Stock Code：5865

# FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

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

**ADDRESS: 14F NO. 108, Sec. 1, Tun Hua S. Road, Taipei, Taiwan**
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Fubon Life Insurance Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of June 30, 2019, December 31, 2018, and June 30, 2018, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, changes in equity and 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 consolidated financial position of the Group as of June 30, 2019, December 31, 2018, and June 30, 2018, its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and with the International Accounting Standards 34 " Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

1. The valuation of financial instruments

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

   <u>Risk and description of the key audit matter:</u>

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

   <u>Procedures performed:</u>

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

2. The valuation of investment property

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

   <u>Risk and description of the key audit matter:</u>

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

   <u>Procedures performed:</u>

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

- Confirmed the presentation and disclosures of investment property were in accordance with IFRSs and Regulations Governing Preparation of Financial Reports by Insurance Enterprises;

- Assessed the appropriateness of the fair value of investment property measured by the management based on our understanding of public market information and review report issued by our engaged external appraisal firms.

3. The assessment of insurance liability

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

   Risk and description of the key audit matter:

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

   Procedures performed:

- Tested the effectiveness of internal control procedures related to insurance liability;

- Engaged our internal actuarial specialists to perform relevant audit procedures over insurance liability, including:

  - Inspected whether the methods and parameters of insurance liabilities were in accordance with insurance related regulations and administrative rules and relevant practical principles set by the Actuarial Institute of the Republic of China;

  - Selected samples to check the completeness of data used in the calculation of reserves and independently established models to recalculate the amount of reserves;

  - Analyzed the movement in insurance liability, including assessing the reasonableness of the amount of reserves appropriated by the management based on the understanding of industry and market;

  - Conducted liability adequacy test in order to assess the reasonableness of the testing scope and assumptions adopted by the management, including assessing the appropriateness of actuarial assumptions based on the internal data or industry experiences and the characteristics of insurance products.

**Other Matter**

Fubon Life Insurance Co., Ltd. has prepared its parent-company-only financial statement as of and for the six months ended June 30, 2019 and 2018, on which we have issued an unmodified opinion.

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

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chung, Tan Tan and Wu, Lin.

KPMG

Taipei, Taiwan (Republic of China)
August 16, 2019

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

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

# FUBON LIFE 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 6(A)) | $ 212,808,936 | 5 | 203,487,765 | 5 | 130,642,486 | 3 |
| 12000 | Receivables, net | 49,696,091 | 1 | 82,735,970 | 2 | 39,986,966 | 1 |
| 12600 | Current tax assets | 6,866,240 | - | 6,634,408 | - | 482,948 | - |
| 14110 | Financial assets at fair value through profit or loss (Note 6(B)) | 980,074,503 | 21 | 739,830,615 | 17 | 715,719,674 | 19 |
| 14190 | Financial assets measured at fair value through other comprehensive income (Note 6(B)) | 586,307,602 | 13 | 620,736,804 | 14 | 625,882,664 | 16 |
| 14130 | Financial assets for hedging (Note 6(B)) | 1,435,377 | - | 835,533 | - | 423,420 | - |
| 14145 | Financial assets measured at amortized cost (Note 6(B)) | 1,805,938,912 | 39 | 1,810,245,565 | 41 | 1,696,274,934 | 44 |
| 14150 | Investments accounted for using equity method, net (Note 6(D)) | 12,928,144 | - | 12,594,931 | - | 15,501,354 | - |
| 14180 | Other financial assets, net (Note 6(B)) | 2,213,449 | - | 848,263 | - | 898,048 | - |
| 14200 | Investment property, net (Note 6(F)) | 242,961,725 | 5 | 174,467,497 | 4 | 171,219,964 | 5 |
| 14300 | Loans (Note 6(B)) | 265,507,858 | 6 | 259,068,322 | 6 | 199,432,328 | 5 |
| 15000 | Reinsurance assets (Note 6(H)) | 2,165,620 | - | 2,251,433 | - | 1,927,191 | - |
| 16000 | Property, plant and equipment (Note 6(I)) | 19,690,093 | 1 | 19,874,386 | 1 | 19,559,762 | 1 |
| 16700 | Right-of-use assets (Note 6(J)) | 2,700,964 | - | - | - | - | - |
| 17000 | Total intangible assets (Note 6(K)) | 6,059,269 | - | 6,273,687 | - | 232,109 | - |
| 17800 | Deferred tax assets, net | 12,359,417 | - | 17,129,695 | - | 19,226,427 | - |
| 18000 | Other assets (Note 6(L)) | 27,507,104 | 1 | 59,078,339 | 1 | 60,624,129 | 2 |
| 18900 | Assets on insurance product, separated account (Note 6(M)) | 378,693,455 | 8 | 369,434,448 | 9 | 159,423,661 | 4 |
| | **Total assets** | **$ 4,615,914,759** | **100** | **4,385,527,661** | **100** | **3,857,458,065** | **100** |

| | | June 30, 2019 | | December 31, 2018 | | June 30, 2018 | |
|---|---|---|---|---|---|---|---|
| | **Liabilities and equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Liabilities** | | | | | | |
| 21000 | Accounts payable (Note 6(N)) | $ 52,480,789 | 1 | 82,266,615 | 2 | 27,790,700 | 1 |
| 21700 | Current tax liabilities | 1,112,882 | - | 960,320 | - | 2,119,508 | - |
| 23100 | Short-term debts (Note 6(O)) | 316,035 | - | - | - | 44,604 | - |
| 23200 | Financial liabilities at fair value through profit or loss (Note 6(B)) | 6,331,575 | - | 3,445,100 | - | 42,053,566 | 1 |
| 23300 | Financial liabilities for hedging (Note 6(B)) | 530,142 | - | 771,545 | - | 1,282,459 | - |
| 23500 | Bonds payable (Note 6(P)) | 61,284,180 | 1 | 63,115,172 | 2 | 55,000,000 | 2 |
| 23800 | Lease liabilities (Note 6(Q)) | 17,393,601 | 1 | - | - | - | - |
| 24000 | Insurance liabilities (Note 6(V)) | 3,739,558,782 | 81 | 3,608,933,882 | 82 | 3,282,570,435 | 85 |
| 24800 | Reserve for insurance with nature of financial instrument (Note 6(W)) | 3,579,131 | - | 3,523,635 | - | 3,757,529 | - |
| 24900 | Reserve for foreign exchange valuation (Note 6(X)) | 11,837,528 | - | 8,337,666 | - | 4,521,903 | - |
| 27000 | Liabilities reserve (Note 6(R)) | 13,497,224 | - | 13,506,839 | - | 7,176,558 | - |
| 28000 | Deferred tax liabilities | 9,191,107 | - | 4,134,917 | - | 4,126,150 | - |
| 25000 | Other liabilities | 20,102,806 | 1 | 16,438,000 | - | 12,054,368 | - |
| 26000 | Liabilities on insurance product, separated account (Note 6(M)) | 375,122,983 | 8 | 369,845,687 | 9 | 159,423,661 | 4 |
| | **Total liabilities** | 4,312,338,765 | 93 | 4,175,279,378 | 95 | 3,601,921,441 | 93 |
| | **Equity attributable to owners of parent** | | | | | | |
| | **Share capital** (Note 6(S)): | | | | | | |
| 31100 | Ordinary share | 110,831,140 | 2 | 110,831,140 | 3 | 82,969,690 | 2 |
| 31400 | Stock dividend to be distributed | - | - | - | - | 27,861,450 | 1 |
| | **Total share capital** | 110,831,140 | 2 | 110,831,140 | 3 | 110,831,140 | 3 |
| | **Capital surplus** (Note 6(S)): | | | | | | |
| 32100 | Capital surplus, additional paid-in capital | 7,052,235 | - | 7,052,235 | - | 7,052,235 | - |
| 32400 | Capital surplus, employee share options | 134,778 | - | 134,778 | - | 134,778 | - |
| 32600 | Capital surplus, others | 22,343,607 | 1 | 22,343,606 | 1 | 22,304,854 | 1 |
| | **Total capital surplus** | 29,530,620 | 1 | 29,530,619 | 1 | 29,491,867 | 1 |
| | **Retained earnings** (Note 6(S)): | | | | | | |
| 33100 | Legal reserve | 44,254,018 | 1 | 40,665,045 | 1 | 40,665,045 | 1 |
| 33200 | Special reserve | 77,378,414 | 2 | 61,416,058 | 1 | 61,136,784 | 2 |
| 33300 | Unappropriated retained earnings | 9,528,308 | - | 17,583,030 | - | 15,068,512 | - |
| | **Total retained earnings** | 131,160,740 | 3 | 119,664,133 | 2 | 116,870,341 | 3 |
| 34000 | **Other equity interest** (Note 6(S)) | 20,956,233 | 1 | (59,166,791) | (1) | (1,656,724) | - |
| | Total Equity attributable to owners of parent | 292,478,733 | 7 | 200,859,101 | 5 | 255,536,624 | 7 |
| 36000 | Non-controlling interests (Note 6(E)&(S)) | 11,097,261 | - | 9,389,182 | - | - | - |
| | **Total equity** | 303,575,994 | 7 | 210,248,283 | 5 | 255,536,624 | 7 |
| | **Total liability and equity** | **$ 4,615,914,759** | **100** | **4,385,527,661** | **100** | **3,857,458,065** | **100** |

**(See accompany notes to the consolidated financial statements)**

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

# FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

## (Expressed In Thousands of New Taiwan Dollars)

| | | For the three months ended June 30, | | | | For the six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | 2018 | | 2019 | | 2018 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| | **Operating Revenues:** | | | | | | | | |
| 41110 | Written premium | $ 160,049,583 | 77 | 121,869,571 | 75 | 316,878,518 | 76 | 252,411,811 | 76 |
| 51100 | Less: Reinsurance expense | 668,401 | - | 643,725 | - | 1,205,463 | - | 969,367 | - |
| 51310 | Net change in unearned premiums reserve | 116,657 | - | (42,872) | - | 250,002 | - | 37,783 | - |
| | Retained earned premium (Note 6(Z)) | 159,264,525 | 77 | 121,268,718 | 75 | 315,423,053 | 76 | 251,404,661 | 76 |
| 41300 | Reinsurance commission received | 12,858 | - | 13,109 | - | 25,508 | - | 23,689 | - |
| 41400 | Total fee income | 757,021 | - | 581,207 | - | 1,455,557 | - | 1,155,390 | 1 |
| | Net income (loss) from investments | | | | | | | | |
| 41510 | Interest income | 26,110,550 | 12 | 24,699,201 | 15 | 52,765,017 | 13 | 46,866,677 | 14 |
| 41521 | Gains (losses) on financial assets or liabilities at fair value through profit or loss | 13,403,095 | 6 | (51,657,993) | (32) | 61,024,332 | 15 | (29,894,335) | (9) |
| 41526 | Net gains (losses) from derecognition of financial assets at amortized cost | 523,576 | - | (221,416) | - | 581,066 | - | 903,350 | - |
| 41527 | Realized gains from financial assets measured at fair value through other comprehensive income | 3,461,365 | 2 | 2,637,736 | 2 | 8,244,420 | 2 | 6,034,811 | 2 |
| 41540 | Share of gain (loss) of associates and joint ventures accounted for using equity method | (61,825) | - | 371,111 | - | 12,975 | - | 515,575 | - |
| 41550 | Foreign exchange gains (losses), investments | 10,884,395 | 5 | 59,035,202 | 36 | 16,519,141 | 4 | 30,279,223 | 9 |
| 41560 | Net change in reserve for foreign exchange valuation (Note 6(X)) | (2,547,836) | (1) | (2,317,595) | (1) | (3,499,862) | (1) | (2,216,419) | (1) |
| 41570 | Gains (losses) on investment property | 287,982 | - | 1,228,520 | 1 | 1,048,044 | - | 2,578,874 | 1 |
| 41585 | (Reversal of) expected credit impairment loss on investments (Note 6(B)) | (500,564) | - | 351,189 | - | (590,395) | - | 258,502 | - |
| 41590 | Other net income (loss) from investments | (162,768) | - | (154,357) | - | (268,512) | - | (353,333) | - |
| 41600 | Profits (losses) reclassified to other comprehensive income using overlay approach (Note 6(B)) | (12,858,140) | (6) | 2,249,616 | 1 | (63,802,662) | (15) | 13,169,006 | 4 |
| 41800 | Other operating income | 248,370 | - | 106,363 | - | 347,433 | - | 163,478 | - |
| 41900 | Income on insurance product, separated account (Note 6(M)) | 10,396,530 | 5 | 5,188,648 | 3 | 26,193,758 | 6 | 10,506,653 | 3 |
| | **Total operating revenue** | 209,219,134 | 100 | 163,379,259 | 100 | 415,478,873 | 100 | 331,395,802 | 100 |
| | **Operating Costs:** | | | | | | | | |
| 51200 | Insurance claim payment | 129,045,962 | 62 | 80,008,628 | 49 | 224,416,422 | 54 | 142,646,941 | 43 |
| 41200 | Less: Claims recovered from reinsurers | 346,430 | - | 282,580 | - | 722,292 | - | 512,275 | - |
| | Retained claim payment (Note 6(Z)) | 128,699,532 | 62 | 79,726,048 | 49 | 223,694,130 | 54 | 142,134,666 | 43 |
| 51300 | Net change in insurance liability | 48,299,331 | 23 | 57,564,519 | 35 | 126,836,260 | 31 | 139,969,888 | 42 |
| 51380 | Net change in reserve for insurance with nature of financial instrument | 34,369 | - | 27,994 | - | 71,310 | - | 67,064 | - |
| 51400 | Acquisition expense | 9,814 | - | 12,354 | - | 21,019 | - | 22,214 | - |
| 51500 | Commission expense | 7,509,732 | 4 | 5,798,392 | 4 | 15,088,065 | 4 | 11,524,341 | 3 |
| 51700 | Finance costs | 569,275 | - | 440,313 | - | 1,141,763 | - | 781,261 | - |
| 51800 | Other operating costs | 300,850 | - | 348,660 | - | 638,834 | - | 739,530 | - |
| 51900 | Disbursements on insurance product, separated account (Note 6(M)) | 10,396,530 | 5 | 5,188,648 | 3 | 26,193,758 | 6 | 10,506,653 | 3 |
| | **Total operating costs** | 195,819,433 | 94 | 149,106,928 | 91 | 393,685,139 | 95 | 305,745,617 | 91 |
| | **Operating expenses:** | | | | | | | | |
| 58100 | General expenses | 3,471,247 | 1 | 2,963,393 | 2 | 6,746,215 | 1 | 5,835,524 | 2 |
| 58200 | Administrative expenses | 1,581,077 | 1 | 1,033,541 | 1 | 3,007,805 | 1 | 2,048,711 | 1 |
| 58300 | Staff training expenses | 17,358 | - | 14,862 | - | 30,698 | - | 27,613 | - |
| 58400 | (Reversal of) expected credit impairment loss on non-investments | (1,635) | - | 786 | - | (7,038) | - | 599 | - |
| | **Total Operating Expenses** | 5,068,047 | 2 | 4,012,582 | 3 | 9,777,680 | 2 | 7,912,447 | 3 |
| | **Net Operating Income** | 8,331,654 | 4 | 10,259,749 | 6 | 12,016,054 | 3 | 17,737,738 | 6 |
| 59000 | **Total non-operating income and expenses (Note 6(AA))** | 97,913 | - | 125,640 | - | 228,434 | - | 250,858 | - |
| | **Profit from continuing operations before income tax** | 8,429,567 | 4 | 10,385,389 | 6 | 12,244,488 | 3 | 17,988,596 | 6 |
| | **Income tax expense (profit) (Note 6(T))** | 546,416 | - | 593,191 | - | 1,220,170 | - | (1,095,106) | - |
| | **Net profit** | **$ 7,883,151** | **4** | **9,792,198** | **6** | **11,024,318** | **3** | **19,083,702** | **6** |
| 83000 | **Other comprehensive income:** | | | | | | | | |
| 83100 | **Items not classified into profit and loss** | | | | | | | | |
| 83110 | Remeasurement of defined benefit plans | $ (7,834) | - | - | - | (11,939) | - | - | - |
| 83120 | Revaluation of real estate property | - | - | - | - | - | - | 12,960 | - |
| 83190 | Valuation gains (losses) on equity instruments measured at fair value through other comprehensive income | (1,958,353) | (1) | (3,991,702) | (2) | 1,346,797 | - | (5,911,501) | (2) |
| 83130 | Share of other comprehensive income of associates and joint ventures accounted for using equity method -Items that are not or may not be reclassified subsequently to profit or loss | (2,576) | - | 2,855 | - | 6,247 | - | (8,182) | - |
| 83170 | Other items not to be reclassified into profit or loss | - | - | - | - | - | - | 266,952 | - |
| 83180 | No reclassification of items related to income taxes | 439,546 | - | 701,836 | - | (38,742) | - | 1,538,520 | - |
| | | (1,529,217) | (1) | (3,287,011) | (2) | 1,302,363 | - | (4,101,251) | (2) |
| 83200 | **Items may be classified into profit and loss** | | | | | | | | |
| 83210 | Exchange differences on translation, before tax | (202,746) | - | 279,574 | - | 327,087 | - | 172,100 | - |
| 83290 | Valuation gains (losses) on debt instruments measured at fair value through other comprehensive income | 11,047,850 | 5 | (7,335,200) | (4) | 21,965,295 | 5 | (27,443,591) | (8) |
| 83230 | Gains and losses on hedging instruments | 429,992 | - | (145,728) | - | 740,609 | - | (474,129) | - |
| 83240 | Share of other comprehensive income of associates and joint ventures accounted for using equity method -Items that are or may be reclassified subsequently to profit or loss | (184,552) | - | 163,046 | - | 5,177 | - | (193,626) | - |
| 83295 | Other comprehensive profits (losses) reclassified using overlay approach | 12,858,140 | 6 | (2,249,616) | (1) | 63,802,662 | 16 | (13,169,006) | (4) |
| 83280 | Reclassification of items related to income taxes | (2,507,770) | (1) | 551,360 | - | (7,723,737) | (2) | 5,255,030 | 2 |
| | | 21,440,914 | 10 | (8,736,564) | (5) | 79,117,093 | 19 | (35,853,222) | (10) |
| 83000 | **Other comprehensive income (after tax)** | 19,911,697 | 9 | (12,023,575) | (7) | 80,419,456 | 19 | (39,954,473) | (12) |
| 85000 | **Comprehensive income** | **$ 27,794,848** | **13** | **(2,231,377)** | **(1)** | **91,443,774** | **22** | **(20,870,771)** | **(6)** |
| | **Net profit attributable to:** | | | | | | | | |
| | Owners of parent | 7,827,597 | 4 | 9,792,198 | 6 | 10,896,162 | 3 | 19,083,702 | 6 |
| | Non-controlling interests | 55,554 | - | - | - | 128,156 | - | - | - |
| | | **$ 7,883,151** | **4** | **9,792,198** | **6** | **11,024,318** | **3** | **19,083,702** | **6** |
| | **Comprehensive income attributable to:** | | | | | | | | |
| 87100 | Owners of parent | **26,851,267** | **13** | **(2,231,377)** | **(1)** | 89,735,695 | 22 | (20,870,771) | (6) |
| | Non-controlling interests | 943,581 | - | - | - | 1,708,079 | - | - | - |
| | | **$ 27,794,848** | **13** | **(2,231,377)** | **(1)** | **91,443,774** | **22** | **(20,870,771)** | **(6)** |
| 97500 | **Basic earnings per share (expressed in dollars) (Note 6(U))** | **$** | **0.71** | | **0.88** | | **0.98** | | **1.72** |

