holding Company, the parent company of the Group, elected to be the tax payer itself. Tax payable and tax receivable are and current income tax asset, respectively liability recognized in current income tax liability.

	June 30, 2019	December 31, 2018	June 30, 2018
Current income tax liability	$ 260,267	198,932	378,334

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(vii) Deposits

Names of related parties	June 30, 2019	December 31, 2018	June 30, 2018
Taipei Fubon Commercial Bank Co., Ltd.	$ 1,708,515	1,097,330	995,383
Fubon Bank (China) Co., Ltd	212,065	116,256	115,139
Taipei Fubon Commercial Bank Co., Ltd.	$ **1,920,580**	**1,213,586**	**1,110,522**

(viii) Commission expenses

Names of related parties	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Fusheng Insurance Agent Co., Ltd.	$ 103,266	97,393	203,962	194,130
Taipei Fubon Commercial Bank Co., Ltd.	11,191	10,389	21,337	19,410
Fuli Property Insurance Agent Co., Ltd.	40,253	9,431	81,711	11,286
Others (accounts with balances of less than $10,000 thousands)	1,400	619	2,332	619
	$ **156,110**	**117,832**	**309,342**	**225,445**

(ix) Dividend Revenue

Names of related parties	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Fubon Financial Holding Venture Capital	$ **12,968**	**10,253**	**12,968**	**10,253**

(x) Marketing expense

Names of related parties	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Fubon Life Insurance Co., Ltd.	125,052	128,155	280,231	253,557
Others (accounts with balances of less than $10,000 thousands)	3,863	3,572	8,627	7,518
	$ **128,915**	**131,727**	**288,858**	**261,075**

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(xi) Insurance expenses

Names of related parties		For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Fubon Life Insurance Co., Ltd.	$	14,143	10,528	17,687	21,134
Others (accounts with balances of less than $10,000 thousands)		-	-	75	-
	$	14,143	10,528	17,762	21,134

(xii) Insurance claim payment

Names of related parties		For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Taiwan Mobile Co., Ltd	$	34,286	75,966	86,566	170,155
Formosa Petrochemical Corporation		9,790	1,836	15,385	4,191
Taiwan High Speed Railway Co., Ltd.		17,489	-	28,551	35,021
Metropolitan Transport Co. , Ltd.		4,881	6,983	6,470	11,368
Others (accounts with balances of less than $10,000 thousands)		4,049	10,429	5,898	20,611
	$	70,495	95,214	142,870	241,346

(xiii) Securities brokerage expenses

Names of related parties		For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Taipei Fubon Commercial Bank Co., Ltd.	$	33,330	46,046	63,786	67,513
Others (accounts with balances of less than $10,000 thousands)		1,687	1,591	3,518	4,179
	$	35,017	47,637	67,304	71,692

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(xiv) Right-of-use assets and lease liabilities-buildings and constructions

Names of related parties	Right-of-use assets June 30, 2019	Right-of-use assets January 1, 2019
Taiwan Fixed Network Co., Ltd	$ 14,369	23,826
Fubon Life Insurance Co., Ltd	30,079	10,484
Fubon No.2 REIT	13,700	15,293
Others (accounts with balances of less than $10,000 thousands)	8,776	12,410
	$ 66,924	62,013

Names of related parties	Lease liabilities June 30, 2019	Lease liabilities January 1, 2019	Total contract price
Taiwan Fixed Network Co., Ltd	$ 14,458	23,826	95,425
Fubon Life Insurance Co., Ltd	29,987	9,175	58,583
Fubon No.2 REIT	13,781	15,293	22,284
Others (accounts with balances of less than $10,000 thousands)	8,822	12,136	29,158
	$ 67,048	60,430	205,450

Names of related parties	Interest expenses For the three months ended June 30, 2019	Interest expenses For the six months ended June 30, 2019
Taiwan Fixed Network Co., Ltd	$ 140	382
Fubon Life Insurance Co., Ltd	203	288
Fubon No.2 REIT	119	240
Others (accounts with balances of less than $10,000 thousands)	81	177
	$ 543	1,087

(xv) Telephone communications services fee

Names of related parties	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Others (accounts with balances of less than $10,000 thousands)	$ 6,672	4,218	11,113	8,618

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(xvi) Advertisement expense

Names of related parties	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Fubon sports and Entertainment Co., Ltd.	$ 6,000	6,000	6,000	12,000
Others (accounts with balances of less than $10,000 thousands)	1,778	1,441	4,073	2,808
	$ 7,778	7,441	10,073	14,808

(xvii) Rental expenses

Names of related parties	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Others (accounts with balances of less than $10,000 thousands)	$ 1,554	11,843	3,321	22,856

(xviii) Other transactions with related parties (accounts with balances of less than $10,000)

Item	For the three months ended June 30, 2019	2018	For the six months ended June 30, 2019	2018
Interest revenue	843	495	887	552
Securities brokerage revenue	13	1,075	18	1,142
Joint marketing revenue	5,031	1,095	8,739	7,923
Consulting expense	12	244	254	647
Training expense	905	-	1,213	352
Information equipment expense	100	326	381	500
Donations	8,125	5,982	8,125	6,082
Social expense	224	101	332	186
Governments bonds	55	56	107	114
Printing expenses	-	-	1,513	1,535
Membership dues	731	811	1,930	1,500
Marketing promotion fee	335	60	726	60
Research and development expenses	1,136	733	2,380	1,916
Postage	3,673	4,283	8,165	8,604
Book and Magazine fee	76	-	84	17
Administrative service fee	4,193	4,374	8,237	8,286
Operating service fee	1,853	-	3,103	-
Miscellaneous expense	2,282	582	3,706	638
Miscellaneous income	59	-	59	-

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Item	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposit	$ 5,332	6,078	6,077

(c) Major management remuneration information

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Short term employee benefits	$ 28,712	26,214	61,503	53,548
Retirement benefit	562	618	1,149	1,202
Other long term employee benefits	144	192	291	324
	$ 29,418	27,024	62,943	55,074

(8) PLEDGED ASSETS:

(a) As of June 30, 2019, December 31 and June 30, 2018, the assets pledged or mortgaged were as follows:

Pledged Assets	Purpose of pledge	June 30, 2019	December 31, 2018	June 30, 2018
Time deposit	Guarantee for the insurance business	$ 1,088,753	979,636	1,030,395
Government bond	Guarantee for the insurance business	485,319	484,775	485,569
Total		$ 1,574,072	1,464,411	1,515,964

(b) Pursuant to the requirements of Articles No.141 and No.142 of the Insurance Law, government bonds with book value of $485,319, $484,775 and $485,569 as of June 30, 2019, December 31 and June 30, 2018, respectively, were deposited with the Central Bank of the Republic China as guarantee for the insurance business.

(9) COMMITMENTS AND CONTINGENCIES:

(a) Due analysis of the Group's lease commitment

Balance, December 31, 2018	within 1 year	1-5 years	over 5 years	total
Lease Commitment				
Operating lease expense (lessee)	98,751	97,015	1,054	196,820
Operating lease revenue (lessor)	358,943	489,184	15,762	863,889

Balance, June 30, 2018	within 1 year	1-5 years	over 5 years	total
Lease Commitment				
Operating lease expense (lessee)	126,810	154,675	-	281,485
Operating lease revenue (lessor)	295,163	318,139	20,725	634,027

(b) The Group had several insurance lawsuits and was required to pay indemnities of $474,868, of which approximately $362,006 were reinsured. The claim had been accrued. These cases have not been resolved with District Court of Appeal as of June 30, 2019.

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	June 30, 2019	December 31, 2018	June 30, 2018
USD	$ 16,409	17,991	17,817
EUR	$ 14,554	14,474	16,123

Note: The unfunded commitments excluded unsettled trades are informed but not deliver.

(10) SIGNIFICANT LOSSES DUE TO MAJOR DISASTERS: None

(11) SIGNIFICANT SUBSEQUENT EVENTS: None

(12) OTHER:

(a) A summary of personal expenses, depreciation, depletion and amortization:

	For the three months ended June 30,					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personal expenses:						
Salaries	204,461	860,389	1,064,850	195,078	433,094	628,172
Insurance	-	70,959	70,959	-	62,558	62,558
Pension	-	42,386	42,386	-	45,263	45,263
Remuneration of directors	-	954	954	-	1,548	1,548
Others	-	66,012	66,012	-	62,278	62,278
Depreciation	1,731	70,589	72,320	2,265	40,236	42,501
Depletion	-	-	-	-	-	-
Amortization	-	21,078	21,078	-	17,534	17,534

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the six months ended June 30,					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personal expenses:						
Salaries	418,442	1,652,198	2,070,640	383,443	1,216,498	1,599,941
Insurance	-	157,661	157,661	-	143,279	143,279
Pension	-	82,045	82,045	-	88,992	88,992
Remuneration of directors	-	2,274	2,274	-	2,922	2,922
Others	-	128,659	128,659	-	119,317	119,317
Depreciation	3,635	138,557	142,192	4,523	80,093	84,616
Depletion	-	-	-	-	-	-
Amortization	-	41,896	41,896	-	34,523	34,523

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FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Disclosure of earned retention premium by compulsory and non-compulsory insurance

For the three months ended June 30, 2019

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (1)+(2)-(3)=(4)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	$ 75,476	-	-	75,476	6,484	68,992	
Long-term residential fire insurance	(143)	-	(4)	(139)	(17,498)	17,359	
Commercial fire insurance	673,598	1,778	390,347	285,029	87,504	197,525	
Long-term commercial fire insurance	-	-	-	-	(491)	491	
Inland cargo insurance	70,833	-	17,432	53,401	6,149	47,252	
Marine cargo insurance	233,127	573	135,639	98,061	92	97,969	
Marine hull insurance	74,866	63	64,782	10,147	1,398	8,749	
Fishing vessel insurance	35,858	352	28,730	7,480	704	6,776	
Aviation insurance	47,489	-	47,144	345	(1,611)	1,956	
Private passenger auto physical damage insurance	1,428,274	39,490	121,136	1,346,628	(7,951)	1,354,579	
Commercial auto physical damage insurance	108,109	1,950	5,322	104,737	15,698	89,039	
Private passenger auto insurance	1,776,226	34,492	91,457	1,719,261	54,547	1,664,714	
Commercial passenger auto insurance	416,149	4,686	4,430	416,405	(13,144)	429,549	
Personal liability insurance	609,765	767	106,101	504,431	27,614	476,817	
Professional liability insurance	97,015	33	50,950	46,098	(4,302)	50,400	
Engineering insurance	822,808	6,366	708,126	121,048	15,779	105,269	
Nuclear insurance	-	682	-	682	(2,121)	2,803	
Fidelity and surety insurance	17,413	154	4,184	13,383	965	12,418	
Credit insurance	68,057	-	70,305	(2,248)	(2,971)	723	
Other property insurance	205,327	120	129,622	75,825	21,497	54,328	
Accident insurance	1,431,245	5,207	27,684	1,408,768	15,868	1,392,900	
Commercial earthquake insurance	716,541	1,147	448,580	269,108	154,680	114,428	
Personal multiple insurance	273,935	-	2,194	271,741	31,051	240,690	
Commercial multiple insurance	10,850	-	628	10,222	3,097	7,125	
Typhoon and flood insurance	498,868	1,295	340,443	159,720	63,267	96,453	
Governmental earthquake insurance	137,360	14,396	134,233	17,523	3,076	14,447	
Health insurance	268,791	-	2,954	265,837	23,804	242,033	
Foreign reinsurance	-	114,156	186	113,970	9,216	104,754	
Overseas subsidiaries	897,343	269,614	167,070	999,887	(18,990)	1,018,877	
Subtotal	10,995,180	497,321	3,099,675	8,392,826	473,411	7,919,415	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	433,055	118,763	173,691	378,127	(264)	378,391	
Compulsory commercial auto liability insurance	146,080	22,587	77,992	90,675	(1,519)	92,194	
Compulsory motorcycle liability insurance	645,689	156,761	287,481	514,969	14,384	500,585	
Subtotal	1,224,824	298,111	539,164	983,771	12,601	971,170	
Total	$ 12,220,004	795,432	3,638,839	9,376,597	486,012	8,890,585	

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the three months ended June 30, 2018

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (1)+(2)-(3)=(4)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	$ 73,599	-	2	73,597	6,203	67,394	
Long-term residential fire insurance	(288)	-	(7)	(281)	(23,568)	23,287	
Commercial fire insurance	669,276	(3)	388,506	280,767	53,436	227,331	
Long-term commercial fire insurance	(20)	-	-	(20)	(795)	775	
Inland cargo insurance	65,698	155	14,348	51,505	3,306	48,199	
Marine cargo insurance	244,767	359	147,671	97,455	(2,141)	99,596	
Marine hull insurance	67,220	(43)	60,773	6,404	(2,900)	9,304	
Fishing vessel insurance	37,900	812	33,833	4,879	(5,199)	10,078	
Aviation insurance	50,480	4,160	52,337	2,303	(4,340)	6,643	
Private passenger auto physical damage insurance	1,379,099	44,148	96,269	1,326,978	(9,544)	1,336,522	
Commercial auto physical damage insurance	91,944	1,442	4,016	89,370	33,387	55,983	
Private passenger auto insurance	1,605,629	33,484	66,411	1,572,702	100,516	1,472,186	
Commercial passenger auto insurance	421,035	3,817	3,011	421,841	15,708	406,133	
Personal liability insurance	759,202	182	247,900	511,484	48,629	462,855	
Professional liability insurance	98,583	38	58,736	39,885	(7,541)	47,426	
Engineering insurance	314,692	3,201	191,596	126,297	(2,731)	129,028	
Nuclear insurance	-	2,417	-	2,417	(428)	2,845	
Fidelity and surety insurance	40,347	162	21,989	18,520	5,093	13,427	
Credit insurance	69,944	-	67,385	2,559	821	1,738	
Other property insurance	64,046	70	43,820	20,296	3,472	16,824	
Accident insurance	1,296,256	4,878	18,806	1,282,328	12,468	1,269,860	
Commercial earthquake insurance	726,579	-	453,239	273,340	181,476	91,864	
Personal multiple insurance	234,790	-	7,700	227,090	10,561	216,529	
Commercial multiple insurance	9,224	-	455	8,769	2,334	6,435	
Typhoon and flood insurance	506,703	217	319,869	187,051	114,155	72,896	
Governmental earthquake insurance	129,695	13,912	127,654	15,953	1,677	14,276	
Health insurance	214,437	-	2,386	212,051	18,955	193,096	
Foreign reinsurance	-	145,187	30,309	114,878	4,658	110,220	
Overseas subsidiaries	1,060,859	207,061	208,163	1,059,757	35,468	1,024,289	
Subtotal	10,231,696	465,656	2,667,177	8,030,175	593,136	7,437,039	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	423,741	121,889	169,795	375,835	5,319	370,516	
Compulsory commercial auto liability insurance	151,950	23,295	81,490	93,755	669	93,086	
Compulsory motorcycle liability insurance	597,286	154,787	264,391	487,682	19,907	467,775	
Subtotal	1,172,977	299,971	515,676	957,272	25,895	931,377	
Total	$ **11,404,673**	**765,627**	**3,182,853**	**8,987,447**	**619,031**	**8,368,416**	