**(See accompany notes to the consolidated financial statements)**

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

# FUBON LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY CHANGE

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

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | | Other equity items | | | | | | | | | | |
| | Ordinary share | Stock dividend to be distributed | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Gains or losses on effective portion of cash flow hedges | Gains (losses) on hedging instruments | Unrealized revaluation surplus | Other comprehensive profit (loss) reclassified using overlay approach | Total | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2018** | $ 82,969,690 | - | 29,460,334 | 34,167,456 | 69,033,945 | 39,282,358 | 142,483,759 | (5,824,426) | - | 23,983,161 | (299,649) | - | 117,454 | - | 17,976,540 | 272,890,323 | - | 272,890,323 |
| Effects of retrospective application | - | - | - | - | - | (752,791) | (752,791) | - | 11,910,410 | (23,983,161) | 299,649 | (299,649) | - | 22,284,899 | 10,212,148 | 9,459,357 | - | 9,459,357 |
| Equity at beginning of period after adjustments | 82,969,690 | - | 29,460,334 | 34,167,456 | 69,033,945 | 38,529,567 | 141,730,968 | (5,824,426) | 11,910,410 | - | - | (299,649) | 117,454 | 22,284,899 | 28,188,688 | 282,349,680 | - | 282,349,680 |
| Net income | - | - | - | - | - | 19,083,702 | 19,083,702 | - | - | - | - | - | - | - | - | 19,083,702 | - | 19,083,702 |
| Other comprehensive income | - | - | - | - | - | 270,573 | 270,573 | 389,635 | (28,091,018) | - | - | (367,705) | 11,044 | (12,167,002) | (40,225,046) | (39,954,473) | - | (39,954,473) |
| Total comprehensive income | - | - | - | - | - | 19,354,275 | 19,354,275 | 389,635 | (28,091,018) | - | - | (367,705) | 11,044 | (12,167,002) | (40,225,046) | (20,870,771) | - | (20,870,771) |
| Appropriation and distribution: | | | | | | | | | | | | | | | | | | |
| Recovered special reserve－negative net amount of other equity interest | - | - | - | - | (12,896,545) | 12,896,545 | - | - | - | - | - | - | - | - | - | - | - | - |
| Recovered special reserve-other | - | - | - | - | (6,453) | 6,453 | - | - | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | 6,497,589 | - | (6,497,589) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve from profit after tax | - | - | - | - | 3,248,794 | (3,248,794) | - | - | - | - | - | - | - | - | - | - | - | - |
| Common stock cash dividend | - | - | - | - | - | (5,973,818) | (5,973,818) | - | - | - | - | - | - | - | - | (5,973,818) | - | (5,973,818) |
| Common stock dividend | - | 27,861,450 | - | - | - | (27,861,450) | (27,861,450) | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－transferred from recovered contingency risk reserves | - | - | - | - | 431,746 | (431,746) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－the cost saved from hedging | - | - | - | - | 1,511,658 | (1,511,658) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－gains from the fluctuation of subsequent fair value measurement of investment property | - | - | - | - | (348,801) | 348,801 | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－others | - | - | - | - | 162,440 | (162,440) | - | - | - | - | - | - | - | - | - | - | - | - |
| Other changes in capital surplus: | | | | | | | | | | | | | | | | | | |
| Changes in investments in associates and joint ventures accounted for using equity method | - | - | 31,533 | - | - | - | - | - | - | - | - | - | - | - | - | 31,533 | - | 31,533 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | - | - | (10,379,634) | (10,379,634) | - | 10,379,634 | - | - | - | - | - | 10,379,634 | - | - | - |
| **Balance at June 30, 2018** | **$ 82,969,690** | **27,861,450** | **29,491,867** | **40,665,045** | **61,136,784** | **15,068,512** | **116,870,341** | **(5,434,791)** | **(5,800,974)** | **-** | **-** | **(667,354)** | **128,498** | **10,117,897** | **(1,656,724)** | **255,536,624** | **-** | **255,536,624** |
| **Balance, January 1, 2019** | $ 110,831,140 | - | 29,530,619 | 40,665,045 | 61,416,058 | 17,583,030 | 119,664,133 | (6,342,509) | (3,519,765) | - | - | (217,381) | 128,498 | (49,215,634) | (59,166,791) | 200,859,101 | 9,389,182 | 210,248,283 |
| Effects of retrospective application | - | - | - | - | 1,968,299 | (20,294) | 1,948,005 | - | - | - | - | - | - | - | - | 1,948,005 | - | 1,948,005 |
| Equity at beginning of period after adjustments | 110,831,140 | - | 29,530,619 | 40,665,045 | 63,384,357 | 17,562,736 | 121,612,138 | (6,342,509) | (3,519,765) | - | - | (217,381) | 128,498 | (49,215,634) | (59,166,791) | 202,807,106 | 9,389,182 | 212,196,288 |
| Net income | - | - | - | - | - | 10,896,162 | 10,896,162 | - | - | - | - | - | - | - | - | 10,896,162 | 128,156 | 11,024,318 |
| Other comprehensive income | - | - | - | - | - | (7,570) | (7,570) | 385,358 | 18,146,183 | - | - | 592,487 | - | 59,723,075 | 78,847,103 | 78,839,533 | 1,579,923 | 80,419,456 |
| Total comprehensive income | - | - | - | - | - | 10,888,592 | 10,888,592 | 385,358 | 18,146,183 | - | - | 592,487 | - | 59,723,075 | 78,847,103 | 89,735,695 | 1,708,079 | 91,443,774 |
| Appropriation and distribution: | | | | | | | | | | | | | | | | | | |
| Recovered special reserve－reversal of gains from the fluctuation of subsequent fair value measurement of investment property | - | - | - | - | (75,085) | 75,085 | - | - | - | - | - | - | - | - | - | - | - | - |
| Recovered special reserve－other | - | - | - | - | (7,476) | 7,476 | - | - | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | 3,588,973 | - | (3,588,973) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve from profit after tax | - | - | - | - | 2,492,991 | (2,492,991) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－transferred from recovered contingency risk reserves | - | - | - | - | 405,678 | (405,678) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－the cost saved from hedging | - | - | - | - | 2,247,522 | (2,247,522) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－gains from the fluctuation of subsequent fair value measurement of investment property | - | - | - | - | 520,144 | (520,144) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－negative net amount of other shareholders' equity interest | - | - | - | - | 8,285,634 | (8,285,634) | - | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve－other | - | - | - | - | 124,649 | (124,649) | - | - | - | - | - | - | - | - | - | - | - | - |
| Other changes in capital surplus: | | | | | | | | | | | | | | | | | | |
| Changes in investments in associates and joint ventures accounted for using equity method | - | - | 1 | - | - | - | - | - | - | - | - | - | - | - | - | 1 | - | 1 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | - | - | (1,275,921) | (1,275,921) | - | 1,275,921 | - | - | - | - | - | 1,275,921 | - | - | - |
| Recovery from disposal of special reserves transferred from investments in equity instruments measured at fair value through other comprehensive income of participating policies | - | - | - | - | - | (64,069) | (64,069) | - | - | - | - | - | - | - | - | (64,069) | - | (64,069) |
| **Balance at June 30, 2019** | **$ 110,831,140** | **-** | **29,530,620** | **44,254,018** | **77,378,414** | **9,528,308** | **131,160,740** | **(5,957,151)** | **15,902,339** | **-** | **-** | **375,106** | **128,498** | **10,507,441** | **20,956,233** | **292,478,733** | **11,097,261** | **303,575,994** |

**(See accompany notes to the consolidated financial statements)**

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

# FUBON LIFE INSURANCE CO., LTD.AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

## (Expressed In Thousands of New Taiwan Dollars)

| | For the six months ended June 30, 2019 | For the six months ended June 30, 2018 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit (loss) before tax** | $ 12,244,488 | 17,988,596 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 693,671 | 235,903 |
| Amortization expense | 177,726 | 113,910 |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | (75,582,049) | 48,900,717 |
| Net gain on financial assets measured at fair value through other comprehensive income | (7,561,776) | (5,378,821) |
| Net gain on derecognition of financial assets measured at amortized cost | (581,066) | (903,350) |
| Interest expense | 1,351,920 | 783,580 |
| Interest income | (52,765,017) | (46,866,677) |
| Dividend income | (10,113,498) | (6,822,441) |
| Net change in insurance liabilities | 127,086,262 | 140,007,671 |
| Net change in reserve for insurance with nature of financial instrument | 55,496 | 12,855 |
| Net change in reserve for foreign exchange valuation | 3,499,862 | 2,216,419 |
| (Reversal of) expected credit loss of investment | 590,395 | (258,502) |
| (Reversal of) expected credit loss of non-investment | (7,038) | 599 |
| Share of profit of associates and joint ventures accounted for using equity method | (12,975) | (515,575) |
| Loss (Gain) reclassified to other comprehensive income by using overlay approach | 63,802,662 | (13,169,006) |
| Loss on disposal of property, plant and equipment | 2,733 | 1,095 |
| Property, plant and equipment transferred to revenues | (10,785) | (773) |
| Unrealized foreign exchange gain | (19,673,859) | (42,211,026) |
| Loss (Gain) on fair value adjustment of investment property | 1,630,148 | (38,594) |
| Other items | 30 | 7,782 |
| **Total adjustments to reconcile profit (loss)** | 32,582,842 | 76,115,766 |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Decrease in accounts receivable | 36,398,312 | 10,621,960 |
| Increase in financial assets or liabilities at fair value through profit or loss | (159,474,986) | (63,002,224) |
| Decrease in financial assets measured at fair value through other comprehensive income | 63,165,797 | 83,967,703 |
| Decrease (Increase) in financial assets measured at amortized cost | 33,301,794 | (186,325,567) |
| Increase in other financial assets | (1,355,711) | (32,007) |
| Decrease (Increase) in reinsurance assets | 43,440 | (198,894) |
| Decrease (Increase) in other assets | 553,395 | (8,118,746) |
| **Total changes in operating assets** | (27,367,959) | (163,087,775) |
| **Changes in operating liabilities:** | | |
| Decrease in other payable | (29,674,629) | (1,515,635) |
| Increase (Decrease) in provisions | (169,673) | 188,901 |
| Increase in other liabilities | 3,664,806 | 132,479 |
| **Total changes in operating liabilities** | (26,179,496) | (1,194,255) |
| **Total adjustments** | (20,964,613) | (88,166,264) |
| Cash outflow generated from operations | (8,720,125) | (70,177,668) |
| Interest received | 40,931,463 | 34,335,319 |
| Dividends received | 6,902,702 | 4,298,070 |
| Interest paid | (1,405,910) | (238,124) |
| Dividends paid | - | (5,973,818) |
| Income taxes refund (paid) | 293,289 | (6,471,549) |
| **Net Cash flows from (used in) operating activities** | 38,001,419 | (44,227,770) |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of investments accounted for using equity method | - | (600,000) |
| Acquisition of property, plant and equipment | (92,499) | (155,960) |
| Proceeds from disposal of property, plant and equipment | 358 | 39 |
| Decrease (Increase) in refundable deposits | 330,321 | (5,944,704) |
| Acquisition of intangible assets | (36,597) | (34,419) |
| Increase in loans | (6,084,608) | (9,875,612) |
| Acquisition of investment properties | (21,137,270) | (801,356) |
| **Net cash flows from (used in) investing activities** | (27,020,295) | (17,412,012) |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term debts | 316,035 | 44,604 |
| (Repayments of) proceeds from issuing bonds | (1,621,980) | 20,000,000 |
| Payments of lease liabilities | (1,321,804) | - |
| **Net cash flows (used in) from financing activities** | (2,627,749) | 20,044,604 |
| **Effect of exchange rate changes on cash and cash equivalents** | 967,796 | (636,263) |
| **Net increase in cash and cash equivalents** | 9,321,171 | (42,231,441) |
| **Cash and cash equivalents at beginning of period** | 203,487,765 | 172,873,927 |
| **Cash and cash equivalents at end of period** | **$ 212,808,936** | **130,642,486** |

**(See accompany notes to the consolidated financial statements)**

## 1. ORGANIZATION AND BUSINESS ACTIVITY

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

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

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

The consolidated financial statements as of June 30, 2019, December 31, 2018 and June 30, 2018 comprise the Company and its subsidiaries, refer to Note 4(C) for further information. The parent and ultimate parent company of the Group is Fubon Financial Holding.

## 2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

On August 16, 2019, the consolidated financial statements were resolved by the board of directors and authorized for issuance afterward.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 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 Fubon Life Insurance Co., Ltd., 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(K).

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.

The Group recognizes the lease payments of short-term leases or leases of low-value assets as expenses directly.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Fubon Life Insurance Co., Ltd.,' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  - their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee' s incremental borrowing rate at the date of initial application.

  - an amount equal to the lease liability, 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.

  - 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.

- Leases previously classified as finance leases

  For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

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, besides right-of-use assets and lease liabilities recognized in accordance with the above-mentioned methods defined in "ii. As a lessee" in balance sheets, the Group applies fair value model to right-of-use assets that meet the definition of investment property.

The Group recognized additional $20,712,890 of right-of-use assets, $18,764,885 of lease liabilities and retained earnings increased by $1,948,005, which includes deferred tax amount of $486,720. Increase of retained earnings from fair value recognition of right-of-use assets that meet the definition of investment property amounts to $1,968,299, and the Group has recognized related special reserves at the same time.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.44%.

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 | $ 26,512,127 |
| Recognition exemption for: | |
| short-term leases | (19,054) |
| leases of low-value assets | (1,452) |
| | 26,491,621 |
| Discounted using the incremental borrowing rate at January 1, 2019 | 18,228,016 |
| Finance lease liabilities recognized as at December 31, 2018 | 209,152 |
| Lease liabilities recognized at January 1, 2019 | **$ 18,437,168** |

(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 |

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 significant changes are as follows:

(i) Amendments to IFRS 3 "Definition of a Business"

This amendment is a narrow-scope to improve the definition of a business and is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The Group assesses that an acquisition transaction, which constitutes a business under the previous definition, may be regarded as an asset acquisition based on the adoption of the amendments. The Group will continue to assess the impacts of this amendment on its consolidated financial position and financial performance.

(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 temporary agreement to delay the effective date of IFRS 17 to January 1, 2022. Official announcement of the agreement by IASB has yet to be made.

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

| Issuance / Release Dates | Standards or Interpretations | Content of amendment |
|---|---|---|
| September 11, 2014 | Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. |

| 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:<br>● 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.<br>● 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.<br>● Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue and insurance service fee. |

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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) Statement of compliance

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

(B) Basis of preparation

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

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

(C) Basis of consolidation

In accordance with the " International financial reporting guidelines recognized by FSC", similar underlying assets, liabilities, equity, income and expenses of the consolidated entities are summed up and eliminated, if necessary, in the preparation of the consolidated financial statements. The Group prepares its consolidated financial statements at the same reporting date.

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

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

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

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

| | | | Stockholder's equity (Holding %) | | |
|---|---|---|---|---|---|
| Investor Company | Subsidiary | Business Type | June 30, 2019 | December 31, 2018 | June 30, 2018 |
| The Company | Fubon Life Insurance (Vietnam) Co., Ltd. | Life insurance | 100 % | 100 % | 100 % |
| The Company | Fubon Life Insurance (Hong Kong) Co., Ltd. | Life insurance | 100 % | 100 % | 100 % |
| The Company | Fubon Hyundai Life Insurance Co., Ltd. (Note 1) | Life insurance | 62.06 % | 62.06 % | - % |
| The Company | Carter Lane (Guernsey) Ltd. | Real estate investment and management | 100 % | 100 % | 100 % |
| The Company | Bow Bells House (Jersey) Ltd. | Real estate investment and management | 100 % | 100 % | 100 % |
| The Company | Fubon MTL Property (Jersey) Ltd. | Real estate investment and management | 100 % | 100 % | 100 % |
| The Company | Fubon Ellipse (Belgium) S.A. (Note 2) | Real estate investment and management | 100 % | 100 % | 100 % |
| The Company | Fubon Ellipse (Jersey) Ltd. | Holding company | 100 % | 100 % | 100 % |
| The Company | Fubon Eurotower (Luxembourg) S. à r.l. (Note 3) | Real estate investment and management | 100 % | - % | - % |

Note 1: "Hyundai Life Insurance Co., Ltd." (hereinafter referred to as Hyundai Life Insurance) became a subsidiary of the Group in September, 2018, and was renamed to "Fubon Hyundai Life Insurance Co., Ltd. (hereinafter referred to as Fubon Hyundai Life Insurance)." The Group held 48.62% of shares of Hyundai Life Insurance before the combination, and regarded Hyundai Life Insurance as investment accounted for using equity method.

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

Note 3: Fubon Eurotower (Luxembourg) S. à r.l. became a subsidiary of the Group in April, 2019.

(D) Foreign exchange

(a) Foreign currency transaction

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

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

- Non-monetary equity instruments measured at fair value through other comprehensive income;

- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

- Qualifying cash flow hedges to the extent the hedge is effective.

(b) Foreign operations

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

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

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

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

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

(F) Cash and cash equivalents

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

(G) Financial instruments

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

(a) Financial assets

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

(1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at original cost plus accumulated amortization using the effective interest method. The amortized cost is adjusted 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.

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

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

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

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

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

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

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

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivables (except for those presented as accounts receivables but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(4) Loans and receivables

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

Loans and receivables are initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at initially recognized cost plus accumulated amortization using the effective interest method. The amortized cost is reduced by impairment losses. The Group adopts trade date accounting when loans and receivables are purchased or sold following the transaction practice.

(5) Impairment of financial assets

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

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

1) General approach to expected credit loss:

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

2) Simplified approach to expected credit loss:

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

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

(6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss.

On derecognition of a debt instrument other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part that continues to recognize under continuing involvement, and the part that is derecognized on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized on the basis of the relative fair values of those parts.

(7) Reclassification of financial assets

According to IFRS 9, only when the business model of the withholding financial assets change can the Group reclassify those financial assets that are influenced by the change.

(8) Overlay approach

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

(b) Financial liabilities

(1) Short term bonds

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

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

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

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

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

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

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

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

Financial liabilities at fair value through profit or loss and those designated as such at initial recognition are recognized as "financial liabilities at fair value through profit or loss" in the consolidated balance sheets. The changes in fair value are recognized as "gain or loss on financial assets and liabilities at fair value through profit or loss" in the consolidated statements of comprehensive income. However, the amount of change in the fair value of the financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, except that the treatment would create or enlarge accounting mismatch or it is a financial guarantee contract, and in this case, an entity shall present all gains or losses on that liability in profit or loss.

(3) Bonds payable

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

(4) Derecognition of financial liabilities

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

(c) Determination of fair value

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

(d) Offsetting of financial instruments

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

(e) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. When a derivative is a designated and effective hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

An embedded derivative is separated and accounted for as a derivative if the economic characteristics and risk of the embedded derivative are not closely related to those of the non-financial asset host contract which is not measured at fair value with change in fair value recognized in profit or loss.

The Group designates a part of its hedging instruments as a fair value hedge or cash flow hedge.

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

The Group shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

- Fair value hedges

  The gain or loss on the hedging instrument shall be recognized in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income.

  Any changes in the fair value attributable to the hedged risk of the hedged item are adjusted within the carrying amount and recognized in profit and loss. If the hedged item is a debt instrument that is measured at fair value through other comprehensive income, the hedging gains or losses on the hedged item shall be recognized in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, the hedging gains or losses shall remain in other comprehensive income. When hedging gains or losses are recognized as profit or loss, they shall be presented in the related line items of the hedged item on the statement of comprehensive income.

  When the Group discontinues hedge accounting for a fair value hedge for which the hedged item is a financial instrument measured at amortized cost, any adjustment arising from the hedged risk shall be amortized to profit or loss on the date when hedge accounting ceases to apply.

- Cash flow hedges

  When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in “other equity — gains (losses) on hedging instruments”. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or in the periods during which the hedged item affects the profit or loss, and is presented in the same accounting item with the hedged item recognized in the consolidated statement of comprehensive income. In addition, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in future periods, it shall immediately reclassify the amount in profit or loss.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge reserve (and costs of hedging) remains in equity until the hedged future cash flows are no longer expected to occur. Otherwise, that amount would be adjusted within the carrying amount of the non-financial item. For other cash flow hedges, it is reclassified to profit or loss in the same period or in the periods as the hedged expected future cash flows affect the profit or loss. However, if the hedged future cash flows are no longer expected to occur, the amount shall immediately be reclassified from cash flow reserve (and the cost of hedging reserve) to profit or loss.

(H) Securities lending

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

(I) Investment in associates

An associate is an entity in which the Group has significant influence over its financial and operating policies but has no control over it. Investments in associates are accounted for using the equity method and are recognized at cost on acquisition. The cost of investment includes transaction cost.

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

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

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

Since the goodwill that forms part of the carrying amount of investment in associates or joint venture is not separately recognized, it is not tested for impairment by applying the requirements for impairment testing goodwill in IAS 36. The Group has to determine whether there is any objective evidence that its net investment in the associate or joint venture is impaired at each reporting date in accordance with IAS 28. If there is an objective evidence of impairment, the investment is tested for impairment in accordance with IAS 36 by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. When recoverable amount is determined by the value in use of the net investment, the Group estimates:

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

(b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

(J) Joint venture

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

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

(K) Leases (applicable from January 1, 2019)

(i) Identifying a lease

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

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

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

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

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

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

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

(ii) As a leasee

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

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

The Group applies fair value model to right-of-use assets that meet the condition of investment property and classifies these assets as investment property.

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

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

- fixed payments less any receivable lease incentives;

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

- amounts expected to be payable under a residual value guarantee;

— exercise price for purchase options; and

— penalty for lease termination.

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

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

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; and

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option.

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

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

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

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

(iii) As a lessor

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

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

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

(L) Lease (applicable before December 31, 2018)

(a) Lessor

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

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

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

(b) Lessee

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

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

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

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

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

(M) Investment property

Investment property held by the Group is either to earn rental income or for capital appreciation or both owned either by the owner or by the lessee through possession of right-of-use assets, rather than for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purpose. Investment property is measured at cost on initial recognition, including transaction costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Costs of self-constructed investment property include the cost of raw materials and direct labor, and any other costs and capitalized costs directly attributable to bring the investment property to a working condition for its intended use. Investment property is subsequently measured at fair value, with any change in fair value shall be recognized in profit or loss. Except the property that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", investment property is accounted for in accordance with IAS 40 "Investment property".