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the six months ended June 30, 2019

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (4)=(1)+(2)-(3)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	$ 140,644	-	-	140,644	2,903	137,741	
Long-term residential fire insurance	(290)	-	(15)	(275)	(37,702)	37,427	
Commercial fire insurance	1,153,201	2,881	635,682	520,400	111,614	408,786	
Long-term commercial fire insurance	-	-	-	-	(1,081)	1,081	
Inland cargo insurance	143,935	-	41,362	102,573	5,029	97,544	
Marine cargo insurance	503,484	1,076	298,378	206,182	8,321	197,861	
Marine hull insurance	171,945	1,662	147,919	25,688	6,954	18,734	
Fishing vessel insurance	64,908	179	50,085	15,002	1,087	13,915	
Aviation insurance	119,548	(594)	117,823	1,131	(2,431)	3,562	
Private passenger auto physical damage insurance	2,857,596	92,934	227,039	2,723,491	14,149	2,709,342	
Commercial auto physical damage insurance	206,028	4,815	9,738	201,105	27,734	173,371	
Private passenger auto insurance	3,545,705	79,706	172,268	3,453,143	163,612	3,289,531	
Commercial passenger auto insurance	1,032,601	23,006	14,689	1,040,918	182,036	858,882	
Personal liability insurance	1,342,408	993	315,919	1,027,482	76,899	950,583	
Professional liability insurance	236,923	82	136,361	100,644	5,829	94,815	
Engineering insurance	1,330,249	13,495	1,073,919	269,825	43,624	226,201	
Nuclear insurance	-	6,015	-	6,015	542	5,473	
Fidelity and surety insurance	49,589	523	13,415	36,697	11,257	25,440	
Credit insurance	96,901	-	95,586	1,315	(2,715)	4,030	
Other property insurance	421,836	216	262,145	159,907	59,452	100,455	
Accident insurance	2,871,806	4,388	46,333	2,829,861	95,864	2,733,997	
Commercial earthquake insurance	1,205,685	1,964	824,434	383,215	162,470	220,745	
Personal multiple insurance	535,924	-	12,413	523,511	51,612	471,899	
Commercial multiple insurance	19,809	-	3,060	16,749	2,609	14,140	
Typhoon and flood insurance	880,467	2,329	616,157	266,639	92,756	173,883	
Governmental earthquake insurance	254,686	30,015	249,486	35,215	5,844	29,371	
Health insurance	546,585	-	5,751	540,834	68,084	472,750	
Foreign reinsurance	-	234,732	11,804	222,928	10,191	212,737	
Overseas subsidiaries	1,762,767	462,865	373,181	1,852,451	(149,608)	2,002,059	
Subtotal	21,494,940	963,282	5,754,932	16,703,290	1,016,935	15,686,355	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	883,372	239,480	354,460	768,392	2,744	765,648	
Compulsory commercial auto liability insurance	284,293	43,554	152,228	175,619	(2,090)	177,709	
Compulsory motorcycle liability insurance	1,244,174	292,970	553,771	983,373	37,171	946,202	
Subtotal	2,411,839	576,004	1,060,459	1,927,384	37,825	1,889,559	
Total	**$ 23,906,779**	**1,539,286**	**6,815,391**	**18,630,674**	**1,054,760**	**17,575,914**	

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the six months ended June 30, 2018

Item	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Expense (3)	Retained premium (4)=(1)+(2)-(3)	Net change in unearned premium reserve (5)	Retained earned premium (6)=(4)-(5)	Notes
Non-Compulsory insurance:							
Residential fire insurance	$ 139,919	-	5	139,914	5,404	134,510	
Long-term residential fire insurance	(569)	-	(19)	(550)	(48,125)	47,575	
Commercial fire insurance	1,139,910	3,172	657,154	485,928	40,473	445,455	
Long-term commercial fire insurance	(110)	-	-	(110)	(1,682)	1,572	
Inland cargo insurance	138,869	155	35,568	103,456	5,026	98,430	
Marine cargo insurance	507,174	519	297,768	209,925	4,960	204,965	
Marine hull insurance	181,116	10	149,049	32,077	13,585	18,492	
Fishing vessel insurance	62,257	724	48,067	14,914	(4,430)	19,344	
Aviation insurance	104,971	728	103,366	2,333	(329)	2,662	
Private passenger auto physical damage insurance	2,783,806	90,069	222,158	2,651,717	(28,502)	2,680,219	
Commercial auto physical damage insurance	153,207	2,749	7,176	148,780	40,515	108,265	
Private passenger auto insurance	3,218,386	68,589	155,682	3,131,293	228,687	2,902,606	
Commercial passenger auto insurance	1,046,820	8,055	17,268	1,037,607	231,287	806,320	
Personal liability insurance	1,620,168	183	544,430	1,075,921	148,385	927,536	
Professional liability insurance	208,763	74	111,134	97,703	2,969	94,734	
Engineering insurance	634,848	6,075	358,596	282,327	25,794	256,533	
Nuclear insurance	-	3,049	-	3,049	(2,741)	5,790	
Fidelity and surety insurance	64,724	542	32,155	33,111	5,933	27,178	
Credit insurance	90,556	-	85,160	5,396	520	4,876	
Other property insurance	116,985	124	81,838	35,271	7,569	27,702	
Accident insurance	2,642,616	10,392	42,686	2,610,322	123,389	2,486,933	
Commercial earthquake insurance	1,183,857	1,518	813,058	372,317	186,335	185,982	
Personal multiple insurance	499,645	-	41,699	457,946	37,046	420,900	
Commercial multiple insurance	17,299	-	2,753	14,546	1,603	12,943	
Typhoon and flood insurance	825,494	1,589	552,668	274,415	123,992	150,423	
Governmental earthquake insurance	244,283	29,654	241,224	32,713	3,429	29,284	
Health insurance	437,311	-	4,648	432,663	64,245	368,418	
Foreign reinsurance	-	261,170	51,621	209,549	7,419	202,130	
Overseas subsidiaries	1,994,045	446,441	381,493	2,058,993	(34,381)	2,093,374	
Subtotal	20,056,350	935,581	5,038,405	15,953,526	1,188,375	14,765,151	
Compulsory insurance:							
Compulsory private passenger auto liability insurance	875,010	236,176	351,184	760,002	8,980	751,022	
Compulsory commercial auto liability insurance	296,360	42,942	159,418	179,884	2,626	177,258	
Compulsory motorcycle liability insurance	1,153,405	273,058	510,041	916,422	34,712	881,710	
Subtotal	2,324,775	552,176	1,020,643	1,856,308	46,318	1,809,990	
Total	$ 22,381,125	1,487,757	6,059,048	17,809,834	1,234,693	16,575,141	

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Disclosure of retained claim payment by compulsory and non-compulsory insurance