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

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

(N) Property, plant and equipment

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

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

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

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

Land is not depreciated. Other assets are depreciated on a straight line basis over the estimated useful lives. For the lease asset before January 1, 2019, if there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life. The estimated useful lives of property, plant and equipment are as follows:

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

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

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

(O) Superficies (applicable before January 1, 2019)

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

(P) Reinsurance assets

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

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

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

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

Reinsurance shall arrange the impairment losses recognized and/or reversed in accordance with IFRS 4.

(Q) Intangible assets

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

The Group selects the cost model to measure subsequently to acquisition. Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives and they are reviewed at each balance sheet date to assess whether future economic benefits have been impaired or changed. Intangible assets with indefinite useful life are not amortized but assessed for impairment when they are reviewed annually or when there is an indication of impairment of an asset. In terms of investments accounted for using equity method, the carrying amount of goodwill is included in the carrying amount of the investments and the impairment losses of such investments are not distributed to goodwill and any other assets. The impairment losses are part of the carrying amount of the investments.

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

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

(R) Impairment – Non-financial assets

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

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

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

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

(S) Statutory deposits

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

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

(T) Separate account insurance product

The Group is engaged in selling investment-linked insurance policies. The payment of premiums, net of administrative expenses, is recorded in a separate account and is used only in the way agreed to by the policyholder. The assets in this separate account are measured at market value on valuation date. Net assets value is determined in accordance with related government regulations and TIFRS.

Regardless of whether or not the assets and liabilities arise from insurance contracts or investment contracts, such assets and liabilities are recorded as “Assets on insurance product, separate account” and “Liabilities on insurance product, separate account”, respectively.

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

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

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

(U) Insurance liability

(a) The Company

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

(1) Unearned Premiums Reserve

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

(2) Claim reserve

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

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

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

2) Injury insurance

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

(3) Liability reserve

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

Starting from 2003, for effective insurance contracts which adopt the dividend calculation formula prescribed under the Tai Tsai Bao No. 800484251 letter, the policy reserve is provided based on the currently reduced amount of dividend caused by the offset between interest margin and mortality margin for long term effective insurance contracts.

Starting from 2012, in accordance with the Gin Guan Bao Tsai No. 10102500530 letter and Article 11 of Value-added and Non-value-added Business Tax Act, a liability reserve based on 3% of sales is provided for purposes of writing off overdue loans or providing allowance for bad debts when the percentage of overdue loans is lower than 1%. Furthermore, based on the 19th rule of the "Regulations Governing the Provision of Various Reserves", the Company is allowed to recognize those written off Catastrophic risk reserve in " Life Insurance Liability Reserves-Catastrophic Risk Reserve."

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

(4) Special reserve

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

a) Catastrophic risk reserve

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

b) Contingency risk reserve

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

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

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

2) The pre-bonus pre-tax income of participating life insurance policies sold by the Company is assessed separately at the end of the year, in accordance with the Regulations. The income/loss and the amount of reclassification to retained earnings of the gains/losses on disposal of investments in equity instruments designated at fair value through other comprehensive income, allocation of participating and nonparticipating life insurance policies are also assessed according to the guidelines, and is reported to the competent authority. Such income is credited/debited to " special reserve - provision for bonus of participating policy" . This reserve is written off on the date of bonus announcement. If this reserve is insufficient, an additional "special reserve - provision for risk of bonus" is made to cover for the deficiency.

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

(5) Premium deficiency reserve

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

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

(6) Liability adequacy reserve

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

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

(b) Insurance liabilities of subsidiaries are life insurance liabilities reserves, unearned premium reserves and claims reserves that are in accordance with the insurance rules where the subsidiaries reside. The amount of these reserves are based on actuarial report issued by local government-certified actuaries.

(V) Reserve for insurance with nature of financial instrument

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

(W) Reserve for foreign exchange valuation

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

(X) Insurance contracts

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

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

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

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

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

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

(c) The additional payments are contractually based on:

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

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

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

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

(Y) Revenue recognition

(a) The Company

(1) Premium income and policy acquisition cost

For insurance contracts and financial products with discretionary participation feature, the first and the subsequent period premium is recognized as revenue when the insurance underwriting process is complete and the date for premium payment is due. The policy acquisition costs, such as commission expenses, are recognized as current expenses when the insurance contract becomes effective.

Premiums on insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “provision for insurance contracts with financial product features”. The insurance acquisition costs are offset against “provision for insurance contracts with financial product features” when the insurance contracts become effective.

Premiums on insurance contracts, which belong to investment-linked insurance and which are classified as financial products without discretionary participation feature, are recognized as “Liabilities on Insurance Product – Separate Account”, net of related expenses such as the front-end load and investment administration service charge. The insurance acquisition costs relating to investment administration service, including commission expenses and additional charges for the issuance of new contracts, are recognized as “deferred acquisition costs”.

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

The service charges normally collected from the policyholder of insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products non- discretionary participation feature, include contract administrative charge, investment administrative charge, rescinding charge and others. These charges are recognized as revenue upon collection. When the Company receives certain service charge which makes them obligated to provide future service (ex: front-end load), this service charge is initially treated as a deferred revenue and is recognized as revenue with the fulfillment of the obligations

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

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

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

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

(d) Fubon Hyundai Life Insurance Co., Ltd.

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

(Z) Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

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

(c) Termination benefits

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

(d) Short term employee benefits

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

(e) Other long-term employee benefits

Accounting treatment of other long-term employee benefits is the same as that of defined benefit plan. However, the related revaluation amounts of other long-term employee benefits are recognized in profit and loss.

(AA) Income Tax

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

(a) Current income tax

Income tax expense is calculated by the pre-tax profit multiplied by management's estimated effective tax rate and is recognized under current income tax expense.

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

(b) Deferred Tax

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

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

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

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

(c) Consolidated Tax Return

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

(AB) Earnings per share

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

(AC) Segment information

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

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The management will continue assessing estimates and assumptions and recognize the change in accounting estimates in the period of the change and affected future periods.

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

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

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

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

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

(B) Fair value of financial instruments

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

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

(C) Fair value of investment property

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

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

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

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

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

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

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

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

## 6. DETAILS OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

The details of this account are as follows:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Cash on hand | $ 36,342 | 35,935 | 35,574 |
| Cash in bank | 145,585,832 | 125,805,702 | 85,107,299 |
| Cash equivalents | 67,186,762 | 77,646,128 | 45,499,613 |
| | **$ 212,808,936** | **203,487,765** | **130,642,486** |

(B) Financial assets and liabilities

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

(1) Financial assets and liabilities 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:** | | | |
| Derivative instruments not used for hedging | | | |
| Forward exchange contracts | $ 911,348 | 801,021 | 1,438,890 |
| Foreign exchange swaps | 3,855,752 | 1,369,666 | 7,619 |
| Non-derivative financial assets | | | |
| Stocks | 395,990,201 | 347,053,459 | 405,764,728 |
| Corporate bonds | 1,197,697 | 1,446,731 | 1,576,663 |
| Financial bonds | 27,362,300 | 24,750,082 | 24,980,131 |
| Beneficiary certificate | 508,406,010 | 337,902,109 | 279,744,855 |
| Asset securitization beneficiary certificate | 2,361,519 | 1,760,366 | 1,132,034 |
| Structured products | 36,932,751 | 3,276,032 | 1,074,754 |
| Others | 3,056,925 | 21,471,149 | - |
| Total | **$ 980,074,503** | **739,830,615** | **715,719,674** |
| **Financial liabilities held-for-trading:** | | | |
| Derivative instruments not used for hedging | | | |
| Forward exchange contracts | $ 881,723 | 591,536 | 3,513,715 |
| Foreign exchange swaps | 5,449,852 | 2,853,564 | 38,539,851 |
| Total | **$ 6,331,575** | **3,445,100** | **42,053,566** |

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

The financial assets related to the investing activities of the issued insurance contracts to which the Group designates to apply the overlay approach are listed as follows:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Financial assets at fair value through profit or loss: | | | |
| Stocks | $ 395,990,201 | 347,053,459 | 405,764,728 |
| Corporate bonds | 1,197,697 | 1,446,731 | 1,576,663 |
| Financial bonds | 27,362,300 | 24,750,082 | 24,980,131 |
| Beneficiary certificate | 508,406,010 | 337,902,109 | 279,744,855 |
| Asset securitization products | 2,361,519 | 1,760,366 | 1,132,034 |
| Structured products | 36,932,751 | 3,276,032 | 1,074,754 |
| Others | 525,143 | 533,845 | - |
| Total | **$ 972,775,621** | **716,722,624** | **714,273,165** |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Gains reported in profit or loss for applying IFRS 9 | $ 28,419,191 | 11,735,074 | 89,709,398 | 13,058,829 |
| Less: gains reported in profit or loss if applied IAS 39 | (15,561,051) | (13,984,690) | (25,906,736) | (26,227,835) |
| Gains (Losses) on reclassified under the overlay approach | **$ 12,858,140** | **(2,249,616)** | **63,802,662** | **(13,169,006)** |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Gains (Losses) before adjustments | **$ 13,403,095** | **(51,657,993)** | **61,024,332** | **(29,894,335)** |
| Gains (Losses) after adjustments | **$ 544,955** | **(49,408,377)** | **(2,778,330)** | **(16,725,329)** |

There are no financial assets which newly meet the criterion having previously not met that criterion for the overlay approach for the six months ended June 30, 2019 and 2018.

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

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Debt instruments measured at fair value through other comprehensive income: | | | |
| Government bonds | $ 185,384,739 | 203,672,985 | 205,127,527 |
| Corporate bonds | 166,738,708 | 171,565,722 | 181,872,516 |
| Financial bonds | 128,303,292 | 151,250,312 | 150,566,376 |
| Asset securitization products | 27,134,990 | 26,038,080 | 26,702,501 |
| Loans | 6,215,133 | 9,166,983 | - |
| Others | 1,324,163 | - | - |
| Sub-total | 515,101,025 | 561,694,082 | 564,268,920 |
| Equity instruments measured at fair value through other comprehensive income: | | | |
| Stocks | 87,923,049 | 75,600,390 | 73,979,480 |
| Less: Statutory deposits | (16,716,472) | (16,557,668) | (12,365,736) |
| Total | **$ 586,307,602** | **620,736,804** | **625,882,664** |

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

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

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

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

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Held at the end of the period | **$ 681,953** | **646,957** | **681,953** | **649,805** |

Entity instruments that were disposed for the six months ended June 30, 2019 and 2018 did not recognize dividend during the reporting period.

The Group has sold stocks designated to be measured at fair value through other comprehensive income as a result of managing and rearranging portfolio. Details are as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Fair value at disposal | $ 1,817,910 | 7,191,461 | 4,026,600 | 22,090,697 |
| Cumulative losses on disposal (after tax) | $ (248,665) | (3,847,350) | (1,275,921) | (10,372,011) |

The above-mentioned cumulative losses on disposal have been transferred from other equity to retained earnings.

3) Please refer to Note 6(AD) for further information of credit risk and market risk.

4) For more information regarding the government bonds provided as pledged assets and collateral for transactions and operation guarantee, please refer to Note 8 "Pledged Assets".

5) The Group assesses the impairment of financial asset on June 30, 2019 and 2018. Please refer to Note 6(AD) for the movement in the loss allowance of debt instruments measured at FVOCI.

(3) Financial assets and liabilities for hedging:

The details are as follows:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fair Value hedge: | | | |
| Financial assets for hedging: | | | |
| Forward exchange contracts | $ - | 2,235 | - |
| Foreign exchange swaps | 780,911 | 364,663 | - |
| Financial liabilities for hedging: | | | |
| Forward exchange contracts | - | (71) | - |
| Foreign exchange swaps | (345,524) | (32,705) | - |
| Cash flow hedge: | | | |
| Financial assets for hedging: | | | |
| Interest rate swaps | 654,466 | 468,635 | 423,420 |
| Financial liabilities for hedging: | | | |
| Interest rate swaps | (184,618) | (738,769) | (1,282,459) |
| Total | $ 905,235 | 63,988 | (859,039) |

(4) Financial assets measured at amortized cost

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Government bonds | $ 150,997,556 | 149,078,727 | 128,812,529 |
| Corporate bonds | 829,163,832 | 824,392,252 | 750,990,943 |
| Financial bonds | 761,677,668 | 764,466,179 | 742,036,276 |
| Asset securitization products | 36,038,298 | 37,287,635 | 40,852,444 |
| Structured products | 19,889,717 | 26,629,910 | 24,900,000 |
| Negotiable certificates of deposit | 9,108,105 | 9,015,944 | 9,060,622 |
| Sub-total | 1,806,875,176 | 1,810,870,647 | 1,696,652,814 |
| Less: allowance for impairment | (936,264) | (625,082) | (377,880) |
| Total | **$ 1,805,938,912** | **1,810,245,565** | **1,696,274,934** |

1) The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

2) Please refer to Note 6(AD) for further information of credit risk.

3) For more information regarding the government bonds provided as pledged assets for transactions and repurchase agreement, please refer to Note 8 "Pledged Assets".

4) The Group assesses the impairment of financial asset on June 30, 2019 and 2018. Please refer to Note 6(AD) for the movement in the loss allowance of financial assets measured at amortized cost.

5) The gains/losses on disposal of financial assets measured at amortized cost and the carrying amount at the date of derecognition are as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Carrying amount at the date of derecognition | **$ 15,690,568** | **14,330,196** | **42,854,426** | **32,867,374** |
| Gains (Loss) on disposal | **$ 523,576** | **(235,826)** | **581,066** | **888,940** |

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

(5) Other financial assets:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Deposit reservation for settlement | $ 28,106 | 27,724 | 28,539 |
| Cash in bank | 3,580,524 | 2,215,551 | 2,245,641 |
| Less: Statutory deposits-other | (1,395,181) | (1,395,012) | (1,376,132) |
| Total | **$ 2,213,449** | **848,263** | **898,048** |

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

(6) Loans:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Life insurance loans | $ 70,490,781 | 71,392,396 | 54,149,663 |
| Premium loans | 11,968,809 | 11,718,446 | 11,367,131 |
| Secured loans | 176,593,946 | 169,370,875 | 135,929,668 |
| Unsecured loans | 8,850,652 | 8,916,133 | - |
| Overdue receivables | 9,462 | - | 25,188 |
| Less: Allowance for bad debts | (2,405,792) | (2,329,528) | (2,039,322) |
| Total | **$ 265,507,858** | **259,068,322** | **199,432,328** |

The reconciliations in loss allowance of loans for the six months ended June 30, 2019 and 2018, please refer to Note 6(AD).

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Cash and cash equivalents | $ 18,309,753 | 14,114,198 | 14,311,949 |
| Stocks | 26,883,888 | 17,940,512 | 25,035,105 |
| Beneficiary certificates | 1,252,762 | 1,076,642 | 443,502 |
| Financial bonds | 10,678,693 | 9,912,925 | 9,391,914 |
| Corporate bonds | 131,130,284 | 129,653,327 | 124,708,521 |
| Total | **$ 188,255,380** | **172,697,604** | **173,890,991** |

The limits of discretionary investment management agreements are as follows:

(Unit: thousands dollar)

| | | | |
|---|---|---|---|
| NTD | 11,000,000 | 11,000,000 | 8,000,000 |
| USD | 4,300,000 | 4,300,000 | 4,300,000 |

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

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Recognition of impairment loss: | | | | |
| Loans | $ (69,206) | (76,838) | (133,411) | (124,088) |
| Financial assets measured at fair value through other comprehensive income | (72,500) | - | (58,332) | - |
| Receivables | (50,910) | - | (88,233) | - |
| Financial assets measured at amortized cost | (307,839) | | (310,237) | - |
| Other financial asset - net amount | (109) | - | (182) | - |
| Reversal of impairment losses: | | | | |
| Financial assets measured at fair value through other comprehensive income | - | 109,053 | - | 122,149 |
| Financial assets measured at amortized cost | - | 314,932 | - | 255,757 |
| Receivables | - | 4,042 | - | 4,684 |
| Total | $ (500,564) | 351,189 | (590,395) | 258,502 |

(C) Derivatives and hedging accounting

(a) Derivatives

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

| | June 30, 2019 | | December 31, 2018 | | June 30, 2018 | |
|---|---|---|---|---|---|---|
| | Book Value | Nominal amount | Book Value | Nominal amount | Book Value | Nominal amount |
| Financial assets (liabilities) | | | | | | |
| Forward exchange contracts | $ 29,625 | 174,962,121 | 211,649 | 244,614,258 | (2,074,825) | 285,659,438 |
| Foreign exchange swaps | (1,158,713) | 985,481,910 | (1,151,940) | 1,094,765,874 | (38,532,232) | 1,072,456,587 |
| Interest rate swaps | 469,848 | 30,493,277 | (270,134) | 31,168,402 | (859,039) | 36,720,554 |
| Total | $ (659,240) | 1,190,937,308 | (1,210,425) | 1,370,548,534 | (41,466,096) | 1,394,836,579 |

(2) Derivatives are accounted for as follows:

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | Forward Exchange Contracts | Foreign Exchange Swaps | Interest Rate Swaps | Total |
| Financial assets at fair value through profit or loss | $ 911,348 | 3,855,752 | - | 4,767,100 |
| Financial liabilities at fair value through profit or loss | (881,723) | (5,449,852) | - | (6,331,575) |
| Financial assets for hedging | - | 780,911 | 654,466 | 1,435,377 |
| Financial liabilities for hedging | - | (345,524) | (184,618) | (530,142) |
| Total | **$ 29,625** | **(1,158,713)** | **469,848** | **(659,240)** |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Forward Exchange Contracts | Foreign Exchange Swaps | Interest Rate Swaps | Total |
| Financial assets at fair value through profit or loss | $ 801,021 | 1,369,666 | - | 2,170,687 |
| Financial liabilities at fair value through profit or loss | (591,536) | (2,853,564) | - | (3,445,100) |
| Financial assets for hedging | 2,235 | 364,663 | 468,635 | 835,533 |
| Financial liabilities for hedging | (71) | (32,705) | (738,769) | (771,545) |
| Total | **$ 211,649** | **(1,151,940)** | **(270,134)** | **(1,210,425)** |

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | Forward Exchange Contracts | Foreign Exchange Swaps | Interest Rate Swaps | Total |
| Financial assets at fair value through profit or loss | $ 1,438,890 | 7,619 | - | 1,446,509 |
| Financial liabilities at fair value through profit or loss | (3,513,715) | (38,539,851) | - | (42,053,566) |
| Financial assets for hedging | - | - | 423,420 | 423,420 |
| Financial liabilities for hedging | - | - | (1,282,459) | (1,282,459) |
| Total | **$ (2,074,825)** | **(38,532,232)** | **(859,039)** | **(41,466,096)** |

As of June 30, 2019, December 31 and June 30, 2018, the Group does not possess derivatives through discretionary investment management agreement.

(3) The Group enters into forward exchange contracts, foreign exchange swaps, and interest rate swaps primarily to hedge against exchange risk from foreign-currency denominated investments and interest rate fluctuation risk from bond investments.