For the three months ended June 30, 2019

Item	Claim (included related expenses) (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	$ 4,484	-	-	-	4,484	
Long-term residential fire insurance	152	-	-	12	140	
Commercial fire insurance	201,201	-	6	65,607	135,600	
Long-term commercial fire insurance	-	-	-	-	-	
Inland cargo insurance	27,324	-	-	4,330	22,994	
Marine cargo insurance	133,148	-	80	79,507	53,721	
Marine hull insurance	8,503	-	-	5,124	3,379	
Fishing vessel insurance	16,298	-	-	8,189	8,109	
Aviation insurance	32,500	-	96	29,376	3,220	
Private passenger auto physical damage insurance	944,327	-	24,498	70,640	898,185	
Commercial auto physical damage insurance	80,103	-	1,077	3,464	77,716	
Private passenger auto insurance	1,110,608	-	22,441	49,362	1,083,687	
Commercial passenger auto insurance	263,652	-	3,793	1,993	265,452	
Personal liability insurance	308,073	-	-	68,894	239,179	
Professional liability insurance	16,573	-	-	9,059	7,514	
Engineering insurance	91,097	-	710	43,957	47,850	
Nuclear insurance	-	-	-	-	-	
Fidelity and surety insurance	2,991	-	(6)	3,331	(346)	
Credit insurance	37,130	-	-	36,857	273	
Other property insurance	39,688	-	-	23,156	16,532	
Accident insurance	539,498	1	650	1,431	538,718	
Commercial earthquake insurance	28,562	-	-	22,799	5,763	
Personal multiple insurance	40,412	-	8	3,337	37,083	
Commercial multiple insurance	3,180	-	-	-	3,180	
Typhoon and flood insurance	53,402	-	(25)	48,477	4,900	
Governmental earthquake insurance	-	-	-	-	-	
Health insurance	77,942	-	-	143	77,799	
Foreign reinsurance	-	-	88,950	8,140	80,810	
Overseas subsidiaries	552,556	-	127,753	99,084	581,225	
Subtotal	4,613,404	1	270,031	686,269	4,197,167	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	502,279	-	97,051	301,292	298,038	
Compulsory commercial auto liability insurance	208,348	-	(8,520)	125,053	74,775	
Compulsory motorcycle liability insurance	541,006	-	365,908	324,845	582,069	
Subtotal	1,251,633	-	454,439	751,190	954,882	
Total	$ 5,865,037	1	724,470	1,437,459	5,152,049	

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the three months ended June 30, 2018

Item	Claim (included related expenses) (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	$ 3,789	-	-	-	3,789	
Long-term residential fire insurance	196	-	-	(18)	214	
Commercial fire insurance	222,891	-	203	47,082	176,012	
Long-term commercial fire insurance	-	-	-	-	-	
Inland cargo insurance	10,309	-	-	631	9,678	
Marine cargo insurance	79,334	-	(20)	40,279	39,035	
Marine hull insurance	28,625	-	-	5,303	23,322	
Fishing vessel insurance	11,446	-	-	8,533	2,913	
Aviation insurance	17,162	-	-	17,243	(81)	
Private passenger auto physical damage insurance	842,855	-	20,482	70,401	792,936	
Commercial auto physical damage insurance	38,166	-	666	1,641	37,191	
Private passenger auto insurance	1,002,069	-	19,270	46,588	974,751	
Commercial passenger auto insurance	282,973	-	3,173	3,325	282,821	
Personal liability insurance	445,204	-	59	75,606	369,657	
Professional liability insurance	25,368	-	-	5,851	19,517	
Engineering insurance	63,637	-	113	14,770	48,980	
Nuclear insurance	-	-	88	-	88	
Fidelity and surety insurance	5,133	-	1,071	2,808	3,396	
Credit insurance	(375)	-	-	336	(711)	
Other property insurance	4,369	-	4	3,672	701	
Accident insurance	508,062	3	303	2,479	505,889	
Commercial earthquake insurance	80,792	-	25	65,716	15,101	
Personal multiple insurance	29,707	-	-	2,528	27,179	
Commercial multiple insurance	2,171	-	-	(120)	2,291	
Typhoon and flood insurance	223,250	-	16	177,276	45,990	
Governmental earthquake insurance	-	-	3,494	8	3,486	
Health insurance	54,773	-	-	18	54,755	
Foreign reinsurance	-	-	138,918	24,735	114,183	
Overseas subsidiaries	552,339	-	49,095	69,594	531,840	
Subtotal	4,534,245	3	236,960	686,285	4,084,923	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	362,117	-	(12,659)	217,481	131,977	
Compulsory commercial auto liability insurance	165,443	-	(18,506)	101,418	45,519	
Compulsory motorcycle liability insurance	336,413	-	317,996	201,052	453,357	
Subtotal	863,973	-	286,831	519,951	630,853	
Total	$ 5,398,218	3	523,791	1,206,236	4,715,776	

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the six months ended June 30, 2019

Item	Claim (included related expenses) (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	$ 10,293	-	-	-	10,293	
Long-term residential fire insurance	152	-	-	31	121	
Commercial fire insurance	368,719	-	6	128,543	240,182	
Long-term commercial fire insurance	-	-	-	-	-	
Inland cargo insurance	50,999	-	-	5,511	45,488	
Marine cargo insurance	225,786	-	77	132,290	93,573	
Marine hull insurance	38,776	-	-	26,045	12,731	
Fishing vessel insurance	16,298	-	51	8,224	8,125	
Aviation insurance	42,236	-	96	35,769	6,563	
Private passenger auto physical damage insurance	1,846,261	-	56,022	143,566	1,758,717	
Commercial auto physical damage insurance	148,380	-	2,585	6,626	144,339	
Private passenger auto insurance	2,113,574	-	49,640	96,214	2,067,000	
Commercial passenger auto insurance	529,973	-	7,773	5,141	532,605	
Personal liability insurance	628,287	-	1	142,591	485,697	
Professional liability insurance	30,875	-	-	12,999	17,876	
Engineering insurance	586,831	-	1,392	336,086	252,137	
Nuclear insurance	-	-	1,013	-	1,013	
Fidelity and surety insurance	4,641	-	527	3,253	1,915	
Credit insurance	34,580	-	-	36,341	(1,761)	
Other property insurance	71,089	-	-	44,153	26,936	
Accident insurance	1,112,062	17	1,292	3,556	1,109,815	
Commercial earthquake insurance	72,857	-	-	51,978	20,879	
Personal multiple insurance	88,340	-	8	8,365	79,983	
Commercial multiple insurance	3,821	-	-	-	3,821	
Typhoon and flood insurance	92,347	-	(25)	61,897	30,425	
Governmental earthquake insurance	-	-	-	-	-	
Health insurance	147,400	-	-	175	147,225	
Foreign reinsurance	-	-	203,427	26,566	176,861	
Overseas subsidiaries	1,066,355	-	245,765	206,250	1,105,870	
Subtotal	9,330,932	17	569,650	1,522,170	8,378,429	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	764,899	-	219,012	453,622	530,289	
Compulsory commercial auto liability insurance	345,827	-	15,745	206,841	154,731	
Compulsory motorcycle liability insurance	854,498	-	455,233	507,551	802,180	
Subtotal	1,965,224	-	689,990	1,168,014	1,487,200	
Total	$ **11,296,156**	**17**	**1,259,640**	**2,690,184**	**9,865,629**	

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the six months ended June 30, 2018