(4) The unrealized gain or loss resulting from changes in fair value is recognized in gain (loss) on financial assets or liabilities at fair value through profit or loss:

| For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|
| 2019 | 2018 | 2019 | 2018 |
| **$ 4,728,373** | **(47,526,348)** | **147,472** | **(48,838,167)** |

(b) Hedge accounting

(1) Fair value hedge

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

(2) Cash flow hedge

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

The amount, timing and uncertainty of future cash flows:

| | Maturity | | | | |
|---|---|---|---|---|---|
| | **< 1 month** | **1~3 months** | **3 months ~ 1 year** | **1~5 years** | **>5 years** |
| **June 30, 2019** | | | | | |
| **Fair value hedge** | | | | | |
| Foreign exchange swaps | | | | | |
| Nominal amount | $ 17,789,877 | 31,763,780 | 8,101,612 | - | - |
| Average exchange rate (WON/USD) | 1,137.02 | 1,176.28 | 1,176.32 | - | - |
| Nominal amount | $ 1,242,247 | 311,010 | - | - | - |
| Average exchange rate (WON/NTD) | 37.35 | 37.28 | - | - | - |
| **Cash flow hedge** | | | | | |
| Interest rate swaps | | | | | |
| Nominal amount | $ - | - | 3,000,000 | 24,665,725 | 2,827,552 |
| Average fixed interest rate | - | - | 1.20 % | 1.54 % | 2.78 % |

| | Maturity | | | | |
|---|---|---|---|---|---|
| | < 1 month | 1~3 months | 3 months ~ 1 year | 1~5 years | >5 years |
| **December 31, 2018** | | | | | |
| **Fair value hedge** | | | | | |
| Forward exchange contracts | | | | | |
| Nominal amount | $ 162,374 | 188,375 | - | - | - |
| Average exchange rate (WON/USD) | 1,125.35 | 1,122.59 | - | - | - |
| Foreign exchange swaps | | | | | |
| Nominal amount | $ 309,932 | - | - | - | - |
| Average exchange rate (WON/NTD) | 36.63 | - | - | - | - |
| Nominal amount | $ 18,238,193 | 34,880,035 | 3,560,797 | - | - |
| Average exchange rate (WON/USD) | 1,124.99 | 1,122.15 | 1,119.24 | - | - |
| **Cash flow hedge** | | | | | |
| Interest rate swaps | | | | | |
| Nominal amount | $ - | - | - | 16,568,490 | 14,599,912 |
| Average fixed interest rate | - | - | - | 1.33 % | 1.94 % |

| | Maturity | | | | |
|---|---|---|---|---|---|
| | < 1 month | 1~3 months | 3 months ~ 1 year | 1~5 years | >5 years |
| **June 30, 2018** | | | | | |
| **Cash flow hedge** | | | | | |
| Interest rate swaps | | | | | |
| Nominal amount | $ - | - | - | 6,642,404 | 30,078,150 |
| Average fixed interest rate | - | - | - | 1.42 % | 1.72 % |

The hedging instruments used in hedging strategies are as follows:

| | Nominal amount of hedged items | Carrying amount of hedging instruments | | The line item in Balance Sheet that includes the hedging instrument | The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2019 |
|---|---|---|---|---|---|
| | | Assets | Liabilities | | |
| **June 30, 2019** | | | | | |
| **Fair value hedge** | | | | | |
| Exchange rate risk | | | | | |
| －Forward exchange contracts | $ - | - | - | None | (110,907) |
| －Foreign exchange swaps | $ 59,208,526 | 780,911 | (345,524) | Financial assets/ liabilities for hedging | (2,180,742) |
| **Cash flow hedge** | | | | | |
| －Interest rate swaps | $ 30,493,277 | 654,466 | (184,618) | Financial assets/ liabilities for hedging | (941,566) |

| | Nominal amount of hedged items | Carrying amount of hedging instruments | | The line item in Balance Sheet that includes the hedging instrument | The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2018 |
|---|---|---|---|---|---|
| | | Assets | Liabilities | | |
| **December 31, 2018** | | | | | |
| **Fair value hedge** | | | | | |
| Exchange rate risk | | | | | |
| －Forward exchange contracts | $ 350,749 | 2,235 | (71) | Financial assets/ liabilities for hedging | (337) |
| －Foreign exchange swaps | $ 56,988,957 | 364,663 | (32,705) | Financial assets/ liabilities for hedging | (619,444) |
| **Cash flow hedge** | | | | | |
| －Interest rate swaps | $ 31,168,402 | 468,635 | (738,769) | Financial assets/ liabilities for hedging | (97,781) |

| | Nominal amount of hedged items | Carrying amount of hedging instruments | | The line item in Balance Sheet that includes the hedging instrument | The change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for 2018 |
|---|---|---|---|---|---|
| | | Assets | Liabilities | | |
| **June 30, 2018** | | | | | |
| **Cash flow hedge** | | | | | |
| －Interest rate swaps | $ 36,720,554 | 423,420 | (1,282,459) | Financial assets/ liabilities for hedging | (499,174) |

The information of designated hedged items are as follows:

Fair value hedge:

| | Carrying amount of hedged items | | Accumulated amount of fair value adjustments on the hedged item | | The change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2019 | Accumulated amount of fair value adjustments that are still recognized on balance sheet but discontinues adjusting gains and losses on hedged items | Hedge ineffectiveness recognized in profit or loss | The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness |
|---|---|---|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | | | | |
| **June 30, 2019** | | | | | | | | |
| **Hedged items** | | | | | | | | |
| Financial assets at fair value through profit or loss - stocks | $ 3,797,989 | - | 74,347 | - | 74,769 | None | 42,418 | Financial costs |
| Financial assets measured at fair value through other comprehensive income - bonds | 629,178 | - | 11,326 | - | 50,826 | None | (10,675) | Financial costs |
| Financial assets measured at amortized costs - bonds and deposits | 55,303,787 | - | 1,116,271 | - | 1,842,650 | None | (355,147) | Financial costs |

| | Carrying amount of hedged items | | Accumulated amount of fair value adjustments on the hedged item | | The change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2018 | Accumulated amount of fair value adjustments that are still recognized on balance sheet but discontinues adjusting gains and losses on hedged items | Hedge ineffectiveness recognized in profit or loss | The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness |
|---|---|---|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | | | | |
| **December 31, 2018** | | | | | | | | |
| **Hedged items** | | | | | | | | |
| Financial assets at fair value through profit or loss - stocks | $ 214,049 | - | (167) | - | (57) | None | 20 | Financial costs |
| Financial assets measured at fair value through other comprehensive income - bonds | 2,457,526 | - | (127,960) | - | 31,535 | None | (11,130) | Financial costs |
| Financial assets measured at amortized costs - bonds and deposits | 52,292,105 | - | (748,083) | - | 340,686 | None | (236,508) | Financial costs |

## Cash flow hedge

| | The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2019 | Cash flow hedge reserve | The amount remained in the cash flow hedge reserve from discontinued hedge accounting | The change in value of the hedged instrument that were recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss | The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness | The amount reclassified from the cash flow hedge reserve into profit or loss | The line item in the statement of comprehensive income that includes the reclassification adjustment |
|---|---|---|---|---|---|---|---|---|
| **June 30, 2019** | | | | | | | | |
| **Hedged items** | | | | | | | | |
| Floating-rate bonds | $ (993,017) | 468,882 | Not applicable | 765,869 | (627) | Financial costs | (25,260) | Interest revenue |

| | The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2018 | Cash flow hedge reserve | The amount remained in the cash flow hedge reserve from discontinued hedge accounting | The change in value of the hedged instrument that were recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss | The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness | The amount reclassified from the cash flow hedge reserve into profit or loss | The line item in the statement of comprehensive income that includes the reclassification adjustment |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2018** | | | | | | | | |
| **Hedged items** | | | | | | | | |
| Floating-rate bonds | $ 120,120 | (271,727) | Not applicable | 96,875 | 1,593 | Financial costs | (8,737) | Interest revenue |

| | The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for 2018 | Cash flow hedge reserve | The amount remained in the cash flow hedge reserve from discontinued hedge accounting | The change in value of the hedged instrument that were recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss | The line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness | The amount reclassified from the cash flow hedge reserve into profit or loss | The line item in the statement of comprehensive income that includes the reclassification adjustment |
|---|---|---|---|---|---|---|---|---|
| **June 30, 2018** | | | | | | | | |
| **Hedged items** | | | | | | | | |
| Floating-rate bonds | $ 507,814 | (833,994) | Not applicable | (434,782) | (25,045) | Financial costs | (39,347) | Interest revenue |

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

| | | For the six months ended June 30, 2019 | For the six months ended June 30, 2018 |
|---|---|---|---|
| Opening balance | $ | (271,727) | (359,865) |
| Total amount recognized in other comprehensive income: | | | |
| Cash flow hedge- interest rate risk | | | |
| The change in the value of the hedging instruments recognized in other comprehensive income | | 765,869 | (434,782) |
| The amount reclassified from cash flow hedge reserve to profit or loss | | (25,260) | (39,347) |
| Ending balance | $ | **468,882** | **(833,994)** |

(D) Investments accounted for using equity method

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

| | | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Associates | $ | 12,549,528 | 12,400,793 | 15,206,169 |
| Joint ventures | | 378,616 | 194,138 | 295,185 |
| | $ | **12,928,144** | **12,594,931** | **15,501,354** |

(a) Associates

Relevant information of associates of the Group is as follows:

| | Book Value | | | Ownership interest and voting right percentage | | |
|---|---|---|---|---|---|---|
| Name of associate | June 30, 2019 | December 31, 2018 | June 30, 2018 | June 30, 2019 | December 31, 2018 | June 30, 2018 |
| CITIC Capital Holdings Limited | $ 8,861,648 | 8,804,540 | 8,613,044 | Percentage of ownership interests：18.00%<br>Percentage of voting rights：21.37% | Percentage of ownership interests：18.00%<br>Percentage of voting rights：21.37% | Percentage of ownership interests：18.00%<br>Percentage of voting rights：21.37% |
| Hyundai Life Insurance Co., Ltd. | - | | 3,313,169 | - | - | 48.62 % |
| Fubon Financial Holdings Venture Capital Co., Ltd. | 2,190,048 | 2,098,702 | 2,065,984 | 25.00 % | 25.00 % | 25.00 % |
| Star River Energy Co., Ltd. | 253,081 | 259,251 | 310,202 | 20.00 % | 20.00 % | 20.00 % |
| Star Shining Energy Co., Ltd. | 909,318 | 911,704 | 903,770 | 30.00 % | 30.00 % | 30.00 % |
| Whole Max Green Power Co., Ltd. | 335,433 | 326,596 | - | 30.00 % | 30.00 % | - |
| ZA Life Limited | - | - | - | 35.00 % | - | - |
| | $ **12,549,528** | **12,400,793** | **15,206,169** | | | |

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

| | For the 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 |
|---|---|---|---|---|
| Attributable to the Group: | | | | |
| Profit or loss after tax from continuing operations | $ (17,565) | 382,014 | 65,973 | 537,745 |
| Other comprehensive income | (180,429) | 174,982 | (6,243) | (180,625) |
| Comprehensive income | $ **(197,994)** | **556,996** | **59,730** | **357,120** |

For the three months ended June 30, 2019 and 2018, the share of profit (loss) of associates accounted for using equity method amounting to $(14,219) and $11,243, and for the six months ended June 30, 2019 and 2018, the share of profit (loss) of associates accounted for using equity method amounting to $(2,764) and $13,958 respectively were recognized based on the financial report of the investee companies that have not been audited. As of June 30, 2019 and 2018, the relevant investment amounted to $1,497,832 $1,213,972.

(b) Joint venture interest:

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Proportion of ownership interest | **40 %** | **40 %** | **40 %** |
| Assets | $ **7,191,884** | **7,375,238** | **6,941,552** |
| Liabilities | $ **6,245,344** | **6,889,891** | **6,203,589** |
| Net assets of the Group (carrying amount of joint venture) | $ **378,616** | **194,138** | **295,185** |

| | 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 |
|---|---|---|---|---|
| Operating revenue | $ **986,894** | **985,853** | **1,956,991** | **2,012,936** |
| Profit or loss after tax from continuing operations | $ (110,649) | (27,256) | (132,494) | (55,425) |
| Other comprehensive income | (16,747) | (22,703) | 44,168 | (52,959) |
| Comprehensive income | $ **(127,396)** | **(49,959)** | **(88,326)** | **(108,384)** |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Attributable to the Group: | | | | |
| Profit or loss after tax from continuing operations | $ (44,260) | (10,903) | (52,998) | (22,170) |
| Other comprehensive income | (6,699) | (9,081) | 17,667 | (21,183) |
| Comprehensive income | $ (50,959) | (19,984) | (35,331) | (43,353) |

(c) Guarantee

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

(E) Material non-controlling interests of subsidiaries

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

| | | Percentage of non-controlling interests | |
|---|---|---|---|
| Subsidiaries | Main operation place | June 30, 2019 | December 31, 2018 |
| Fubon Hyundai Life Insurance Co., Ltd. (Note) | Korea | 37.94 % | 37.94 % |

(Note): The following information of the aforementioned subsidiaries have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Included in this information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Total assets | $ 436,416,947 | 481,787,324 |
| Total liabilities | (409,766,315) | (459,696,772) |
| Equity that belongs to non-ordinary shares | (2,714,572) | (2,775,114) |
| Net assets | $ 23,936,060 | 19,315,438 |
| Non-controlling interests | $ 11,097,261 | 9,389,182 |

| | For the three months ended June 30, 2019 | For the six months ended June 30, 2019 |
|---|---|---|
| Operating revenue | $ **19,659,878** | **28,014,583** |
| Net profit | $ 146,428 | 337,791 |
| Other comprehensive income | 2,369,623 | 4,222,289 |
| Comprehensive income | $ **2,516,051** | **4,560,080** |
| Profit, attributable to non-controlling interests | $ **55,554** | **128,156** |
| Comprehensive income, attributable to non-controlling interests | $ **943,581** | **1,708,079** |

| | For the six months ended June 30, 2019 |
|---|---|
| Net cash flows from (used in) operating activities | $ **(1,440,476)** |
| Net cash flows from (used in) investing activities | $ **(34,153)** |
| Net cash flows from (used in) financing activities | $ **(1,745,052)** |

(F) Investment property

| | Land | Buildings and other facilities | Construction in progress | Prepayments for building, land and equipment | Right of use asset | Total |
|---|---|---|---|---|---|---|
| Balance of January 1, 2019 | $ 123,142,043 | 46,341,050 | 3,648,561 | 53,638 | 1,282,205 | 174,467,497 |
| Adjustments in adapting IFRS 16 | - | - | - | - | 48,540,915 | 48,540,915 |
| Addition | 7,873,243 | 12,438,664 | 807,287 | - | - | 21,119,194 |
| Subsequent expenditures | - | 6,028 | - | 12,048 | - | 18,076 |
| Gains (losses) on fair value adjustments | 386,749 | (1,400,937) | - | - | (615,960) | (1,630,148) |
| Reclassification | - | 392 | 122,096 | (392) | - | 122,096 |
| Movement due to exchange rate differences | 86,302 | 220,672 | - | - | 17,121 | 324,095 |
| Balance of June 30, 2019 | $ **131,488,337** | **57,605,869** | **4,577,944** | **65,294** | **49,224,281** | **242,961,725** |
| Balance of January 1, 2018 | $ 123,167,938 | 43,781,499 | 1,478,188 | 57,868 | 1,747,321 | 170,232,814 |
| Addition | - | 1,147 | 780,071 | - | - | 781,218 |
| Subsequent expenditures | - | 15,266 | - | 4,872 | - | 20,138 |
| Gains (losses) on fair value adjustments | 1,342,660 | (883,468) | - | - | (420,598) | 38,594 |
| Reclassification | 122,078 | (62,443) | 238,956 | (12,496) | - | 286,095 |
| Foreign exchange gain or loss | (46,672) | (90,217) | - | - | (2,006) | (138,895) |
| Balance of June 30, 2018 | $ **124,586,004** | **42,761,784** | **2,497,215** | **50,244** | **1,324,717** | **171,219,964** |

Before December 31, 2018, if a property held by the Group under an operating lease meets the definition of investment property, the operating lease is accounted for as if it were a finance lease. As of December 31, 2018, and June 30, 2018, the carrying amount of assets under finance lease was $208,986 and $215,928, respectively. (Please refer to Note 6(N) - Accounts payable - the present value of the minimum lease payments.)

Effects of retrospective application to superficies held by the Group amounts to $48,540,915, including accumulated fair value adjustments $2,460,374.

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

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the Group engaged appraisers from professional valuation firms listing below to evaluate the fair value of investment properties based on the Regulations on Real Estate Appraisal, and the appraisal dates are June 30, 2019, December 31, 2018, and June 30, 2018:

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

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

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

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

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

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

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

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

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

(j) DTZ Cushman & Wakefield Real Estate Appraiser Office and Cushman & Wakefield Debenham Tie Leung Limited: Charlie Yang, John Bareham and Charles Smith

(k) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Limited：Tony Chao, James McTighe and Roger Meeds

(l) REPro Knight Frank and Knight Frank LLP：Jackie Wu, Matthew Cripps and Simon Gillespie

(m) DTZ Cushman & Wakefield Real Estate Appraiser Office and Cushman & Wakefield Belgium SA：Charlie Yang, Emeric Inghels, Christophe Ackermans

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

(o) Jones Lang LaSalle Real Estate Appraiser Firm and Jones Lang LaSalle Limited：Hsu Kuo Chun and Andrew Dolan

(p) Savills Valuation and Professional Services, Pacific Appraisal Co. Ltd. and Savills Korea Co., Ltd.: Chang Hung Kai, Chang Yi Chih, Changkue Joo, Minseok Choi, Jungu Kang and Youngsu Hwang

(q) Eure-Asia Property Evaluation Group and BNP Paribas Real Estate Advisory Belgium S.A.: Steven Chou, Jean-Claude Dubois and Nabil Mouloua

(r) REPro International Appraisals and Knight Frank SA/NV: Jackie Wu and Filip Derijck

(s) Savills Valuation and Professional Services, Pacific Appraisal Co. Ltd. and Savills Immobilien Beratungs - GmbH: Chang Yi Chih, Chirstian Glock and Drazenko Grahovac

(t) REPro International Appraisals, Knight Frank LLP, Knight Frank Valuation & Advisory GmbH & Co. KG : Jackie Wu, Caroline Bathgate and Chirstoph Gerlinger

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

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

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

Parameters primarily used are as below:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| | approx | approx | approx |
| Capitalization rate | 0.90%~8.00% | 0.90%~8.00% | 0.99%~5.30% |
| Capitalization rate at the period end | 1.28%~7.00% | 1.28%~7.00% | 1.33%~6.35% |
| Discount rate | 1.44%~8.25% | 1.44%~8.25% | 1.49%~7.10% |

External appraisers use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide the capitalization rate and discount rate.

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

(a) The direct capitalization method of the income approach: When the direct capitalization rate increases, the fair value of investment properties will decrease, and vice versa.

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

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

As of June 30, 2019, December 31, 2018, and June 30, 2018, investment properties owned by the Group were not pledged.

(G) Operating lease

(a) Lessee lease

For the movement of rents payable under operating lease on December 31 and June 30, 2018, please refer to Note 9(A)

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

The Group's rental expenses for operating leases are as follows:

| | For the three months ended June 30, 2018 | For the six months ended June 30, 2018 |
|---|---|---|
| Rental expenses for operating leases | $ 190,246 | 380,859 |

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

The Group's operating lease expenses- superficies, including minimum lease payments and contingent rents, are as follows:

| | For the three months ended June 30, 2018 | For the six months ended June 30, 2018 |
|---|---|---|
| Operating lease expenses- superficies | $ 148,721 | 273,646 |

(b) Lessor lease

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Rental income of investment property | $ 1,544,237 | 1,444,389 | 3,021,478 | 2,908,037 |
| Direct operating expenses arising from the investment property | $ 282,801 | 309,344 | 575,309 | 546,895 |
| Direct operating expenses arising from the investment property that did not generate rental income during the period | $ 13,445 | 9,700 | 26,513 | 18,137 |

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 | $ 6,721,834 |
| One to two years | 6,443,071 |
| Two to three years | 6,044,762 |
| Three to four years | 5,725,305 |
| Four to five years | 4,811,706 |
| More than five years | 27,545,709 |
| Total undiscounted lease payments | $ 57,292,387 |

(H) Reinsurance assets

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Claims recoverable from reinsurers | $ 734,154 | 728,840 | 734,679 |
| Due from reinsurers and ceding companies | 400,140 | 448,894 | 396,430 |
| Subtotal | 1,134,294 | 1,177,734 | 1,131,109 |
| Reinsurance reserve assets: | | | |
| Ceded reinsurance unearned premiums reserve | 766,011 | 827,376 | 722,522 |
| Ceded reinsurance claim reserve | 261,888 | 244,532 | 72,736 |
| Ceded reinsurance liability reserve | 3,427 | 1,791 | 824 |
| Subtotal | 1,031,326 | 1,073,699 | 796,082 |
| Total | **$ 2,165,620** | **2,251,433** | **1,927,191** |

(I) Property, plant and equipment- net

| | June 30, 2019 | | | |
|---|---|---|---|---|
| Assets | Cost | Accumulated Depreciation | Accumulated impairment loss | Book value |
| Land | $ 15,103,846 | - | 1,013,284 | 14,090,562 |
| Buildings | 5,199,591 | 895,363 | 45,259 | 4,258,969 |
| Computer equipment | 1,582,156 | 1,153,583 | - | 428,573 |
| Transportation equipment | 6,018 | 6,018 | - | - |
| Other equipment | 1,570,106 | 1,193,393 | - | 376,713 |
| Leasehold improvements | 1,017,244 | 875,177 | - | 142,067 |
| Construction in progress | 354,957 | - | - | 354,957 |
| Prepayments for equipment | 38,252 | - | - | 38,252 |
| Total | **$ 24,872,170** | **4,123,534** | **1,058,543** | **19,690,093** |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| Assets | Cost | Accumulated Depreciation | Accumulated impairment loss | Book value |
| Land | $ 15,104,871 | - | 1,013,284 | 14,091,587 |
| Buildings | 5,201,698 | 828,828 | 45,259 | 4,327,611 |
| Computer equipment | 1,574,908 | 1,072,278 | - | 502,630 |
| Transportation equipment | 6,018 | 6,016 | - | 2 |
| Other equipment | 1,570,090 | 1,154,652 | - | 415,438 |
| Leasehold improvements | 1,084,748 | 895,428 | - | 189,320 |
| Construction in progress | 301,156 | - | - | 301,156 |
| Prepayments for equipment | 46,642 | - | - | 46,642 |
| Total | **$ 24,890,131** | **3,957,202** | **1,058,543** | **19,874,386** |

| | June 30, 2018 | | | |
|---|---|---|---|---|
| Assets | Cost | Accumulated Depreciation | Accumulated impairment loss | Book value |
| Land | $ 15,057,897 | - | 1,013,284 | 14,044,613 |
| Buildings | 5,114,589 | 743,104 | 45,259 | 4,326,226 |
| Computer equipment | 945,180 | 546,616 | - | 398,564 |
| Transportation equipment | 6,018 | 6,015 | - | 3 |
| Other equipment | 1,076,037 | 707,482 | - | 368,555 |
| Leasehold improvements | 1,034,711 | 841,674 | - | 193,037 |
| Construction in progress | 176,532 | - | - | 176,532 |
| Prepayments for equipment | 52,232 | - | - | 52,232 |
| Total | **$ 23,463,196** | **2,844,891** | **1,058,543** | **19,559,762** |