Item	Claim (included related expenses) (1)	Claim payment (2)	Reinsurance claim payment (3)	Claims recovered from reinsurance (4)	Retained claim payment (5) = (1)+(2)+(3)-(4)	Notes
Non-Compulsory insurance:						
Residential fire insurance	$ 6,660	-	-	-	6,660	
Long-term residential fire insurance	3,623	-	-	135	3,488	
Commercial fire insurance	427,569	-	228	102,246	325,551	
Long-term commercial fire insurance	-	-	-	-	-	
Inland cargo insurance	25,088	-	-	1,844	23,244	
Marine cargo insurance	141,757	-	(73)	65,831	75,853	
Marine hull insurance	56,193	-	-	24,692	31,501	
Fishing vessel insurance	15,501	-	-	11,019	4,482	
Aviation insurance	52,036	-	333	52,099	270	
Private passenger auto physical damage insurance	1,653,536	-	42,881	135,507	1,560,910	
Commercial auto physical damage insurance	81,437	-	1,305	3,614	79,128	
Private passenger auto insurance	1,949,895	-	39,374	97,856	1,891,413	
Commercial passenger auto insurance	528,122	-	6,022	7,333	526,811	
Personal liability insurance	790,301	-	283	189,302	601,282	
Professional liability insurance	60,565	-	-	27,876	32,689	
Engineering insurance	166,183	-	246	43,966	122,463	
Nuclear insurance	-	-	88	-	88	
Fidelity and surety insurance	7,586	-	1,055	4,168	4,473	
Credit insurance	5,338	-	-	7,714	(2,376)	
Other property insurance	10,365	-	4	8,894	1,475	
Accident insurance	1,154,476	3	646	5,823	1,149,302	
Commercial earthquake insurance	107,246	-	34	73,852	33,428	
Personal multiple insurance	64,682	-	-	7,280	57,402	
Commercial multiple insurance	3,443	-	-	(357)	3,800	
Typhoon and flood insurance	281,800	-	122	209,204	72,718	
Governmental earthquake insurance	7,560	-	10,276	7,568	10,268	
Health insurance	104,522	-	-	39	104,483	
Foreign reinsurance	-	-	184,298	49,475	134,823	
Overseas subsidiaries	1,128,031	-	171,748	184,692	1,115,087	
Subtotal	8,833,515	3	458,870	1,321,672	7,970,716	
Compulsory insurance:						
Compulsory private passenger auto liability insurance	636,568	-	192,190	379,026	449,732	
Compulsory commercial auto liability insurance	281,485	-	13,191	166,283	128,393	
Compulsory motorcycle liability insurance	640,944	-	453,219	383,784	710,379	
Subtotal	1,558,997	-	658,600	929,093	1,288,504	
Total	$ 10,392,512	3	1,117,470	2,250,765	9,259,220	

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Disclosure of each dangerous unit's retention limit:

The details of each dangerous unit's retention limit were as follows:

(i) Fire insurance: $1 billion.

(ii) Marine insurance:

1) Fishing vessels insurance: $1 billion.

2) Marine hull insurance: $1 billion.

3) Marine cargo insurance: $1 billion.

(iii) New insurance:

1) Personal liability insurance: $1 billion.

2) Professional liability insurance: $1 billion.

3) Other property insurance: $1 billion.

4) Fidelity and surety insurance: $1 billion.

5) Accident insurance: $1 billion.

6) Credit insurance: $1 billion.

7) Commercial multiple: $1 billion.

8) Personal multiple insurance: $ 100 million

(iv) Engineer insurance:

1) Engineer insurance: $1 billion.

2) Engineer bond insurance: $1 billion.

3) Nuclear insurance: $1 billion.

(v) Motor insurance:

1) Physical loss insurance: $50 million.

2) Third party liability insurance(including twice the insured amount or tenfold of the insured amount): $ 250 million

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(e) Reserves accrued and recovered for compulsory motor and motorcycle insurance:

For the six months ended June 30, 2019

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory auto liability insurance	$ 599,405	600,059	(599,405)	600,059	
Compulsory motorcycle liability insurance	929,792	966,963	(929,792)	966,963	
Special reserve					
Compulsory auto liability insurance	570,855	-	(72,999)	497,856	
Compulsory motorcycle liability insurance	572,515	-	(177,430)	395,085	
Claim reserve					
Compulsory auto liability insurance	1,050,961	1,062,065	(1,050,961)	1,062,065	
Compulsory motorcycle liability insurance	961,185	964,380	(961,185)	964,380	
Total	**$ 4,684,713**	**3,593,467**	**(3,791,772)**	**4,486,408**	

For the six months ended June 30, 2018

Type	Beginning	Provision	Recovery	Ending	Note
Unearned premium reserve					
Compulsory auto liability insurance	$ 577,623	589,229	(577,623)	589,229	
Compulsory motorcycle liability insurance	866,499	901,211	(866,499)	901,211	
Special reserve					
Compulsory auto liability insurance	533,907	-	(11,597)	522,310	
Compulsory motorcycle liability insurance	761,190	-	(175,348)	585,842	
Claim reserve					
Compulsory auto liability insurance	981,564	1,025,711	(981,564)	1,025,711	
Compulsory motorcycle liability insurance	843,359	890,641	(843,359)	890,641	
Total	**$ 4,564,142**	**3,406,792**	**(3,455,990)**	**4,514,944**	

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(f) Financial assets and liabilities that have significant influence are listed below:

	June 30, 2019		
	Amount	**Rate**	**NT$ Amount**
Financial Assets			
Monetary Item			
USD	$ 548,535	31.0793	17,048,085
CNY	420,664	4.5211	1,901,863
HKD	29,977	3.9809	119,336
GBP	720	39.4039	28,375
JPY	52,693	0.2883	15,191
CHF	519	31.8918	16,560
SEK	290	3.3536	972
EUR	1,765	35.3763	62,440
CAD	35	23.7317	823
AUD	97	21.7884	2,117
SGD	84	22.9747	1,933
DKK	1,025	4.7410	4,860
PHP	18,275	0.6058	11,071
THB	40,303	1.0133	40,839
VND	677,329,835	0.0013	903,558
ZAR	13	2.1971	29
Non-Monetary Item			
USD	125,615	31.0793	3,904,024
CNY	502,090	4.5211	2,269,999
EUR	4,907	35.3763	173,602
HKD	255,771	3.9809	1,018,200
Derivative Financial instrument			
USD	888	31.0793	27,589
Long-term equity investment under equity method			
CNY	53,957	4.5211	243,947
Financial Liabilities			
Derivative Financial Instrument			
USD	3,713	31.0793	115,394

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2018		
	Amount	Rate	NT$ Amount
Financial Assets			
Monetary Item			
USD	$ 557,278	30.7515	17,137,147
CNY	558,398	4.4661	2,493,861
HKD	6,970	3.9279	27,378
GBP	713	38.8847	27,736
JPY	191,347	0.2783	53,252
CHF	476	31.1814	14,855
SEK	131	3.4277	448
EUR	1,241	35.1830	43,680
CAD	35	22.5843	787
AUD	97	21.6757	2,109
SGD	97	22.4813	2,170
DKK	960	4.7156	4,525
PHP	15,552	0.5843	9,087
THB	31,092	0.9453	29,392
VND	619,369,697	0.0013	817,568
Non-Monetary Item			
USD	130,493	30.7515	4,012,864
HKD	176,750	3.9279	694,255
EUR	3,068	35.1830	107,946
CNY	402,335	4.4661	1,796,870
Derivative Financial Instrument			
USD	944	30.7515	29,021
Long-term equity investment under equity method			
CNY	61,495	4.4661	274,643
Financial Liabilities			
Derivative Financial Instrument			
USD	2,175	30.7515	66,889

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	June 30, 2018		
	Amount	**Rate**	**NT$ Amount**
Financial Assets			
Monetary Item			
USD	$ 563,328	30.5028	17,183,085
CNY	416,114	4.6039	1,915,746
HKD	4,470	3.8877	17,377
GBP	628	40.1735	25,210
JPY	167,212	0.2754	46,050
CHF	472	30.7296	14,511
SEK	78	3.4159	267
EUR	1,739	35.5598	61,853
CAD	42	23.0752	960
AUD	80	22.5559	1,799
SGD	109	22.3885	2,442
DKK	899	4.7699	4,288
PHP	15,435	0.5715	8,821
THB	33,405	0.9210	30,766
VND	506,249,624	0.0013	673,312
Non-Monetary Item			
USD	121,576	30.5028	3,708,406
HKD	248,895	3.8877	967,629
EUR	3,449	35.5598	122,648
CNY	554,394	4.6039	2,552,374
Derivative Financial Instrument			
USD	577	30.5028	17,615
Long-term equity investment under equity method			
CNY	28,771	4.6039	132,461
Financial Liabilities			
Derivative Financial Instrument			
USD	18,560	30.5028	566,145