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

| | Land | Buildings | Computer equipment | Transportation equipment | Other equipment | Leasehold improvements | Construction in progress | Prepayments for equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance of January 1, 2019 | $ 15,104,871 | 5,201,698 | 1,574,908 | 6,018 | 1,570,090 | 1,084,748 | 301,156 | 46,642 | 24,890,131 |
| Adjustments in adapting IFRS 16 | - | - | - | - | (310) | (58,181) | - | - | (58,491) |
| Purchase and acquisition | - | - | 18,523 | - | 12,151 | 3,627 | 42,724 | 15,474 | 92,499 |
| Disposal | - | - | (3,581) | - | (15,928) | (20,134) | - | - | (39,643) |
| Reclassification | - | - | 3,229 | - | 13,630 | 6,993 | 11,077 | (23,873) | 11,056 |
| Exchange influence | (1,025) | (2,107) | (10,923) | - | (9,527) | 191 | - | 9 | (23,382) |
| Balance of June 30, 2019 | 15,103,846 | 5,199,591 | 1,582,156 | 6,018 | 1,570,106 | 1,017,244 | 354,957 | 38,252 | 24,872,170 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance of January 1, 2019 | $ - | 828,828 | 1,072,278 | 6,016 | 1,154,652 | 895,428 | - | - | 3,957,202 |
| Adjustments in adapting IFRS 16 | - | - | - | - | (174) | (49,791) | - | - | (49,965) |
| Depreciation | | 66,955 | 94,397 | 2 | 63,010 | 48,088 | | | 272,452 |
| Disposal | - | - | (3,273) | - | (15,190) | (18,621) | - | - | (37,084) |
| Exchange influence | - | (420) | (9,819) | - | (8,905) | 73 | - | - | (19,071) |
| Balance of June 30, 2019 | - | 895,363 | 1,153,583 | 6,018 | 1,193,393 | 875,177 | - | - | 4,123,534 |
| **Accumulated impairment loss** | | | | | | | | | |
| Balance of January 1, 2019 | **$ 1,013,284** | **45,259** | - | - | - | - | - | - | **1,058,543** |
| Balance of June 30, 2019 | **$ 1,013,284** | **45,259** | - | - | - | - | - | - | **1,058,543** |
| **Cost** | | | | | | | | | |
| Balance of January 1, 2018 | $ 15,167,015 | 5,055,841 | 940,105 | 6,018 | 1,048,927 | 1,025,289 | 87,877 | 49,841 | 23,380,913 |
| Purchase and acquisition | - | 777 | 17,787 | - | 20,460 | 11,349 | 83,736 | 21,851 | 155,960 |
| Estimated decommissioning cost | - | - | - | - | - | 1,145 | - | - | 1,145 |
| Disposal | - | - | (12,922) | - | (8,523) | (6,630) | - | - | (28,075) |
| Written down decommissioning cost | - | - | - | - | - | (749) | - | - | (749) |
| Reclassification | (109,118) | 57,971 | 812 | - | 14,992 | 3,656 | 4,919 | (19,460) | (46,228) |
| Exchange influence | - | - | (602) | - | 181 | 651 | - | - | 230 |
| Balance of June 30, 2018 | 15,057,897 | 5,114,589 | 945,180 | 6,018 | 1,076,037 | 1,034,711 | 176,532 | 52,232 | 23,463,196 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance of January 1, 2018 | $ - | 686,778 | 490,304 | 6,013 | 667,938 | 794,465 | - | - | 2,645,498 |
| Depreciation | - | 65,512 | 69,405 | 2 | 47,885 | 53,099 | - | - | 235,903 |
| Disposal | - | - | (12,922) | - | (8,432) | (5,651) | - | - | (27,005) |
| Written down decommissioning cost | - | - | - | - | - | (685) | - | - | (685) |
| Reclassification | - | (9,186) | - | - | - | - | - | - | (9,186) |
| Exchange influence | - | - | (171) | - | 91 | 446 | - | - | 366 |
| Balance of June 30, 2018 | - | 743,104 | 546,616 | 6,015 | 707,482 | 841,674 | - | - | 2,844,891 |
| **Accumulated impairment loss** | | | | | | | | | |
| Balance of January 1, 2018 | $ 1,013,284 | 45,259 | - | - | - | - | - | - | 1,058,543 |
| Balance of June 30, 2018 | **$ 1,013,284** | **45,259** | - | - | - | - | - | - | **1,058,543** |
| Net | | | | | | | | | |
| Balance of June 30, 2019 | **$ 14,090,562** | **4,258,969** | **428,573** | | **376,713** | **142,067** | **354,957** | **38,252** | **19,690,093** |
| Balance of December 31, 2018 | **$ 14,091,587** | **4,327,611** | **502,630** | **2** | **415,438** | **189,320** | **301,156** | **46,642** | **19,874,386** |
| Balance of June 30, 2018 | **$ 14,044,613** | **4,326,226** | **398,564** | **3** | **368,555** | **193,037** | **176,532** | **52,232** | **19,559,762** |

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

The Group arranged a finance lease of office equipments. The net book value of the leased office equipments was as follows. As of June 30, 2019, the assets have been remeasured and recognized under right-of-use assets. Please refer to Note 6(J) for more information.

| | December 31, 2018 | June 30, 2018 |
|---|---|---|
| Leased office equipments | $ 136 | 176 |

## (J) Right-of-use assets

| | June 30, 2019 |
|---|---|
| Carrying amount | |
| Land | $ 1,324,845 |
| Buildings | 1,347,581 |
| Machinery equipment | 1,344 |
| Transportation equipment | 11,643 |
| Other equipment | 15,551 |
| | $ 2,700,964 |

| | For the three months ended June 30, 2019 | For the six months ended June 30, 2019 |
|---|---|---|
| Increase | $ 93,712 | 301,048 |
| Depreciation expense (Including capitalization) | | |
| Land | $ 4,993 | 9,987 |
| Buildings | 203,393 | 411,161 |
| Machinery equipment | 84 | 165 |
| Transportation equipment | 1,772 | 3,339 |
| Other equipment | 1,788 | 3,556 |
| Total | $ 212,030 | 428,208 |

The Group leases office equipment classified as property, plant and equipment under the finance lease for the six months ended June 30, 2018, please refer to Note 6 (I) for more information. The Group leases offices under an operating lease, please refer to Note 6 (G).

(K) Intangible assets

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Goodwill | $ 1,841,174 | 1,882,241 | - |
| Development costs | 166,826 | 207,108 | - |
| Computer software | 374,726 | 366,470 | 232,109 |
| Business license | 3,620,362 | 3,760,410 | - |
| Others | 56,181 | 57,458 | - |
| | **$ 6,059,269** | **6,273,687** | **232,109** |

The changes of the intangible assets besides goodwill are as follows:

| | Goodwill | Other intangible assets | Total |
|---|---|---|---|
| Cost: | | | |
| Balance of January 1, 2019 | $ 1,882,241 | 6,890,378 | 8,772,619 |
| Purchase and acquisition | - | 36,597 | 36,597 |
| Disposal | - | (4,981) | (4,981) |
| Reclassification | - | 55,730 | 55,730 |
| Exchange influence | (41,067) | (122,666) | (163,733) |
| Balance of June 30, 2019 | **$ 1,841,174** | **6,855,058** | **8,696,232** |
| Balance of January 1, 2018 | $ - | 999,808 | 999,808 |
| Purchase and acquisition | - | 34,419 | 34,419 |
| Disposal | - | (390) | (390) |
| Reclassification | - | 32,184 | 32,184 |
| Exchange influence | - | 1,374 | 1,374 |
| Balance of June 30, 2018 | **$ -** | **1,067,395** | **1,067,395** |
| Accumulated amortization and impairment: | | | |
| Balance of January 1, 2019 | $ - | 2,498,932 | 2,498,932 |
| Amortization | - | 177,726 | 177,726 |
| Disposal | - | (4,981) | (4,981) |
| Exchange influence | - | (34,714) | (34,714) |
| Balance of June 30, 2019 | **$ -** | **2,636,963** | **2,636,963** |
| Balance of January 1, 2018 | $ - | 776,141 | 776,141 |
| Amortization | - | 58,554 | 58,554 |
| Disposal | - | (390) | (390) |
| Exchange influence | - | 981 | 981 |
| Balance of June 30, 2018 | **$ -** | **835,286** | **835,286** |
| Carrying amount: | | | |
| Balance of June 30, 2019 | **$ 1,841,174** | **4,218,095** | **6,059,269** |
| Balance of December 31, 2018 | **$ 1,882,241** | **4,391,446** | **6,273,687** |
| Balance of June 30, 2018 | **$ -** | **232,109** | **232,109** |

The above stated goodwill of the Group was attributed to the acquisition of 62.06% shares of subsidiary, Fubon Hyundai Life Insurance Co., Ltd.

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

(L) Other assets

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Prepayments | $ 631,539 | 860,208 | 8,464,007 |
| Prepayments- superficies | - | 30,653,818 | 30,295,001 |
| Deferred acquisition cost | 569,920 | 520,024 | 467,171 |
| Guarantee deposits paid | 18,685,363 | 18,856,712 | 20,062,106 |
| Other assets-other | 7,620,282 | 8,187,577 | 1,335,844 |
| Total | **$ 27,507,104** | **59,078,339** | **60,624,129** |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Government bonds (Book value) | **$ 16,716,472** | **16,557,668** | **12,365,736** |
| Cash in bank | **$ 16,008** | **15,840** | **15,960** |

(M) Insurance product-separate account

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Assets on insurance product, separate account: | | | |
| Cash in bank | $ 9,940,846 | 9,420,408 | 9,998,918 |
| Securities | 173,176,031 | 148,498,922 | 147,564,680 |
| Accounts receivable | 1,285,275 | 1,895,424 | 1,860,063 |
| Total | **$ 184,402,152** | **159,814,754** | **159,423,661** |

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Liabilities on insurance product, separate account: | | | |
| Reserve-Insurance contract | $ 107,130,846 | 93,025,937 | 97,561,094 |
| Reserve-Investment contract | 77,169,165 | 66,692,806 | 61,862,101 |
| Accounts payable | 102,141 | 96,011 | 466 |
| Total | $ 184,402,152 | 159,814,754 | 159,423,661 |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Income on insurance product, separate account: | | | | |
| Premiums income | $ 3,845,226 | 5,330,963 | 9,746,364 | 11,616,904 |
| Interest income | 521,706 | 399,469 | 970,142 | 713,133 |
| Gains or losses on financial assets and liabilities at fair value through profit or loss | 3,073,345 | (432,328) | 11,047,235 | (1,489,871) |
| Gains or losses on foreign exchange | 2,173 | (109,456) | (8,838) | (333,513) |
| Total | $ 7,442,450 | 5,188,648 | 21,754,903 | 10,506,653 |
| Disbursements on insurance product, separate account: | | | | |
| Net changes in reserve, Insurance contract | $ 3,285,443 | 1,355,979 | 13,950,455 | 2,560,534 |
| Insurance claims and payment | 3,358,084 | 3,101,104 | 6,197,212 | 6,480,164 |
| Administrative expenses | 797,958 | 731,565 | 1,604,811 | 1,465,955 |
| Other disbursements | 965 | - | 2,425 | - |
| Total | $ 7,442,450 | 5,188,648 | 21,754,903 | 10,506,653 |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Sales rebate earned from counterparty for investment-linked insurance products | $ 163,661 | 135,723 | 311,863 | 264,546 |

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

| | | June 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Assets on business (individual) annuity insurance products-separate accounts: | | | |
| Cash in bank | $ | 10,420,999 | 4,778,265 |
| Financial assets at fair value through profit or loss | | 9,353,020 | 6,251,761 |
| Financial assets at fair value through other comprehensive income | | 114,174,403 | 107,012,055 |
| Financial assets measured at amortized cost | | 33,995,991 | 30,742,114 |
| Financial assets for hedging | | 344,124 | - |
| Interests receivable | | 3,342 | 11,522 |
| Other accounts receivable | | 25,999,424 | 60,823,977 |
| Total | $ | **194,291,303** | **209,619,694** |

| | | June 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Liabilities on business (individual) annuity insurance products-separate accounts: | | | |
| Financial liabilities for hedging | $ | 230,742 | 20,827 |
| Other accounts payable | | 10,740,615 | 44,476,263 |
| Reserve-Insurance contract | | 179,749,474 | 165,533,843 |
| Total | $ | **190,720,831** | **210,030,933** |

| | | For the three months ended June 30, 2019 | For the six months ended June 30, 2019 |
|---|---|---|---|
| Income on business (individual) annuity insurance products-separate accounts: | | | |
| Interest income | $ | 1,170,065 | 2,296,944 |
| Gains or losses on financial assets and liabilities at fair value through profit or loss | | 587,688 | 787,489 |
| Gains or losses on foreign exchange | | 1,196,327 | 1,354,422 |
| Total | $ | **2,954,080** | **4,438,855** |
| Disbursements on business (individual) annuity insurance products-separate accounts: | | | |
| Current provisions of separate accounts | $ | 977,732 | 2,038,975 |
| Gains or losses on financial assets and liabilities at fair value through profit or loss | | 1,306,740 | 2,088,002 |
| Gains or losses on foreign exchange | | 606,469 | 196,833 |
| Administrative expenses | | 63,139 | 115,045 |
| Total | $ | **2,954,080** | **4,438,855** |

The subsidiary provides government bonds and corporate bonds as collateral which is classified as financial assets measured at fair value through other comprehensive income. As of June 30, 2019, and December 31, 2018, the carrying amount of the collateral was $3,518,324 and $2,278,385 respectively.

(N) Accounts payable

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Minimum lease payments of finance leases | $ - | 1,204,068 | 1,248,849 |
| Less: Unrecognized interests | - | (994,916) | (1,032,715) |
| Present value of minimum lease payments of finance leases | - | 209,152 | 216,134 |
| Notes payable | 3,409 | 159 | 2,875 |
| Expense payable | 3,919,277 | 4,623,178 | 3,291,089 |
| Commissions payable | 2,676,696 | 2,749,002 | 1,940,065 |
| Insurance and reinsurance claims payable | 7,252,984 | 6,597,257 | 6,319,748 |
| Due to reinsurers and ceding companies | 1,371,180 | 1,337,687 | 1,260,249 |
| Insurance product-separate accounts payable | 25,623,274 | 61,013,255 | 1,944,677 |
| Other payable | 11,633,969 | 5,736,925 | 12,815,863 |
| Total | **$ 52,480,789** | **82,266,615** | **27,790,700** |

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

(O) Short-term debts

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Notes and bonds issued under repurchase agreement | **$ 316,035** | - | **44,604** |
| Repurchase price | **$ 322,779** | - | **45,105** |
| Repurchase interest | **4.4%~4.7%** | - | **2.75%~4.5%** |

## (P) Bonds payable

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

| Name | Outstanding period: Date of Issuance | Outstanding period: Maturity | Rate % | Face Amount | (Discount)Premium | June 30, 2019 | December 31, 2018 | June 30, 2018 | Note |
|---|---|---|---|---|---|---|---|---|---|
| The first issue of 2016 perpetual cumulative subordinated corporate bond | 2016.12.07 | No maturity date | 3.25 % (Note 1) | $ 28,500,000 | $ - | 28,500,000 | 28,500,000 | 28,500,000 | Note2 |
| The first issue of 2017 perpetual cumulative subordinated corporate bond | 2017.04.21 | No maturity date | 3.30 % (Note 1) | 6,500,000 | - | 6,500,000 | 6,500,000 | 6,500,000 | Note2 |
| The first issue of 2018 perpetual non-cumulative subordinated corporate bond (private placement) | 2018.03.27 | No maturity date | 3.60 % | 20,000,000 | - | 20,000,000 | 20,000,000 | 20,000,000 | Note3 |
| Hyundailife Insurance 2 (private placement) | 2013.06.28 | 2019.01.28 | 4.91 % | 807,000 | - | - | 826,401 | - | Note4 |
| Hyundailife Insurance 2-2 (private placement) | 2013.08.27 | 2019.03.27 | 4.98 % | 807,000 | - | - | 830,873 | - | Note4 |
| Hyundailife Insurance 3 (private placement) | 2013.12.06 | 2019.07.06 | 5.25 % | 538,000 | 249 | 538,249 | 557,947 | - | Note4 |
| Hyundailife Insurance 4 (private placement) | 2014.10.30 | 2020.04.30 | 5.30 % | 1,345,000 | 23,001 | 1,368,001 | 1,412,414 | - | Note4 |
| Hyundailife Insurance 5 (private placement) | 2015.12.11 | 2021.06.11 | 4.65 % | 538,000 | 8,695 | 546,695 | 561,232 | - | Note4 |
| Hyundailife Insurance 5-2 (private placement) | 2015.12.30 | 2021.06.30 | 4.65 % | 80,700 | 1,755 | 82,455 | 84,740 | - | Note4 |
| Hyundailife Insurance 6 (private placement) | 2016.04.28 | 2022.04.28 | 4.60 % | 1,076,000 | 13,915 | 1,089,915 | 1,116,734 | - | Note4 |
| Hyundailife Insurance 7 (private placement) | 2016.12.28 | 2022.07.28 | 4.75 % | 538,000 | 5,499 | 543,499 | 556,539 | - | Note4 |
| Hyundailife Insurance 8 (private placement) | 2017.06.26 | 2023.01.26 | 4.90 % | 242,100 | 2,486 | 244,586 | 250,400 | - | Note4 |
| Hyundailife Insurance 9 (private placement) | 2017.07.20 | 2023.01.20 | 4.90 % | 215,200 | 4,053 | 219,253 | 224,729 | - | Note4 |
| Hyundailife Insurance 11 (private placement) | 2017.12.28 | 2023.06.28 | 5.60 % | 1,614,000 | 37,527 | 1,651,527 | 1,693,163 | - | Note4 |
| Total | | | | | $ 97,180 | 61,284,180 | 63,115,172 | 55,000,000 | |

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

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

Note3: The corporate bond has no maturity date. After ten years of issuance, if the Group's risk-based capital ratio after redemption, upon calculation, is more than one time of the required minimum risk-based capital ratio at the time of calculation, with the consent of the Competent Authority, the bonds may be redeemed at face value plus accrued interest once a year, after competent authority approved.

Note4: Acquired liabilities through acquisition of subsidiary on September 15, 2018.

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Interest Expense | $ 525,410 | 463,913 | 1,053,300 | 755,057 |

(Q)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 | $ 1,984,357 | 582,475 | 1,401,882 |
| Between one and three years | 2,754,515 | 1,014,328 | 1,740,187 |
| Between three and five years | 996,840 | 963,500 | 33,340 |
| More than five years | 25,223,503 | 11,005,311 | 14,218,192 |
| | $ 30,959,215 | 13,565,614 | 17,393,601 |

For the year ended June 30, 2019, the Group recognized its lease liability amounting to $285,307 with an interest rate of 1.42%~7%. The lease liabilities are due in June, 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 | $ 87,891 | 178,621 |
| Variable lease payments not included in the measurement of lease liabilities | $ 3,012 | 6,075 |
| Expenses relating to short-term leases | $ 8,342 | 19,358 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | $ 7,039 | 14,324 |

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

| | For the three months ended June 30, 2019 | For the six months ended June 30, 2019 |
|---|---|---|
| Total cash outflow for leases | $ 1,032,085 | 1,629,884 |

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

| | For the three months ended June 30, 2019 | For the six months ended June 30, 2019 |
|---|---|---|
| Capitalization of interest | $ 64,042 | 126,191 |

(a) Office leases

The Group leases buildings as offices with usual lease terms of three to five years on June 30, 2019.

(b) Superficies leases

The Group leases land for superficies with usual lease terms of fifty to seventy years for the purpose of commercial buildings, malls, hotels etc. on June 30, 2019.

(c) Other leases

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

(d) The lease liabilities were classified as finance lease liabilities on December 31, 2018 and June 30, 2018, please refer to Note 6(N) for further information.

(R) Liabilities reserve

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Decommissioning liability | $ 133,071 | 74,550 | 59,135 |
| Employee benefits liabilities | 7,836,915 | 7,621,568 | 7,100,200 |
| Other liabilities reserve | 5,527,238 | 5,810,721 | 17,223 |
| | **$ 13,497,224** | **13,506,839** | **7,176,558** |

(a) Decommissioning liability

| | Decommissioning liability |
|---|---|
| Balance of January 1, 2019 | $ 74,550 |
| Increase of liabilities reserves | 68,659 |
| Reversal of liabilities reserves | (10,483) |
| Discounting and amortization of liabilities reserves | 846 |
| Reclassification to other income | (302) |
| Exchange influence | (199) |
| Balance of June 30, 2019 | **$ 133,071** |
| Balance of January 1, 2018 | $ 58,565 |
| Increase of liabilities reserves | 1,145 |
| Reversal of liabilities reserves | (749) |
| Discounting and amortization of liabilities reserves | 89 |
| Reclassification to other income | (24) |
| Exchange influence | 109 |
| Balance of June 30, 2018 | **$ 59,135** |

(b) Employee benefit

(1) Defined benefit plan

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

Due to no significant market volatility, significant reductions, liquidations or other significant events during the last fiscal year, the Group adopted the pension costs for the year ended December 31, 2018 and 2017 to measure and disclose the pension costs for the interim period.