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(g) The Group is expected within 12 months of the balance sheet date or exceed the total amount paid or recovered after 12 months is as following:

	June 30, 2019		
Assets	**Recovered within 12 months**	**Recovered after 12 months**	**Total**
Cash and cash equivalents	$ 9,248,743	-	9,248,743
Receivables	7,282,184	-	7,282,184
Financial assets at fair value through profit or loss	25,198,387	36,073	25,234,460
Financial assets at amortized cost	-	2,571,873	2,571,873
Investments accounted for using equity method, net	-	243,947	243,947
Other financial assets	102,409	271,266	373,675
Financial assets at fair value through other comprehensive income	158,056	23,232,070	23,390,126
Right-of-use assets	-	242,954	242,954
Investment property	-	10,748,409	10,748,409
Reinsurance assets	19,562,266	-	19,562,266
Property and equipment	-	3,526,745	3,526,745
Intangible assets	-	116,768	116,768
Deferred tax assets	40,892	878,721	919,613
Other assets	-	2,065,871	2,065,871
Total assets	**$ 61,592,937**	**43,934,697**	**105,527,634**

	June 30, 2019		
Liabilities	**Paid within 12 months**	**Paid after 12 months**	**Total**
Accounts payable	$ 12,472,113	-	12,472,113
Current tax liabilities	263,435	-	263,435
Financial liabilities measured at fair value through profit or loss	115,394	-	115,394
Insurance liabilities	53,914,410	-	53,914,410
Lease liabilities	107,482	121,504	228,986
Deferred tax liabilities	565,581	984,311	1,549,892
Other liabilities	-	1,456,877	1,456,877
Provisions	-	1,395,856	1,395,856
Total liabilities	**$ 67,438,415**	**3,958,548**	**71,396,963**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Assets	December 31, 2018 Recovered within 12 months	Recovered after 12 months	Total
Cash and cash equivalents	$ 8,477,179	-	8,477,179
Receivables	4,857,637	-	4,857,637
Financial assets at fair value through profit or loss	21,862,151	40,511	21,902,662
Financial assets amortized at cost	-	3,678,259	3,678,259
Investment accounted for using equity method, net	-	274,643	274,643
Other financial assets	984,642	15,979	1,000,621
Financial assets at fair value through other comprehensive income	156,936	21,744,165	21,901,101
Investment property	-	10,798,611	10,798,611
Reinsurance assets	18,102,256	-	18,102,256
Property and equipment	-	3,513,399	3,513,399
Intangible assets	-	133,027	133,027
Deferred tax assets	43,179	1,077,075	1,120,254
Other assets	-	1,961,815	1,961,815
Total assets	$ **54,483,980**	**43,237,484**	**97,721,464**

Liabilities	December 31, 2018 Paid within 12 months	Paid after 12 months	Total
Accounts payable	$ 10,978,591	-	10,978,591
Current tax liabilities	207,547	-	207,547
Financial liabilities measured at fair value through profit or loss	66,889	-	66,889
Insurance liabilities	51,768,763	-	51,768,763
Deferred tax liabilities	-	1,363,577	1,363,577
Other liabilities	-	1,246,575	1,246,575
Provisions	-	1,559,177	1,559,177
Total liabilities	$ **63,021,790**	**4,169,329**	**67,191,119**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	June 30, 2018		
Assets	**Recovered within 12 months**	**Recovered after 12 months**	**Total**
Cash and cash equivalents	$ 7,877,129	-	7,877,129
Receivables	6,247,518	-	6,247,518
Financial assets at fair value through profit or loss	22,277,967	41,302	22,319,269
Financial assets amortized at cost	-	3,598,363	3,598,363
Investment accounted for using equity method, net	-	132,461	132,461
Other financial assets	375,794	36,051	411,845
Financial assets at fair value through other comprehensive income	159,943	22,271,295	22,431,238
Investment property	-	10,679,892	10,679,892
Reinsurance assets	19,264,782	-	19,264,782
Property and Equipment	-	3,539,820	3,539,820
Intangible assets	-	98,560	98,560
Deferred tax assets	120,408	955,469	1,075,877
Other assets	-	2,082,449	2,082,449
Total assets	**$ 56,323,541**	**43,435,662**	**99,759,203**

	June 30, 2018		
Liabilities	**Paid within 12 months**	**Paid after 12 months**	**Total**
Accounts payable	$ 11,318,838	-	11,318,838
Current tax liabilities	389,884	-	389,884
Financial liabilities measured at fair value through profit or loss	566,145	-	566,145
Insurance liabilities	52,724,862	-	52,724,862
Deferred tax liabilities	-	1,277,190	1,277,190
Other liabilities	-	926,648	926,648
Provisions	-	1,460,224	1,460,224
Total liabilities	**$ 64,999,729**	**3,664,062**	**68,663,791**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(h) Compulsory auto liability insurance

(i) Compulsory auto liability insurance assets and liabilities

Item	Amount June 30, 2019	Amount June 30, 2018	Item	Amount June 30, 2019	Amount June 30, 2018
Assets			Liabilities		
Cash and cash in bank	$ 3,314,538	3,363,711	Claims payable	36,675	23,655
Notes receivable	72,237	85,223	Due to reinsurance and ceding companies	539,164	515,675
Premiums receivable	71,004	67,526	Unearned premium reserve	2,845,606	2,714,665
Claims recoverable from reinsurers	750,616	527,898	Claim reserve	3,667,141	3,387,854
Due from reinsurers and ceding companies	196,214	188,762	Special reserve	892,941	1,108,152
Financial assets at fair value through other comprehensive income	650,215	816,653	Temporary receipts and suspense accounts	19,722	16,345
Coded unearned premium reserve	1,278,584	1,224,225			
Coded claim reserve	1,640,696	1,471,502			
Temporary payments and suspense accounts	27,145	20,846			
Total Assets	$ 8,001,249	7,766,346	Total Liabilities	$ 8,001,249	7,766,346

(ii) Compulsory auto liability insurance revenues and cost

Item	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Operating revenues	$ 1,251,070	1,192,988
Pure premium	1,767,433	1,701,071
Reinsurance premium	576,004	552,176
Premium	2,343,437	2,253,247
Less : reinsurance expense	(1,060,459)	(1,020,643)
Net change in unearned premium reserve	(37,825)	(46,318)
Retained earned premium	1,245,153	1,186,286
Interest income	5,917	6,702
Operating costs	1,251,070	1,192,988
Insurance claim payment	1,965,224	1,558,997
Reinsurance claim payment	689,990	658,600
Less : Claims recovered from reinsurers	(1,168,014)	(929,093)
Retained claim payment	1,487,200	1,288,504
Net change in claim reserve	14,299	91,429
Net change in special reserve	(250,429)	(186,945)

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) When conducting business or transaction, joint business promotion as well as information and facilities sharing with Fubon Financial Holdings Co., Ltd and other associates, the method to split income, cost, expense and profit or loss is to directly attribute them to each counterparties based on the business characteristics.

(j) The details of the market values of investments which were held for investment purpose by the discretionary investment trust fund: None.

(k) Information regarding to discontinued operations: None.

(l) Material revolutions of adjustments of organization and management policy: None.

(m) Material influence because of the regulations changed: None.

(n) The Loan because of paying large amount of claims: None.

(o) Disclosure of catastrophe special reserve and equalization special reserve:

For the six months ended June 30, 2019 and 2018, the influence on the Group for not applying the notification on net income before tax, liabilities, and equity of the Group resulted in a decrease of $0, a decrease of $5,337,311, an increase of $3,106,725, a decrease of $0, a decrease of $5,635,617, and an increase of $3,301,052, respectively. The influence on the Group for not applying the notification both resulted in a decrease in the EPS by $0.00, respectively.

(p) Disclosure of the special reserve for resident earthquake insurance:

For the six months ended June 30, 2019 and 2018, the influence on the Group for not applying the notification on net income before tax, liabilities, and equity of the Group both resulted in a decrease of $0, a decrease of $382,238 and an increase of $305,790. The influence on the Group for not applying the notification both resulted in a decrease in the EPS by $0.00.

(q) Disclosure of the special reserve for nuclear insurance:

For the six months ended June 30, 2019 and 2018, the influence on the Group for not applying the notification on liabilities and equity of the Group both resulted in a decrease of $84,093, and an increase of $67,274.

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) OTHER DISCLOSURES:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

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

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

(iii) Sales and purchase with related party over $100,000 or 20% of capital: Please refer to note 7(a).

(iv) Account receivable with related party over $100,000 or 20% of capital: None

(v) Information on derivative transactions: Please refer to note 6 (i)

(vi) The significant influence on invested company:

For the six months ended June 30, 2019

			Nature of	Intercompany transactions			
No.	Name of company	Name of counter-party	relationship	Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Fubon insurance Co., Ltd.	Fubon insurance (Vietnam) Co., Ltd	1	due from reinsurers and ceding companies	4,133	The same as normal transaction	- %
"	"	"	1	due to reinsurers and ceding companies	929	"	- %
"	"	"	1	unearned premium reserve	29,278	"	0.03 %
"	"	"	1	claim reserve	29,807	"	0.03 %
"	"	"	1	reinsurance premium	16,195	"	0.08 %
"	"	"	1	reinsurance commission expense	3,679	"	0.02 %
"	"	"	1	insurance claim payment	4,417	"	0.02 %
"	"	Fubon P&C Insurance Co., Ltd.	1	due from reinsurers and ceding companies	45,439	"	0.04 %
"	"	"	1	due to reinsurers and ceding companies	22,612	"	0.02 %
"	"	"	1	unearned premium reserve	64,448	"	0.06 %
"	"	"	1	claim reserve	84,309	"	0.08 %
"	"	"	1	reinsurance premium	57,502	"	0.29 %
	"	"	1	reinsurance commission expense	16,619	"	0.08 %
"	"	"	1	insurance claim payment	60,077	"	0.30 %
"	"	"	1	ceded claim reserve	318	"	- %
"	"	"	1	ceded unearned premium reserve	2	"	- %
1	Fubon insurance (Vietnam) Co., Ltd	Fubon insurance Co., Ltd	2	due to reinsurers and ceding companies	4,133	"	- %
"	"	"	2	due from reinsurers and ceding companies	929	"	- %
"	"	"	2	ceded unearned premium reserve	29,278	"	0.03 %
"	"	"	2	ceded claim reserve	29,807	"	0.03 %
"	"	"	2	reinsurance expense	16,195	"	0.08 %
"	"	"	2	reinsurance commission received	3,679	"	0.02 %
"	"	"	2	claims recovered from reinsurers	4,417	"	0.02 %
2	Fubon P&C Insurance Co., Ltd.	"	2	due to reinsurers and ceding companies	45,439	"	0.04 %
"	"	"	2	due from reinsurers and ceding companies	22,612	"	0.02 %
"	"	"	2	ceded unearned premium reserve	64,448	"	0.06 %
"	"	"	2	ceded claim reserve	84,309	"	0.08 %
"	"	"	2	reinsurance expense	57,502	"	0.29 %
"	"	"	2	reinsurance commission received	16,619	"	0.08 %
"	"	"	2	claims recovered from reinsurers	60,077	"	0.30 %
"	"	"	2	claim reserve	318	"	- %
"	"	"	2	unearned premium reserve	2	"	- %

(Continued)

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Information on investees:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: June 30, 2019	Original investment amount: December 31, 2018	Balance as of June 30, 2019: Shares (thousands)	Balance as of June 30, 2019: Percentage of owner	Balance as of June 30, 2019: Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
Fubon insurance Co., Ltd.	Fubon broker (Thailand) Co., Ltd	Thailand	brokerage	2,765	2,765	29,384	48.97 %	24,869	1,493	731	Write off under consolidated financial statements
Fubon insurance Co., Ltd.	Fubon insurance (Vietnam) Co., Ltd	Vietnam	insurance	841,606	841,606	-	100.00 %	690,989	36,342	36,342	-
Fubon insurance Co., Ltd.	Fubon P&C Insurance Co., Ltd.	Xiamen	insurance	2,154,951	1,938,874	-	40.00 %	378,616	(132,494)	(52,998)	-
Fubon insurance Co., Ltd.	Fubon insurance broker (Philippines)Co., Ltd.	Philippines	brokerage	14,260	14,260	199,994	99.99 %	10,702	(598)	(598)	-
Fubon insurance Co., Ltd.	Shenzhen Teng Fu Bo Investment Limited	Shenzhen	investment consultation	492,122	486,135	-	31.10 %	243,947	(110,842)	(34,472)	-

(c) Information on investment in mainland China:

(i) The Company planned to invest CNY $400 million (the Company and Fubon life insurance Co., Ltd. each funded CNY $200 million) to set up Fubon Property and Casualty Insurance Co., Ltd. in Mainland China for insurance business. In September, 2012, the Group signed a joint investment contract with related parties, Fubon Property & Casualty Insurance Co., Ltd. and Xiamen Port Holding Group. The Company adopted to joint the subsidiaries' cash capital increased case through board resolution on July 3, 2017. It is approved and registered by the Financial Supervisory Commission per Gin Guan Bao Chan No. 10602080482. In addition, the Investment Commission, Ministry of Economic Affairs approved that the Company is allowed to invest another CNY 60,000,000 in Fubon Property & Casualty Insurance Co., Ltd. per Jing Shen (2) Zhi No. 10600226460 letter, and an investment amounted to CNY 48 million was remitted on September 13, 2018. The investment case was approved and registered by the China Banking and Insurance Regulatory Commission on January 3, 2019, which was established as the record date for the capital increase. As of June 30, 2019, Fubon Property & Casualty Insurance Co., Ltd has its authorized capital CNY $1.12 billion and accumulative its investment CNY $448 million.
On November 20, 2018, Fubon Property & Casualty Insurance Co., Ltd participated in the Shenzhen Tengfubo Investment Co.’s capital increase case with its original shareholding ratio. The capital increase case is expected to raise CNY $200 million that will be split into two phases. Fubon Property & Casualty Insurance Co., Ltd has already remitted an investment amount of CNY $46.65 million for the first phase on November 20, 2018. In additional, on July 3, 2019, Fubon Property & Casualty Insurance Co., Ltd has remitted an investment amount of CNY $15.55 million for the second phase. As of June 30, 2019, the authorized capital of Shenzhen Teng Fu Bo Investment Co, is amounted to CNY $350 million with Fubon Property & Casualty Insurance Co., Ltd invested an accumulative amount of CNY $108.85 million.