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Pension expenses | $ 114,417 | 117,547 | 229,835 | 233,891 |
| Pension (Survivor relief) | 3,118 | 6,666 | 7,014 | 9,236 |
| Total | **$ 117,535** | **124,213** | **236,849** | **243,127** |

(2) Defined contribution plan

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Pension expenses | $ 172,816 | 178,652 | 333,533 | 359,620 |

(S) Shareholders' equity

(a) Common stock

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group had authorized capital of $150,000,000, respectively, and issued common stock of $110,831,140, $110,831,140 and $82,969,690, respectively, with $10 par value per share.

Resolved by the board of directors on behalf of the shareholders on June 22, 2018, the stock dividend of $27,861,450 will be reinvested in the new rights issue of 2,786,145 thousand shares. The capital increase was approved by Financial Supervisory Commission and was effective on October 24, 2018. The record date for the capital increase was November 6, 2018. Registration of change in capital due to the capital increase was completed November 26, 2018.

(b) Capital surplus

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

(c) Retained earnings and earnings appropriation

(1) Legal reserve

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

(2) Special reserve

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Recovered contingency risk reserve | $ 8,178,514 | 7,772,836 | 7,772,836 |
| Catastrophic risk reserve and contingency risk reserve | 6,436,436 | 6,436,436 | 6,157,162 |
| Special reserve from profit after tax | 19,461,408 | 16,968,417 | 16,968,417 |
| Savings from hedging instrument | 5,430,108 | 3,182,586 | 3,182,586 |
| Real estate increment recovered | 2,609,068 | 2,609,068 | 2,609,068 |
| Gains from the fluctuation of subsequent fair value measurement of investment property | 26,560,648 | 24,147,290 | 24,147,290 |
| Negative net amount of other equity interest | 8,285,634 | - | - |
| Other | 416,598 | 299,425 | 299,425 |
| Total | $ **77,378,414** | **61,416,058** | **61,136,784** |

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

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

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

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

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

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

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

(3) Distribution of earnings

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

Employee compensation has been estimated an amount of $2,700 and $3,500 for the year 2018 and 2017, respectively. There is no difference between the actual distribution and the estimated amount for the year of 2017.

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

The Company executed the resolution approved by the board of directors on behalf of the shareholders on June 22, 2018 to distribute cash dividends which amounted to $5,973,818 from the earnings of 2017. The record date for the dividend is June 26, 2018.

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

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Unrealized revaluation surplus | Other comprehensive profits (losses) using overlay approach | Total |
|---|---|---|---|---|---|---|
| Balance, January 1, 2019 | $ (6,342,509) | (3,519,765) | (217,381) | 128,498 | (49,215,634) | (59,166,791) |
| Foreign exchange translation difference | 399,271 | - | - | - | - | 399,271 |
| Foreign exchange translation differences in the share of associates accounted for using equity method | (13,913) | - | - | - | - | (13,913) |
| Fair value changes for financial instruments for hedging | - | - | 592,487 | - | - | 592,487 |
| Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | - | 25,687,772 | - | - | - | 25,687,772 |
| Accumulated (gains) losses reclassified to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income | - | (7,548,762) | - | - | - | (7,548,762) |
| Disposal of equity instruments measured at fair value through other comprehensive income reclassified to unappropriated earnings | - | 1,275,921 | - | - | - | 1,275,921 |
| Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income in the share of joint ventures and associates accounted for using equity method | - | 7,173 | - | - | - | 7,173 |
| Profit or loss reclassified using overlay approach | - | - | - | - | 59,701,270 | 59,701,270 |
| Profit or loss reclassified using overlay approach in the share of joint ventures and associates accounted for using equity method | - | - | - | - | 21,805 | 21,805 |
| Balance, June 30, 2019 | $ (5,957,151) | 15,902,339 | 375,106 | 128,498 | 10,507,441 | 20,956,233 |

| | | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Unrealized revaluation surplus | Other comprehensive profits (losses) using overlay approach | Total |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2018 | $ | (5,824,426) | 11,910,410 | (299,649) | 117,454 | 22,284,899 | 28,188,688 |
| Foreign exchange translation difference | | 357,365 | - | - | - | - | 357,365 |
| Foreign exchange translation differences in the share of associates accounted for using equity method | | 32,270 | - | - | - | - | 32,270 |
| Fair value changes for financial instruments for cash flow hedges | | - | - | (368,507) | - | - | (368,507) |
| Fair value changes for financial instruments for cash flow hedges in the share of associates accounted for using equity method | | - | - | 802 | - | - | 802 |
| Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | - | (22,586,343) | - | - | - | (22,586,343) |
| Accumulated (gains) losses reclassified to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income | | - | (5,378,821) | - | - | - | (5,378,821) |
| Disposal of equity instruments measured at fair value through other comprehensive income reclassified to unappropriated earnings | | - | 10,372,011 | - | - | - | 10,372,011 |
| Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income in the share of joint ventures and associates accounted for using equity method | | - | (125,854) | - | - | - | (125,854) |
| Disposal of equity instruments measured at fair value through other comprehensive income in the share of associates accounted for using equity method | | - | 7,623 | - | - | - | 7,623 |
| Gains (losses) on revaluation | | - | - | - | 11,044 | - | 11,044 |
| Profit or loss reclassified using overlay approach | | - | - | - | - | (12,127,559) | (12,127,559) |
| Profit or loss reclassified using overlay approach in the share of joint ventures and associates accounted for using equity method | | - | - | - | - | (39,443) | (39,443) |
| Balance, June 30, 2018 | **$** | **(5,434,791)** | **(5,800,974)** | **(667,354)** | **128,498** | **10,117,897** | **(1,656,724)** |

(e) Non-controlling interests

| | For the six months ended June 30, 2019 |
|---|---|
| Beginning balance | $ 9,389,182 |
| Shares attributable to non-controlling interests | |
| Net income | 128,156 |
| Exchange differences on translation of foreign financial statements | (214,787) |
| Other equity | 1,799,240 |
| Retained earnings | (4,530) |
| Ending balance | **$ 11,097,261** |

## (T) Income taxes

(a) Income tax expense (profit):

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Current expense tax | | | | |
| Current period | $ (2,000,943) | (2,043,726) | (1,544,386) | 3,125,391 |
| Adjustments for prior period | (23,017) | (457,759) | (86,017) | (481,924) |
| Foreign withholding tax | 216,051 | 148,882 | 331,445 | 262,925 |
| Subtotal | (1,807,909) | (2,352,603) | (1,298,958) | 2,906,392 |
| Deferred expense tax | | | | |
| Reversal and recognition of temporary differences | 2,354,325 | 2,945,794 | 2,519,128 | (4,001,498) |
| Income tax expense (profit) | **$ 546,416** | **593,191** | **1,220,170** | **(1,095,106)** |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Items not reclassified into profit or loss: | | | | |
| Revaluation of real estate property | $ - | - | - | (1,916) |
| Revaluation of defined benefit plans | - | - | - | 38,180 |
| Valuation gains (losses) on equity instruments measured at fair value through other comprehensive income | 439,546 | 681,383 | (38,742) | 1,536,584 |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method-Items not reclassified into profit or loss | - | (903) | - | (2,294) |
| Other items not reclassified into profit or loss | - | 21,356 | - | (32,034) |
| Items may be reclassified into profit or loss: | | | | |
| Exchange differences on translation | 7,641 | (7,517) | (142,602) | 185,264 |
| Gains (losses) on hedging items | (85,998) | 29,146 | (148,122) | 105,622 |
| Gains (losses) on debt instruments measured at fair value through other comprehensive income | (1,441,002) | 1,631,250 | (3,366,508) | 3,853,345 |
| Other comprehensive profits (losses) reclassified using overlay approach | (1,024,962) | (1,067,094) | (4,069,983) | 1,041,447 |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method-Items may be reclassified into profit or loss | 36,551 | (34,425) | 3,478 | 69,352 |
| | $ (2,068,224) | 1,253,196 | (7,762,479) | 6,793,550 |

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

(c) The R.O.C. tax authority has assessed income tax returns of the Group for the years prior to 2014. The Group has filed administrative remedy for adjustments determined by the tax authority for the years of 2010, 2011, 2012, 2013,and 2014 within the statutory time limit.

(U) Earnings per share

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to ordinary shareholders of the Company | $ 7,883,151 | 9,792,198 | 10,896,162 | 19,083,702 |
| Weighted average number of ordinary shares (thousand shares) | 11,083,114 | 11,083,114 | 11,083,114 | 11,083,114 |
| Basic earnings per share (dollar) | $ 0.71 | 0.88 | 0.98 | 1.72 |

Weighted average number of ordinary shares of EPS has been adjusted retrospectively considering reinvestments of earnings in the new rights issues.

(V) Insurance liabilities

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Unearned premium reserve | $ 8,956,421 | 8,769,522 | 8,482,223 |
| Claim reserve | 6,325,551 | 5,572,390 | 2,142,355 |
| Liability reserve | 3,701,060,470 | 3,570,457,096 | 3,246,497,308 |
| Special reserve | 8,986,474 | 8,873,187 | 7,778,147 |
| Premium deficiency reserve | 14,229,866 | 15,261,687 | 17,670,402 |
| Total | $ 3,739,558,782 | 3,608,933,882 | 3,282,570,435 |

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

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

| | June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Individual life insurance | $ 5,706 | - | 5,706 |
| Individual injury insurance | 3,723,620 | - | 3,723,620 |
| Individual health insurance | 3,401,827 | - | 3,401,827 |
| Group insurance | 1,739,375 | - | 1,739,375 |
| Investment-linked insurance | 85,893 | - | 85,893 |
| Gross reserve | 8,956,421 | - | 8,956,421 |
| Deduction of provision for reinsurance ceded | | | |
| Individual life insurance | 619,659 | - | 619,659 |
| Individual injury insurance | 19,959 | - | 19,959 |
| Individual health insurance | 19,564 | - | 19,564 |
| Group insurance | 95,692 | - | 95,692 |
| Investment-linked insurance | 11,137 | - | 11,137 |
| Total ceded reserve | 766,011 | - | 766,011 |
| Net reserve | **$ 8,190,410** | **-** | **8,190,410** |

| | December 31, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Individual life insurance | $ 4,700 | - | 4,700 |
| Individual injury insurance | 3,490,603 | - | 3,490,603 |
| Individual health insurance | 3,417,756 | - | 3,417,756 |
| Group insurance | 1,773,793 | - | 1,773,793 |
| Investment-linked insurance | 82,670 | - | 82,670 |
| Gross reserve | 8,769,522 | - | 8,769,522 |
| Deduction of provision for reinsurance ceded | | | |
| Individual life insurance | 679,109 | - | 679,109 |
| Individual injury insurance | 19,594 | - | 19,594 |
| Individual health insurance | 19,763 | - | 19,763 |
| Group insurance | 98,227 | - | 98,227 |
| Investment-linked insurance | 10,683 | - | 10,683 |
| Total ceded reserve | 827,376 | - | 827,376 |
| Net reserve | **$ 7,942,146** | **-** | **7,942,146** |

| | June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Individual life insurance | $ 2,037 | - | 2,037 |
| Individual injury insurance | 3,300,746 | - | 3,300,746 |
| Individual health insurance | 3,453,947 | - | 3,453,947 |
| Group insurance | 1,641,077 | - | 1,641,077 |
| Investment-linked insurance | 84,416 | - | 84,416 |
| Gross reserve | 8,482,223 | - | 8,482,223 |
| Deduction of provision for reinsurance ceded | | | |
| Individual life insurance | 598,055 | - | 598,055 |
| Individual injury insurance | 19,433 | - | 19,433 |
| Individual health insurance | 5,700 | - | 5,700 |
| Group insurance | 87,990 | - | 87,990 |
| Investment-linked insurance | 11,344 | - | 11,344 |
| Total ceded reserve | 722,522 | - | 722,522 |
| Net reserve | **$ 7,759,701** | **-** | **7,759,701** |

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

| | For the six months ended June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Beginning balance | $ 8,769,522 | - | 8,769,522 |
| Current provisions | 8,837,398 | - | 8,837,398 |
| Current reclaims | (8,648,020) | - | (8,648,020) |
| Gain and loss on foreign exchange | (2,479) | - | (2,479) |
| Ending balance | 8,956,421 | - | 8,956,421 |
| Less: Provision for ceded reinsurance | | | |
| Beginning balance | 827,376 | - | 827,376 |
| Current provision | 731,777 | - | 731,777 |
| Current reclaim | (792,401) | - | (792,401) |
| Gain and loss on foreign exchange | (741) | - | (741) |
| Ending balance | 766,011 | - | 766,011 |
| Net ending balance | **$ 8,190,410** | **-** | **8,190,410** |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Beginning balance | $ 8,290,265 | - | 8,290,265 |
| Current provisions | 8,482,170 | - | 8,482,170 |
| Current reclaims | (8,290,265) | - | (8,290,265) |
| Gain and loss on foreign exchange | 53 | - | 53 |
| Ending balance | 8,482,223 | - | 8,482,223 |
| Less: Provision for ceded reinsurance | | | |
| Beginning balance | 568,381 | - | 568,381 |
| Current provision | 722,503 | - | 722,503 |
| Current reclaim | (568,381) | - | (568,381) |
| Gain and loss on foreign exchange | 19 | - | 19 |
| Ending balance | 722,522 | - | 722,522 |
| Net ending balance | **$ 7,759,701** | **-** | **7,759,701** |

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

| | June 30, 2019 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Individual life insurance | | | |
| -reported but not paid | $ 3,266,015 | 4,744 | 3,270,759 |
| -incurred but not reported | 292,987 | - | 292,987 |
| Individual injury insurance | | | |
| -reported but not paid | 164,268 | - | 164,268 |
| -incurred but not reported | 506,923 | - | 506,923 |
| Individual health insurance | | | |
| -reported but not paid | 494,492 | - | 494,492 |
| -incurred but not reported | 961,154 | - | 961,154 |
| Group insurance | | | |
| -reported but not paid | 67,026 | - | 67,026 |
| -incurred but not reported | 415,675 | - | 415,675 |
| Investment-linked insurance | | | |
| -reported but not paid | 95,473 | - | 95,473 |
| -incurred but not reported | 56,794 | - | 56,794 |
| Gross reserve | 6,320,807 | 4,744 | 6,325,551 |
| Deduction of provision for reinsurance ceded: | | | |
| Individual life insurance | 155,195 | - | 155,195 |
| Individual injury insurance | 34,141 | - | 34,141 |
| Personal health insurance | 57,551 | - | 57,551 |
| Group insurance | 7,253 | - | 7,253 |
| Investment-linked insurance | 7,748 | - | 7,748 |
| Total ceded reserve | 261,888 | - | 261,888 |
| Net reserve | **$ 6,058,919** | **4,744** | **6,063,663** |

| | December 31, 2018 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Individual life insurance | | | |
| -reported but not paid | $ 2,511,767 | 1,353 | 2,513,120 |
| -incurred but not reported | 299,982 | - | 299,982 |
| Individual injury insurance | | | |
| -reported but not paid | 155,415 | - | 155,415 |
| -incurred but not reported | 504,174 | - | 504,174 |
| Individual health insurance | | | |
| -reported but not paid | 473,151 | - | 473,151 |
| -incurred but not reported | 985,558 | - | 985,558 |
| Group insurance | | | |
| -reported but not paid | 77,457 | - | 77,457 |
| -incurred but not reported | 437,664 | - | 437,664 |
| Investment-linked insurance | | | |
| -reported but not paid | 77,631 | - | 77,631 |
| -incurred but not reported | 48,238 | - | 48,238 |
| Gross reserve | 5,571,037 | 1,353 | 5,572,390 |
| Deduction of provision for reinsurance ceded: | | | |
| Individual life insurance | 148,570 | - | 148,570 |
| Individual injury insurance | 33,992 | - | 33,992 |
| Individual health insurance | 52,219 | - | 52,219 |
| Group insurance | 1,939 | - | 1,939 |
| Investment-linked insurance | 7,812 | - | 7,812 |
| Total ceded reserve | 244,532 | - | 244,532 |
| Net reserve | **$ 5,326,505** | **1,353** | **5,327,858** |

| | June 30, 2018 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Individual life insurance | | | |
| -reported but not paid | $ 406,576 | 4,342 | 410,918 |
| -incurred but not reported | 3,452 | - | 3,452 |
| Individual injury insurance | | | |
| -reported but not paid | 76,531 | - | 76,531 |
| -incurred but not reported | 339,440 | - | 339,440 |
| Individual health insurance | | | |
| -reported but not paid | 181,297 | - | 181,297 |
| -incurred but not reported | 576,371 | - | 576,371 |
| Group insurance | | | |
| -reported but not paid | 56,715 | - | 56,715 |
| -incurred but not reported | 351,856 | - | 351,856 |
| Investment-linked insurance | | | |
| -reported but not paid | 78,941 | - | 78,941 |
| -incurred but not reported | 66,834 | - | 66,834 |
| Gross reserve | 2,138,013 | 4,342 | 2,142,355 |
| Deduction of provision for reinsurance ceded: | | | |
| Individual life insurance | 21,146 | - | 21,146 |
| Individual injury insurance | 33,165 | - | 33,165 |
| Group insurance | 6,205 | - | 6,205 |
| Investment-linked insurance | 12,220 | - | 12,220 |
| Total ceded reserve | 72,736 | - | 72,736 |
| Net reserve | **$ 2,065,277** | **4,342** | **2,069,619** |

The movements in claim reserves are as follows:

| | For the six months ended June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Beginning balance | $ 5,571,037 | 1,353 | 5,572,390 |
| Current provisions | 3,257,645 | 4,744 | 3,262,389 |
| Current reclaims | (2,436,358) | (1,353) | (2,437,711) |
| Gain and loss on foreign exchange | (71,517) | - | (71,517) |
| Ending balance | 6,320,807 | 4,744 | 6,325,551 |
| Less: Provision for ceded reinsurance | | | |
| Beginning balance | 244,532 | - | 244,532 |
| Current provision | 84,040 | - | 84,040 |
| Current reclaim | (62,644) | - | (62,644) |
| Gain and loss on foreign exchange | (4,040) | - | (4,040) |
| Ending balance | 261,888 | - | 261,888 |
| Net ending balance | **$ 6,058,919** | **4,744** | **6,063,663** |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Beginning balance | $ 2,359,925 | 2,348 | 2,362,273 |
| Current provisions | 2,138,022 | 4,342 | 2,142,364 |
| Current reclaims | (2,359,925) | (2,348) | (2,362,273) |
| Gain and loss on foreign exchange | (9) | - | (9) |
| Ending balance | 2,138,013 | 4,342 | 2,142,355 |
| Less: Provision for ceded reinsurance | | | |
| Beginning balance | 122,918 | - | 122,918 |
| Current provision | 72,736 | - | 72,736 |
| Current reclaim | (122,918) | - | (122,918) |
| Ending balance | 72,736 | - | 72,736 |
| Net ending balance | **$ 2,065,277** | **4,342** | **2,069,619** |

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

| | June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Life insurance | $ 3,194,671,998 | - | 3,194,671,998 |
| Injury insurance | 1,459,748 | - | 1,459,748 |
| Health insurance | 296,398,779 | - | 296,398,779 |
| Annuity insurance | 69,645,067 | 138,549,317 | 208,194,384 |
| Investment-linked insurance | 125,781 | - | 125,781 |
| Total (Note 1) | 3,562,301,373 | 138,549,317 | 3,700,850,690 |
| Less: Ceded liability reserve | | | |
| Life insurance | 3,427 | - | 3,427 |
| Net ending balance (Note 1) | **$ 3,562,297,946** | **138,549,317** | **3,700,847,263** |

Note 1: As of June 30, 2019, after adding the " liability reserve-pending payment for policyholders", liability reserve amounted to $3,701,060,470 less ceded liability reserve, the total amounted to $3,701,057,043.

| | December 31, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Life insurance | $ 3,072,984,578 | - | 3,072,984,578 |
| Injury insurance | 1,556,740 | - | 1,556,740 |
| Health insurance | 285,630,348 | - | 285,630,348 |
| Annuity insurance | 70,998,972 | 138,958,769 | 209,957,741 |
| Investment-linked insurance | 117,295 | - | 117,295 |
| Total (Note 2) | 3,431,287,933 | 138,958,769 | 3,570,246,702 |
| Less: Ceded liability reserve | | | |
| Life insurance | 1,791 | - | 1,791 |
| Net ending balance (Note 2) | **$ 3,431,286,142** | **138,958,769** | **3,570,244,911** |

Note 2: As of December 31,2018, after adding the "liability reserve-pending payment for policyholders", liability reserve amounted to $3,570,457,096.

| | June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Life insurance | $ 2,845,152,760 | - | 2,845,152,760 |
| Injury insurance | 698,702 | - | 698,702 |
| Health insurance | 256,440,732 | - | 256,440,732 |
| Annuity insurance | 1,238,392 | 142,766,321 | 144,004,713 |
| Investment-linked insurance | 116,364 | - | 116,364 |
| Total (Note 3) | 3,103,646,950 | 142,766,321 | 3,246,413,271 |
| Less: Ceded liability reserve | | | |
| Life insurance | 824 | - | 824 |
| Net ending balance (Note 3) | **$ 3,103,646,126** | **142,766,321** | **3,246,412,447** |

Note 3: As of June 30, 2018, after adding the "liability reserve-pending payment for policyholders", liability reserve amounted to $3,246,497,308, less ceded liability reserve, the total amounted to $3,246,496,484.