1) Information about investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
Fubon P&C Insurance Co., Ltd.	Property Insurance	5,407,932 (CNY1,120,000)	(a)	2,154,951	-	-	2,154,951	(132,494)	40.00%	(52,998)	378,616	-
Shenzhen Teng Fu Bo Investment Ltd.	Investment consultation	1,582,385 (CNY350,000)	(c)	-	-	-	-	(110,842)	12.44%	(13,789)	97,579	-

Note：Investment method is divided into four categories and is listed as follows:

(a) Directly invest in a Chinese company.

(b) Reinvest in the existing company in the third party and use the company to invest in a Chinese company.

(c) Other methods.

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,154,951 (CNY 448,000)	2,209,204 (CNY 460,000)	20,122,101

Note: The limit of investment is $13,414,734 according to article 13 of the Regulations Governing Foreign Investments by Insurance Companies.

3) Capital status and its profit and loss：No Significant investment:

4) Amount and provision methods of reserves please refer to Note 6 (O)

	June 30, 2019	December 31, 2018	June 30, 2018
Unearned premium reserve	$ 2,550,667	2,691,912	2,597,885
Claim reserve	1,465,652	1,366,745	1,486,670
Premium deficiency reserve	669,688	692,753	628,577
	$ 4,686,007	4,751,410	4,713,132

5) Ratio accounted for the total premium revenue of the parent company：8.34%

6) Ratio accounted for the total claim payment of the parent company: 10.53%

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

- Amount, ratio and the ending balance of relevant receivables and payables of core business items such as the insurance policy which the policy holder is the investee: None.
- Amount and profit and loss of property transaction : None.
- The highest balance, ending balance, interest rate interval and current interest amount of financing: None.
- Other significant transactions which would influence current profit and loss and other financial condition, such as the provision or receipt of labor service: None.

8) Reinsurance transaction with foreign insurance in Mainland China:

Names of companies	Amount
PICC Property and Casualty Company Limited	$ 1,009
PICC Property and Casualty Company Limited Shanghai Branch	(526)
China Continent Property & Casualty Insurance Company Ltd.	930
China Taiping Insurance (HK) Co., Ltd.	(864)
China Taiping Insurance (Singapore) Co., Ltd.	(233)
China Pacific Insurance (HK) Co., Ltd.	1,151
China Pacific Property Insurance Co., Ltd.	(4,632)
Ping An Property & Casualty Insurance Co. of China Ltd.	808
China Reinsurance (Group) Corporation	(2,480)
China Reinsurance (Group) Corporation Singapore Branch	(15,927)
China Property & Casualty Reinsurance Co., Ltd.	519
China United Property Insurance Company	20,087
Bank of China Insurance Company Limited	(191)
Tianping Property & Casualty Insurance Co., Limited	(28,468)
Anbang Property & Casualty Insurance Co., Ltd.	14,673
Qianhai Reinsurance Co., Ltd.	(7,910)
Lloyd'sSYND. 1084 CSL (Chaucer)	1,507

(Continued)

FUBON INSURANCE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Names of companies	Amount
Lloyd'sSYND. 1084 CSL (Chaucer, SG)	$ (4,974)
Lloyd'sSYND. 2088 CNR	(12)
Sunshine Property & Casualty Insurance Co., Ltd	6,160
Champion Property & Casualty Insurance Company Limited	1,140
YanZhao Property And Casualty Insurance Company	2,828
Samsung Property & Casualty Insurance Company (China), Ltd.	(1,764)
General Reinsurance AG Shanghai Branch	(8,530)
Hannover Ruckversicherung AG Shanghai Branch	(6,508)
Chubb Insurance(China) Company Limited	(6,574)
Allianz China General Insurance Company Limited	(3,203)
AXA Tianping P&C Insurance Co.,Ltd	(1,402)
The Tokio Marine&Nichido Fire insurance Company(China) Limited	(2,234)
Cathay Insurance	351
Lloyd's Insurance Company (China) Ltd	(4,599)
Liberty Mutua Insurance Company(China) Limited	(388)
Sompo Japan Nipponkoa Insurance(China) Co., Limited	5,793
Nipponkoa Insurance(China) Co., Limited	(454)
Swiss Reinsurance Company Beijing Branch.	(418)
Swiss Re Corporate Solutions Insurance China Ltd	(6,406)
Mitsui Sumitomo insurance(China) Company Limited	(161)
Starr Property and Casualty(China) Co., Limited	(581)
Hyundai Insurance (China) Company Limited	381
American International Group	(993)
Generali China Insurance Co.,Ltd.	(4)

9) Insurance transaction with people, company, or other organization in Mainland China: None.

(ii) Information on significant transactions of investment in Mainland China: None.

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group run their insurance business and provide insurance contract product in accordance with local insurance laws. They distinguish their reporting sectors by areas, including Taiwan, Vietnam and China, 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.

Other operating segments of the Group primarily conduct property insurance business and provide relevant products per the regulations of "Insurance Act". The abovementioned segments did not reach the quantitative threshold of reportable segment for the six months ended June 30, 2019 and 2018.

(b) Segment information

	For the three months ended June 30, 2019			
	Taiwan area	**Other area**	**Adjustment and reversal (note)**	**Total**
Revenues				
Revenue by external customers	$ 9,022,444	1,087,872	(11,144)	10,099,172
Revenue between segments	(21,483)	-	21,483	-
Total revenues	**$ 9,000,961**	**1,087,872**	**10,339**	**10,099,172**
Segment income	**$ 1,089,220**	**(82,362)**	**21,483**	**1,028,341**

	For the three months ended June 30, 2018			
	Taiwan area	**Other area**	**Adjustment and reversal (note)**	**Total**
Revenues				
Revenue by external customers	$ 8,645,204	1,067,834	(9,980)	9,703,058
Revenue between segments	(3,735)	-	3,735	-
Total revenues	**$ 8,641,469**	**1,067,834**	**(6,245)**	**9,703,058**
Segment income	**$ 1,465,692**	**(18,830)**	**3,735**	**1,450,597**

(Continued)

FUBON INSURANCE CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the six months ended June 30, 2019			
	Taiwan area	Other area	Adjustment and reversal (note)	Total
Revenues				
Revenue by external customers	$ 17,910,898	2,129,582	(20,298)	20,020,182
Revenue between segments	(16,523)	-	16,523	-
Total revenues	**$ 17,894,375**	**2,129,582**	**(3,775)**	**20,020,182**
Segment income	**$ 2,454,602**	**(90,576)**	**16,523**	**2,380,549**
Segment total assets	**$ 98,131,934**	**8,782,151**	**(1,386,451)**	**105,527,634**
Segment total liabilities	**$ 64,595,099**	**7,083,139**	**(281,275)**	**71,396,963**

	For the six months ended June 30, 2018			
	Taiwan area	Other area	Adjustment and reversal (note)	Total
Revenues				
Revenue by external customers	$ 17,140,316	2,171,688	(25,416)	19,286,588
Revenue between segments	(9,239)	-	9,239	-
Total revenues	**$ 17,131,077**	**2,171,688**	**(16,177)**	**19,286,588**
Segment income	**$ 2,986,573**	**(40,819)**	**9,239**	**2,954,993**
Segment total assets	**$ 92,632,968**	**8,457,777**	**(1,331,542)**	**99,759,203**
Segment total liabilities	**$ 61,999,919**	**7,050,091**	**(386,219)**	**68,663,791**

Note：The related adjustment and consolidated write-off entries are for preparing consolidated financial report.

(c) Important client information

The Group does not receive premium revenue from any single customer which exceeds 10% of the direct written premiums received and there is no need to disclose major customer information.