The movements in the liability reserves are as follows:

| | For the six months ended June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Beginning balance | $ 3,431,287,933 | 138,958,769 | 3,570,246,702 |
| Current provisions | 300,537,319 | 11,199,750 | 311,737,069 |
| Current reclaims | (173,067,420) | (11,609,202) | (184,676,622) |
| Gain and loss on foreign exchange | 3,543,541 | - | 3,543,541 |
| Ending balance | 3,562,301,373 | 138,549,317 | 3,700,850,690 |
| Less: Ceded liability reserve | | | |
| Beginning balance | 1,791 | - | 1,791 |
| Current provisions | 1,611 | - | 1,611 |
| Gain and loss on foreign exchange | 25 | - | 25 |
| Ending balance | 3,427 | - | 3,427 |
| Ending balance-net | **$ 3,562,297,946** | **138,549,317** | **3,700,847,263** |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Beginning balance | $ 2,945,363,140 | 146,615,847 | 3,091,978,987 |
| Current provisions | 259,489,047 | 5,659,815 | 265,148,862 |
| Current reclaims | (113,358,015) | (9,509,341) | (122,867,356) |
| Gain and loss on foreign exchange | 12,152,778 | - | 12,152,778 |
| Ending balance | 3,103,646,950 | 142,766,321 | 3,246,413,271 |
| Less: Ceded liability reserve | | | |
| Beginning balance | 793 | - | 793 |
| Current provisions | 14 | - | 14 |
| Gain and loss on foreign exchange | 17 | - | 17 |
| Ending balance | 824 | - | 824 |
| Ending balance-net | **$ 3,103,646,126** | **142,766,321** | **3,246,412,447** |

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

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Others | Total |
| Dividend provision for participating policies | $ 8,334,207 | - | - | 8,334,207 |
| Valuation surplus gain for investment property | - | - | 652,267 | 652,267 |
| Total | **$ 8,334,207** | **-** | **652,267** | **8,986,474** |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Others | Total |
| Dividend provision for participating policies | $ 8,220,920 | - | - | 8,220,920 |
| Valuation surplus gain for investment property | - | - | 652,267 | 652,267 |
| Total | **$ 8,220,920** | **-** | **652,267** | **8,873,187** |

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Others | Total |
| Dividend provision for participating policies | $ 7,125,880 | - | - | 7,125,880 |
| Valuation surplus gain for investment property | - | - | 652,267 | 652,267 |
| Total | **$ 7,125,880** | **-** | **652,267** | **7,778,147** |

The movements in special reserves are as follows:

| | For the six months ended June 30, 2019 | | | |
|---|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Others | Total |
| Beginning balance | $ 8,220,920 | - | 652,267 | 8,873,187 |
| Provision for dividend provision for participating policies | 118,391 | - | - | 118,391 |
| Gain and loss on foreign exchange | (5,104) | - | - | (5,104) |
| Ending balance | **$ 8,334,207** | **-** | **652,267** | **8,986,474** |

| | For the six months ended June 30, 2018 | | | |
|---|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Others | Total |
| Beginning balance | $ 7,251,155 | - | 652,267 | 7,903,422 |
| Provision for dividend provision for participating policies | (126,012) | - | - | (126,012) |
| Gain and loss on foreign exchange | 737 | - | - | 737 |
| Ending balance | **$ 7,125,880** | **-** | **652,267** | **7,778,147** |

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

| | June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Individual life insurance | $ 13,999,163 | - | 13,999,163 |
| Individual health insurance | 230,703 | - | 230,703 |
| Total | **$ 14,229,866** | **-** | **14,229,866** |

| | December 31, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Individual life insurance | $ 14,990,055 | - | 14,990,055 |
| Individual injury insurance | 775 | - | 775 |
| Individual health insurance | 258,743 | - | 258,743 |
| Group insurance | 11,429 | - | 11,429 |
| Investment-linked instruments | 685 | - | 685 |
| Total | **$ 15,261,687** | **-** | **15,261,687** |

| | June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Individual life insurance | $ 17,368,110 | - | 17,368,110 |
| Individual injury insurance | 708 | - | 708 |
| Individual health insurance | 294,816 | - | 294,816 |
| Group insurance | 6,271 | - | 6,271 |
| Investment-linked instruments | 497 | - | 497 |
| Total | **$ 17,670,402** | **-** | **17,670,402** |

The movements in premium deficiency reserve are as follows:

| | For the six months ended June 30, 2019 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Beginning balance | $ 15,261,687 | - | 15,261,687 |
| Current provision, net | (1,064,164) | - | (1,064,164) |
| Gain and Loss on foreign exchange | 32,343 | - | 32,343 |
| Ending balance | **$ 14,229,866** | **-** | **14,229,866** |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Beginning balance | $ 19,937,823 | - | 19,937,823 |
| Current provision, net | (2,311,863) | - | (2,311,863) |
| Gain and Loss on foreign exchange | 44,442 | - | 44,442 |
| Ending balance | **$ 17,670,402** | **-** | **17,670,402** |

(f) Liability adequacy reserve:

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

| **Insurance contracts and financial instruments with discretionary participation** | **June 30, 2019** | **December 31, 2018** | **June 30, 2018** |
|---|---|---|---|
| Liability reserve | $ 3,669,348,543 | 3,542,522,896 | 3,238,991,412 |
| Unearned premium reserve | 8,953,461 | 8,766,935 | 8,480,380 |
| Premium deficiency reserve | 13,562,288 | 15,048,129 | 17,624,694 |
| Special reserve | 8,614,959 | 8,546,098 | 7,752,327 |
| Claim reserve | 2,617,141 | 2,437,711 | 2,142,147 |
| The carrying amount of the related insurance liabilities | **$ 3,703,096,392** | **3,577,321,769** | **3,274,990,960** |
| Current estimate of future cash flows under its insurance liabilities | **$ 2,812,681,674** | **2,778,770,182** | **2,453,287,860** |
| Total liability adequacy reserve | **$ -** | **-** | **-** |

The liability adequacy test method adopted by the Company for June 30, 2019 and 2018:

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

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

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

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Others** | **Total** |
| Catastrophic risk reserve | $ 3,647,385 | - | - | 3,647,385 |
| Contingency risk reserve | 2,789,051 | - | - | 2,789,051 |
| Total | **$ 6,436,436** | **-** | **-** | **6,436,436** |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Others** | **Total** |
| Catastrophic risk reserve | $ 3,647,385 | - | - | 3,647,385 |
| Contingency risk reserve | 2,789,051 | - | - | 2,789,051 |
| Total | **$ 6,436,436** | **-** | **-** | **6,436,436** |

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Others** | **Total** |
| Catastrophic risk reserve | $ 3,375,135 | - | - | 3,375,135 |
| Contingency risk reserve | 2,782,027 | - | - | 2,782,027 |
| Total | **$ 6,157,162** | **-** | **-** | **6,157,162** |

(W) Reserve for insurance with nature of financial instrument

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Life insurance | **$ 3,579,131** | **3,523,635** | **3,757,529** |

| | For the six months ended June 30, 2019 | 2018 |
|---|---|---|
| Beginning balance | $ 3,523,635 | 3,744,674 |
| Current premiums collected | 145 | 310 |
| Current claims payment | (15,959) | (54,519) |
| Current net provision for legal reserve | 71,310 | 67,064 |
| Ending balance | **$ 3,579,131** | **3,757,529** |

(X) Reserve for foreign exchange valuation

(a) Hedging strategy and risk exposure

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

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

| | For the six months ended June 30, 2019 | 2018 |
|---|---|---|
| Beginning balance | $ 8,337,666 | 2,305,484 |
| Current provision: | | |
| Compulsory provision | 2,384,205 | 1,241,449 |
| Additional provision | 4,914,634 | 1,905,206 |
| Subtotal | 7,298,839 | 3,146,655 |
| Current recovery | (3,798,977) | (930,236) |
| Ending balance | **$ 11,837,528** | **4,521,903** |

(c) Effect of the reserve for foreign exchange valuation

| Item | Not applied amount | Applied amount | Effect |
|---|---|---|---|
| **June 30, 2019** | | | |
| Foreign exchange valuation reserve | $ - | 11,837,528 | (11,837,528) |
| Shareholders' equity | 300,343,593 | 292,478,733 | 7,864,860 |
| **December 31, 2018** | | | |
| Foreign exchange valuation reserve | - | 8,337,666 | (8,337,666) |
| Shareholders' equity | 205,924,071 | 200,859,101 | 5,064,970 |
| **June 30, 2018** | | | |
| Foreign exchange valuation reserve | - | 4,521,903 | (4,521,903) |
| Shareholders' equity | 257,548,984 | 255,536,624 | 2,012,360 |

| | For the six months ended June 30, 2019 | | | For the six months ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| Item | Not applied amount | Applied amount | Effect | Not applied amount | Applied amount | Effect |
| Income after tax | $ 13,696,052 | 10,896,162 | 2,799,890 | 20,856,837 | 19,083,702 | 1,773,135 |
| Earnings per share | 1.24 | 0.98 | 0.26 | 1.88 | 1.72 | 0.16 |

(Y) Deferred acquisition cost and deferred handling fee

(a) Deferred acquisition cost

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

| | For the six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Beginning balance | $ 520,024 | 421,434 |
| Addition | 60,721 | 57,277 |
| Amortization | (10,825) | (11,540) |
| Ending balance | **$ 569,920** | **467,171** |

(b) Deferred handling fees

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

| | For the six months ended June 30, 2019 | 2018 |
|---|---|---|
| Beginning balance | $ 1,423,865 | 1,160,950 |
| Addition | 166,109 | 150,389 |
| Amortization | (25,401) | (27,037) |
| Ending balance | **$ 1,564,573** | **1,284,302** |

(Z) Retained earned premium and retained claims payment

(a) Retained earned premium

| | For the three months ended June 30, 2019 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Direct written premiums | $ 154,352,022 | 5,697,561 | 160,049,583 |
| Reinsurance premiums | - | - | - |
| Premium income | 154,352,022 | 5,697,561 | 160,049,583 |
| Less: reinsurance premium ceded | (668,401) | - | (668,401) |
| Net change in unearned premium reserves | (116,657) | - | (116,657) |
| Subtotal | (785,058) | - | (785,058) |
| Retained earned premiums | **$ 153,566,964** | **5,697,561** | **159,264,525** |

| | For the three months ended June 30, 2018 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Direct written premiums | $ 119,742,152 | 2,127,419 | 121,869,571 |
| Reinsurance premiums | - | - | - |
| Premium income | 119,742,152 | 2,127,419 | 121,869,571 |
| Less: reinsurance premium ceded | (643,725) | - | (643,725) |
| Net change in unearned premium reserves | 42,872 | - | 42,872 |
| Subtotal | (600,853) | - | (600,853) |
| Retained earned premiums | **$ 119,141,299** | **2,127,419** | **121,268,718** |

| | For the six months ended June 30, 2019 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Direct written premiums | $ 306,740,610 | 10,137,908 | 316,878,518 |
| Reinsurance premiums | - | - | - |
| Premium income | 306,740,610 | 10,137,908 | 316,878,518 |
| Less: reinsurance premium ceded | (1,205,463) | - | (1,205,463) |
| Net change in unearned premium reserves | (250,002) | - | (250,002) |
| Subtotal | (1,455,465) | - | (1,455,465) |
| Retained earned premiums | **$ 305,285,145** | **10,137,908** | **315,423,053** |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Direct written premiums | $ 247,874,466 | 4,537,345 | 252,411,811 |
| Reinsurance premiums | - | - | - |
| Premium income | 247,874,466 | 4,537,345 | 252,411,811 |
| Less: reinsurance premium ceded | (969,367) | - | (969,367) |
| Net change in unearned premium reserves | (37,783) | - | (37,783) |
| Subtotal | (1,007,150) | - | (1,007,150) |
| Retained earned premiums | **$ 246,867,316** | **4,537,345** | **251,404,661** |

(b) Retained claims payment

| | For the three months ended June 30, 2019 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial instruments with discretionary participation** | **Total** |
| Claims payment incurred | $ 122,561,080 | 6,484,870 | 129,045,950 |
| Reinsurance claims payment incurred | 12 | - | 12 |
| Insurance claims payment | 122,561,092 | 6,484,870 | 129,045,962 |
| Less: Claims payment recovered from reinsurers | (346,430) | - | (346,430) |
| Retained claims payment | **$ 122,214,662** | **6,484,870** | **128,699,532** |

| | For the three months ended June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Claims payment incurred | $ 75,183,657 | 4,824,963 | 80,008,620 |
| Reinsurance claims payment incurred | 8 | - | 8 |
| Insurance claims payment | 75,183,665 | 4,824,963 | 80,008,628 |
| Less: Claims payment recovered from reinsurers | (282,580) | - | (282,580) |
| Retained claims payment | **$ 74,901,085** | **4,824,963** | **79,726,048** |

| | For the six months ended June 30, 2019 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Claims payment incurred | $ 212,495,048 | 11,921,342 | 224,416,390 |
| Reinsurance claims payment incurred | 32 | - | 32 |
| Insurance claims payment | 212,495,080 | 11,921,342 | 224,416,422 |
| Less: Claims payment recovered from reinsurers | (722,292) | - | (722,292) |
| Retained claims payment | **$ 211,772,788** | **11,921,342** | **223,694,130** |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | Insurance Contracts | Financial instruments with discretionary participation | Total |
| Claims payment incurred | $ 133,024,143 | 9,622,772 | 142,646,915 |
| Reinsurance claims payment incurred | 26 | - | 26 |
| Insurance claims payment | 133,024,169 | 9,622,772 | 142,646,941 |
| Less: Claims payment recovered from reinsurers | (512,275) | - | (512,275) |
| Retained claims payment | **$ 132,511,894** | **9,622,772** | **142,134,666** |

(AA) Non-operating income and expenses

| | 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 |
|---|---|---|---|---|
| Losses on disposal of assets | $ (1,293) | (726) | (2,733) | (1,095) |
| Other non-operating income and expenses | 99,206 | 126,366 | 231,167 | 251,953 |
| Total | **$ 97,913** | **125,640** | **228,434** | **250,858** |

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

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

(1) The organization of risk management

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

(2) Risk management strategy

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

(b) Insurance risk management

(1) Underwriting risk management

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

1) Risk of policyholder concealment

2) Risk of insurance content

3) Occupational and financial risk

4) Risk of health conditions

5) Risk of the lack of experience of the underwriter

6) Risk of retention

7) Risk of operation quality

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

(2) Claim risk management

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

(3) Product design and pricing risk management

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

(4) Reserve-risk management

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

(5) Catastrophic risk and reinsurance risk

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

1) Catastrophic risk

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

2) Reinsurance risk

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

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

(6) Assets and liabilities combination risk

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

2) The Assets and Liabilities Management Committee holds meetings monthly and the responsible department in the Group performs the cash flow test using the spot interest rate and estimates the earnings at the end of each year to ensure the ability of discharging of the Group. Also, the Risk-Based Capital ratio is examined and simulated via important elements to execute sensitivity analysis which serves as the reference for capital adequacy decision. Furthermore, the change between Venture Capital and equity fund is analyzed periodically to identify the reason for such changes and capital liquidity risk analysis is performed by using the accumulated net cash flow in a year and the accumulated net cash flow in 5 years as the benchmark for risk management.

(7) Risk management report

1) A Risk Management Committee is set up under the supervision of the Board of Directors. The independent directors act as the conveners and hold a meeting quarterly. According to its organization rules, the major duties of the committee are to

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

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

(III) Adjust risk types as environment change

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

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

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

(c) Information of insurance risk

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

| | For the six months ended June 30, 2019 | | | |
|---|---|---|---|---|
| | **Change of assumption** | | **Change of income before tax** | **Change of stockholder's equity** |
| Mortality/Morbidity | Increase | 10 % | (1,616,629) | (1,291,256) |
| Rate of return | Decrease | 0.1 % | (1,970,271) | (1,574,237) |
| Expense (fixed expense) | Increase | 5 % | (242,474) | (192,966) |
| Lapse and surrender rate | Increase | 10 % | 131,627 | 105,135 |

| | For the six months ended June 30, 2018 | | | |
|---|---|---|---|---|
| | **Change of assumption** | | **Change of income before tax** | **Change of stockholder's equity** |
| Mortality/Morbidity | Increase | 10 % | (1,404,759) | (1,123,807) |
| Rate of return | Decrease | 0.1 % | (1,734,689) | (1,387,751) |
| Expense (fixed expense) | Increase | 5 % | (185,450) | (148,360) |
| Lapse and surrender rate | Increase | 10 % | 116,540 | 93,232 |

The sensitivity analysis requires evaluating the impact to income before tax/stockholders' equity in which only one element changes and the others remain constant. The change of stockholder's equity was calculated based on the assumption that the tax rate which the Company was 20% and the subsidiary Fubon Hyundai Life Insurance was 22%, the change factors considered include mortality, morbidity, rate of return, expense rate and lapse rate. The sensitivity analysis does not include the information of the subsidiaries, such exclusion is due to the fact that the percentage of the subsidiaries Fubon Life Insurance (Vietnam) Co., Ltd. and Fubon Life Insurance (Hong Kong) Co., Ltd.'s retained earned premiums to the consolidated retained earned premiums is relatively small and is not expected to affect the result of the sensitivity analysis.

(2) Insurance risk concentration

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

(3) Claim development trend

1) Development trend of claims payment incurred

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

**June 30, 2019 (The Company)**

| Occurrence Year | Development year 1 | 2 | 3 | 4 | 5 | 6 | 7 | Claim Reserve |
|---|---|---|---|---|---|---|---|---|
| 2013 | 3,970,050 | 4,725,262 | 4,813,040 | 4,826,369 | 4,833,979 | 4,836,819 | 4,838,468 | - |
| 2014 | 4,172,446 | 5,113,019 | 5,173,291 | 5,183,758 | 5,193,828 | 5,197,247 | - | - |
| 2015 | 4,605,165 | 5,558,277 | 5,666,297 | 5,694,273 | 5,701,846 | - | - | 5,026 |
| 2016 | 5,070,166 | 6,224,855 | 6,352,169 | 6,371,400 | - | - | - | 18,176 |
| 2017 | 5,431,814 | 6,649,814 | 6,743,040 | - | - | - | - | 82,809 |
| 2018 | 5,723,578 | 6,815,222 | - | - | - | - | - | 831,300 |
| 2019 | 2,503,083 | - | - | - | - | - | - | 598,191 |
| IBNR Reserve | | | | | | | | 1,535,502 |
| Plus: RBNA Reserve (Including subsidiary company - Fubon Life Insurance (Vietnam)) | | | | | | | | 1,066,205 |
| The balance of claim reserve | | | | | | | | 2,601,707 |

**June 30, 2019 (Subsidiary-Fubon Hyundai Life Insurance)**

| Occurrence Year | Development year 1 | 2 | 3 | 4 | 5 | Claim Reserve |
|---|---|---|---|---|---|---|
| 2015 | 1,518,760 | 1,828,364 | 1,869,528 | 1,878,618 | 1,885,589 | - |
| 2016 | 1,558,647 | 1,950,262 | 1,995,025 | 2,022,917 | - | 9,478 |
| 2017 | 1,629,028 | 2,016,329 | 2,080,742 | - | - | 33,443 |
| 2018 | 1,628,459 | 1,998,347 | - | - | - | 103,293 |
| 2019 | 1,631,959 | - | - | - | - | 536,029 |
| IBNR Reserve | | | | | | 682,243 |
| Plus: RBNA Reserve | | | | | | 3,025,813 |
| The balance of claim reserve | | | | | | 3,708,056 |

**December 31, 2018 (The Company)**

| Occurrence Year | Development year 1 | 2 | 3 | 4 | 5 | 6 | 7 | Claim Reserve |
|---|---|---|---|---|---|---|---|---|
| 2012 | 3,534,236 | 4,263,656 | 4,330,262 | 4,347,231 | 4,351,260 | 4,358,662 | 4,365,445 | - |
| 2013 | 3,970,050 | 4,725,262 | 4,813,040 | 4,826,369 | 4,833,979 | 4,836,819 | - | - |
| 2014 | 4,172,446 | 5,113,019 | 5,173,291 | 5,183,758 | 5,193,828 | - | - | - |
| 2015 | 4,605,165 | 5,558,277 | 5,666,297 | 5,694,273 | - | - | - | 10,078 |
| 2016 | 5,070,166 | 6,224,855 | 6,352,169 | - | - | - | - | 25,559 |
| 2017 | 5,431,814 | 6,649,814 | - | - | - | - | - | 137,276 |
| 2018 | 5,723,578 | - | - | - | - | - | - | 1,387,826 |
| IBNR Reserve | | | | | | | | 1,560,739 |
| Plus: RBNA Reserve (Including subsidiary company - Fubon Life Insurance (Vietnam)) | | | | | | | | 862,025 |
| The balance of claim reserve | | | | | | | | 2,422,764 |

**December 31, 2018 (Subsidiary-Fubon Hyundai Life Insurance)**

| Occurrence Year | Development year | | | | | Claim Reserve |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| 2014 | 1,607,307 | 1,933,407 | 1,979,411 | 1,987,058 | 1,991,804 | - |
| 2015 | 1,575,812 | 1,915,941 | 1,952,238 | 1,971,945 | - | 8,366 |
| 2016 | 1,673,049 | 2,017,219 | 2,080,642 | - | - | 28,371 |
| 2017 | 1,704,213 | 2,068,251 | - | - | - | 97,514 |
| 2018 | 1,666,375 | - | - | - | - | 565,293 |
| IBNR Reserve | | | | | | 699,544 |
| Plus: RBNA Reserve | | | | | | 2,434,749 |
| The balance of claim reserve | | | | | | 3,134,293 |

**June 30, 2018 (The Company)**

| Occurrence Year | Development year | | | | | | | Claim Reserve |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2012 | 3,534,236 | 4,263,656 | 4,330,262 | 4,347,231 | 4,351,260 | 4,358,662 | 4,362,326 | - |
| 2013 | 3,970,050 | 4,725,262 | 4,813,040 | 4,826,369 | 4,833,979 | 4,835,302 | - | - |
| 2014 | 4,172,446 | 5,113,019 | 5,173,291 | 5,183,758 | 5,187,914 | - | - | 526 |
| 2015 | 4,605,165 | 5,558,277 | 5,666,297 | 5,684,987 | - | - | - | 2,964 |
| 2016 | 5,070,166 | 6,224,855 | 6,306,293 | - | - | - | - | 53,426 |
| 2017 | 5,431,814 | 6,434,536 | - | - | - | - | - | 732,994 |
| 2018 | 2,376,303 | - | - | - | - | - | - | 533,036 |
| IBNR Reserve | | | | | | | | 1,322,946 |
| Plus: RBNA Reserve (Including subsidiary company - Fubon Life Insurance (Vietnam)) | | | | | | | | 804,402 |
| The balance of claim reserve | | | | | | | | 2,127,348 |

Note 1： Amount shown above excludes investment contracts.

Note 2： As of June 30, 2019, December 31, 2018, and June 30, 2018, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary company (Fubon Life Insurance (Vietnam)), from claims payment incurred are not estimated based on claim development trend amounts to $15,788, $15,333 and $15,007, respectively.

2) Development trend of retention claims payments

Cumulative claims payments from prior years are as follows:

**June 30, 2019 (The Company)**

| Occurrence Year | Development year | | | | | | | Claim Reserve |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2013 | 3,942,698 | 4,565,096 | 4,651,774 | 4,665,103 | 4,672,708 | 4,675,548 | 4,677,196 | - |
| 2014 | 4,166,511 | 4,992,049 | 5,052,316 | 5,062,783 | 5,072,770 | 5,076,185 | - | - |
| 2015 | 4,587,144 | 5,435,512 | 5,543,341 | 5,571,173 | 5,578,737 | - | - | 4,985 |
| 2016 | 5,068,488 | 6,111,210 | 6,238,474 | 6,257,650 | - | - | - | 17,994 |
| 2017 | 5,412,545 | 6,505,146 | 6,597,978 | - | - | - | - | 81,346 |
| 2018 | 5,708,571 | 6,739,669 | - | - | - | - | - | 821,781 |
| 2019 | 2,495,063 | - | - | - | - | - | - | 595,637 |
| IBNR Reserve | | | | | | | | 1,521,743 |
| Plus: RBNA Reserve (Including subsidiary company - Fubon Life Insurance (Vietnam)) | | | | | | | | 1,012,430 |
| The balance of claim reserve | | | | | | | | 2,534,173 |

**June 30, 2019 (Subsidiary-Fubon Hyundai Life Insurance)**

| Occurrence Year | Development year | | | | | Claim Reserve |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| 2015 | 1,138,650 | 1,355,099 | 1,379,671 | 1,382,951 | 1,388,022 | - |
| 2016 | 1,107,783 | 1,374,478 | 1,399,466 | 1,420,538 | - | 7,648 |
| 2017 | 1,183,581 | 1,469,354 | 1,513,688 | - | - | 26,983 |
| 2018 | 1,213,156 | 1,504,036 | - | - | - | 83,342 |
| 2019 | 1,253,388 | - | - | - | - | 432,493 |
| IBNR Reserve | | | | | | 550,466 |
| Plus: RBNA Reserve | | | | | | 2,965,299 |
| The balance of claim reserve | | | | | | 3,515,765 |

**December 31, 2018 (The Company)**

| Occurrence Year | Development year | | | | | | | Claim Reserve |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2012 | 3,526,249 | 4,184,487 | 4,251,072 | 4,268,016 | 4,272,044 | 4,279,432 | 4,286,215 | - |
| 2013 | 3,942,698 | 4,565,096 | 4,651,774 | 4,665,103 | 4,672,708 | 4,675,548 | - | - |
| 2014 | 4,166,511 | 4,992,049 | 5,052,316 | 5,062,783 | 5,072,770 | - | - | - |
| 2015 | 4,587,144 | 5,435,512 | 5,543,341 | 5,571,173 | - | - | - | 9,997 |
| 2016 | 5,068,488 | 6,111,210 | 6,238,474 | - | - | - | - | 25,288 |
| 2017 | 5,412,545 | 6,505,146 | - | - | - | - | - | 134,669 |
| 2018 | 5,708,571 | - | - | - | - | - | - | 1,382,713 |
| IBNR Reserve | | | | | | | | 1,552,667 |
| Plus: RBNA Reserve (Including subsidiary company - Fubon Life Insurance (Vietnam)) | | | | | | | | 809,525 |
| The balance of claim reserve | | | | | | | | 2,362,192 |

**December 31, 2018 (Subsidiary-Fubon Hyundai Life Insurance)**

| Occurrence Year | Development year | | | | | Claim Reserve |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| 2014 | 1,175,169 | 1,406,053 | 1,436,062 | 1,437,158 | 1,438,773 | - |
| 2015 | 1,138,137 | 1,367,555 | 1,389,137 | 1,400,914 | - | 6,941 |
| 2016 | 1,190,135 | 1,446,409 | 1,494,233 | - | - | 23,540 |
| 2017 | 1,260,184 | 1,535,826 | - | - | - | 80,908 |
| 2018 | 1,268,209 | - | - | - | - | 469,027 |
| IBNR Reserve | | | | | | 580,416 |
| Plus: RBNA Reserve | | | | | | 2,371,990 |
| The balance of claim reserve | | | | | | 2,952,406 |

**June 30, 2018 (The Company)**

| Occurrence Year | Development year | | | | | | | Claim Reserve |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2012 | 3,526,249 | 4,184,487 | 4,251,072 | 4,268,016 | 4,272,044 | 4,279,432 | 4,283,096 | - |
| 2013 | 3,942,698 | 4,565,096 | 4,651,774 | 4,665,103 | 4,672,708 | 4,674,031 | - | - |
| 2014 | 4,166,511 | 4,992,049 | 5,052,316 | 5,062,783 | 5,066,938 | - | - | 496 |
| 2015 | 4,587,144 | 5,435,512 | 5,543,341 | 5,562,031 | - | - | - | 2,772 |
| 2016 | 5,068,488 | 6,111,210 | 6,192,653 | - | - | - | - | 52,548 |
| 2017 | 5,412,545 | 6,361,396 | - | - | - | - | - | 724,090 |
| 2018 | 2,375,008 | - | - | - | - | - | - | 532,505 |
| IBNR Reserve | | | | | | | | 1,312,411 |
| Plus: RBNA Reserve (Including subsidiary company - Fubon Life Insurance (Vietnam)) | | | | | | | | 744,262 |
| The balance of claim reserve | | | | | | | | 2,056,673 |

Note 1： Amount shown above excludes investment contracts.

Note 2： As of June 30, 2019, December 31, 2018 and June 30, 2018, except for the IBNR Reserve of Investment-linked products and the IBNR of the subsidiary company (Fubon Life Insurance (Vietnam)), from claims payment incurred are not estimated based on claim development trend amounts to $13,725 , $13,260, and $12,946, respectively.

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

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

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

(1) Credit risk

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

(2) Liquidity risk

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

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

(Unit: NT$ million)

**June 30, 2019**

| Maturity date | <1 year | 1~3 years | 3~5 years | >5 years | Unable to classify (Note) | Total |
|---|---|---|---|---|---|---|
| Provision | 101,718 | 152,601 | 28,476 | 3,163,877 | 295,814 | 3,742,486 |
| Proportion | 2.7 % | 4.1 % | 0.8 % | 84.5 % | 7.9 % | 100.0 % |

**December 31, 2018**

| Maturity date | <1 year | 1~3 years | 3~5 years | >5 years | Unable to classify (Note) | Total |
|---|---|---|---|---|---|---|
| Provision | 171,956 | 194,000 | 25,237 | 2,921,187 | 299,425 | 3,611,805 |
| Proportion | 4.8 % | 5.4 % | 0.7 % | 80.8 % | 8.3 % | 100.0 % |

**June 30, 2018**

| Maturity date | <1 year | 1~3 years | 3~5 years | >5 years | Unable to classify (Note) | Total |
|---|---|---|---|---|---|---|
| Provision | 171,146 | 189,615 | 33,942 | 2,666,335 | 224,638 | 3,285,676 |
| Proportion | 5.2 % | 5.8 % | 1.0 % | 81.2 % | 6.8 % | 100.0 % |

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

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

(3) Market risk

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

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

(AC) Fair value and fair value hierarchy

(a) Fair value information

(1) General description

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

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

(2) The definition of fair value hierarchy

1) Level 1 inputs

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

2) Level 2 inputs

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

3) Level 3 inputs

Level 3 inputs are valuation parameters which are not based on the information available in the market or the quoted prices from counter parties. Equity and debt instruments without active market prices but based on quoted prices from counter parties as well as investment properties are categorized in Level 3.

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

(3) Valuation techniques

1) Financial instruments

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

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

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

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

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

2) Non-financial instruments

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

(4) Fair value adjustment

Limitations of valuation models and uncertain inputs

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

(b) Fair value measurement

(1) Fair value hierarchy

Information of fair value hierarchy is as follows:

| | | June 30, 2019 | | | |
|---|---|---|---|---|---|
| Assets and liabilities items | | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Recurring fair value measurements** | | | | | |
| **Non-derivative assets and liabilities** | | | | | |
| **Assets:** | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Security investment | $ | 395,990,201 | 395,253,714 | - | 736,487 |
| Bond investment | | 68,379,410 | 5,005,834 | 28,553,275 | 34,820,301 |
| Other | | 510,937,792 | 424,281,968 | 2,579,890 | 84,075,934 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Security investment | | 87,923,049 | 66,899,346 | - | 21,023,703 |
| Bond investment (Note) | | 507,561,729 | 351,074,077 | 132,874,114 | 23,613,538 |
| Other | | 7,539,296 | - | 1,324,163 | 6,215,133 |
| Investment property | | 242,961,725 | - | - | 242,961,725 |
| **Derivative assets and liabilities** | | | | | |
| **Assets:** | | | | | |
| Financial assets at fair value through profit or loss | $ | 4,767,100 | - | 4,767,100 | - |
| Financial assets for hedging | | 1,435,377 | - | 1,435,377 | - |
| **Liabilities:** | | | | | |
| Financial liabilities at fair value through profit or loss | | 6,331,575 | - | 6,331,575 | - |
| Financial liabilities for hedging | | 530,142 | - | 530,142 | - |

| | | December 31, 2018 | | | |
|---|---|---|---|---|---|
| Assets and liabilities items | | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Recurring fair value measurements** | | | | | |
| **Non-derivative assets and liabilities** | | | | | |
| **Assets:** | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Security investment | $ | 347,053,459 | 346,172,325 | - | 881,134 |
| Bond investment | | 31,767,056 | 4,491,779 | 26,107,153 | 1,168,124 |
| Other | | 358,839,413 | 259,616,571 | 20,984,225 | 78,238,617 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Security investment | | 75,600,390 | 55,400,581 | 1,277,603 | 18,922,206 |
| Bond investment (Note) | | 552,527,099 | 396,178,955 | 129,431,855 | 26,916,289 |
| Other | | 9,166,983 | - | - | 9,166,983 |
| Investment property | | 174,467,497 | - | - | 174,467,497 |
| **Derivative assets and liabilities** | | | | | |
| **Assets:** | | | | | |
| Financial assets at fair value through profit or loss | $ | 2,170,687 | - | 2,170,687 | - |
| Financial assets for hedging | | 835,533 | - | 835,533 | - |
| **Liabilities:** | | | | | |
| Financial liabilities at fair value through profit or loss | | 3,445,100 | - | 3,445,100 | - |
| Financial liabilities for hedging | | 771,545 | - | 771,545 | - |

| Assets and liabilities items | June 30, 2018 Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| **Non-derivative assets and liabilities** | | | | |
| **Assets:** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Security investment | $ 405,764,728 | 404,957,566 | - | 807,162 |
| Bond investment | 28,763,582 | 4,012,138 | 23,586,536 | 1,164,908 |
| Other | 279,744,855 | 203,859,038 | - | 75,885,817 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Security investment | 73,979,480 | 63,122,609 | - | 10,856,871 |
| Bond investment (Note) | 564,268,920 | 432,627,595 | 116,299,032 | 15,342,293 |
| Investment property | 171,219,964 | - | - | 171,219,964 |
| **Derivative assets and liabilities** | | | | |
| **Assets:** | | | | |
| Financial assets at fair value through profit or loss | $ 1,446,509 | - | 1,446,509 | - |
| Financial assets for hedging | 423,420 | - | 423,420 | - |
| **Liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | 42,053,566 | - | 42,053,566 | - |
| Financial liabilities for hedging | 1,282,459 | - | 1,282,459 | - |

Note: Government bonds provided as statutory deposits were included.

(2) Transfer between Level 1 and Level 2

There was no significant transfer between Level 1 and Level 2 for the six months ended June 30, 2019 and 2018.

(3) The movement details of Level 3

Movements of assets categorized in Level 3 are as follows:

| | For the six months ended June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Valuation profit or loss | | Increase | | Decrease | | |
| Name | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income (Note 1) | Purchase or issue | Transfer into Level 3 (a)(b) | Sale, disposal or settlement | Transfer out of Level 3 (b)(c) | Ending balance |
| Financial assets at fair value through profit or loss | $ 80,287,875 | 212,413 | 1,061,010 | 43,780,351 | - | 5,708,927 | - | 119,632,722 |
| Financial assets measured at fair value through other comprehensive income | 55,005,478 | 373,364 | 1,579,746 | 437,356 | 1,198,957 | 4,276,935 | 3,465,592 | 50,852,374 |
| Investment property | 223,008,412 | (1,630,148) | 324,095 | 21,137,270 | 122,096 | - | - | 242,961,725 |
| Total | $ **358,301,765** | **(1,044,371)** | **2,964,851** | **65,354,977** | **1,321,053** | **9,985,862** | **3,465,592** | **413,446,821** |

| | For the six months ended June 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Valuation profit or loss | | Increase | | Decrease | | |
| Name | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income (Note 1) | Purchase or issue | Transfer into Level 3 (a)(b) | Sale, disposal or settlement | Transfer out of Level 3 (b)(c) | Ending balance |
| Financial assets at fair value through profit or loss | $ 67,829,306 | 106 | 4,866,669 | 11,122,901 | - | 5,961,095 | - | 77,857,887 |
| Financial assets measured at fair value through other comprehensive income | 31,699,751 | 520,792 | (392,703) | 82,356 | 10,199,110 | 1,396,764 | 14,513,378 | 26,199,164 |
| Investment property | 170,232,814 | 38,594 | (138,895) | 801,356 | 286,095 | - | - | 171,219,964 |
| Total | $ **269,761,871** | **559,492** | **4,335,071** | **12,006,613** | **10,485,205** | **7,357,859** | **14,513,378** | **275,277,015** |

(a) Transferred to Level 3 because of a lack of observable market data, resulting from a decrease in market activity for the securities.

(b) The Group's policy is to recognize transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfers.

(c) Transferred from Level 3 because observable market data became available for the securities.

Note 1: Gains or losses on financial assets at fair value through profit or loss was reclassified to other comprehensive income by applying the overlay approach.

Note 2: The Group applied IFRS 16 since January 1, 2019 and selected not to restate comparative information according to the transition of IFRS 16.

| | For the six months ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| The amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealized gains or losses relating to these assets and liabilities held at the end of the reporting period | **$ (1,058,027)** | **479,055** |
| The amount of the total gains or losses for the period included in other comprehensive income that is attributable to the change in unrealized gains or losses relating to these assets and liabilities held at the end of the reporting period | **$ 3,297,879** | **4,335,540** |

(4) Quantitative information about the significant unobservable inputs used in the fair value measurement

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

The fair value of financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income are categorized in Level 3 due to lack of quoted prices in active markets and determined by valuation provided by the professional finance information providers which are commonly used by market participants, or quoted prices from counter parties. The fair value of investment property is categorized in Level 3, and determined in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" and evaluated by the professional appraisal agency with the support of market evidences. Please refer to Note 6(F) for details. As of June 30, 2019, December 31, 2018 and June 30, 2018, because of the inability to comprehensively manage the relationship of significant unobservable inputs to fair value, the undisclosed quantitative information about fair value amounted to $380,107,000, $274,002,538 and $263,650,006, respectively.

Quantitative information about the significant unobservable inputs are as follows:

| Accounting classification | Fair value | Valuation techniques | Significant unobservable input | Range (weighted-average) | Relationship between inputs and fair value |
|---|---|---|---|---|---|
| | | | June 30, 2019 | | |
| Financial assets at fair value through profit or loss | $ 7,145,007 | Asset-based Approach | Discount for lack of marketability | 5% | The higher the discount for lack of marketability, the lower the fair value |
| | | | Non-controlling discount | 5% | The higher the non-controlling discount, the lower the fair value |
| | | Market Approach-comparable listed companies | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| | | | Revenue multiple | 1 | The higher the revenue multiple, the higher the fair value |
| | | | P/E ratio | 13.4~19.6 (16.5) | The higher the P/E ratio, the higher the fair value |
| | | | P/B ratio | 1.7~2.8 (2.25) | The higher the P/B ratio, the higher the fair value |
| | | Black-Derman-Toy Model/ Net Asset Value | Discount rate | 10.7%~10.79%<br>9.96%~10.51% | The higher the discount rate, the lower the fair value |
| Financial assets measured at fair value through other comprehensive income | 26,194,814 | Asset-based Approach | Discount for lack of marketability | 5%~70% (13.46%) | The higher the discount for lack of marketability, the lower the fair value |
| | | | Non-controlling discount | 5%~29.7% (21.35%) | The higher the non-controlling discount, the lower the fair value |
| | | Market Approach-comparable listed companies | Discount for lack of marketability | 22%~28% (25%) | The higher the discount for lack of marketability, the lower the fair value |
| | | | P/B ratio | 1.7~2.6 (2.15) | The higher the P/B ratio, the higher the fair value |
| | | Discounted Cash Flow Method | Discount rate | 1.97%~2.47% | The higher the discount rate, the lower the fair value |
| | | | Credit spread | Not applicable | The higher the credit spread, the lower the fair value |
| | | | Prepayment rate | Not applicable | The higher the prepayment rate, the higher the fair value |

| Accounting classification | Fair value | Valuation techniques | Significant unobservable input | Range (weighted-average) | Relationship between inputs and fair value |
|---|---|---|---|---|---|
| | | | December 31, 2018 | | |
| Financial assets at fair value through profit or loss | $ 7,669,123 | Asset-based Approach | Discount for lack of marketability | 5% | The higher the discount for lack of marketability, the lower the fair value |
| | | | Non-controlling discount | 5% | The higher the non-controlling discount, the lower the fair value |
| | | Market Approach-comparable listed companies | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| | | | Revenue multiple | 1 | The higher the revenue multiple, the higher the fair value |
| | | | P/E ratio | 14~16.2 (15.1) | The higher the P/E ratio, the higher the fair value |
| | | | P/B ratio | 1.7~3.5 (2.6) | The higher the P/B ratio, the higher the fair value |
| | | Black-Derman-Toy Model/ Net Asset Value | Discount rate | 9.38%~16.51% | The higher the discount rate, the lower the fair value |
| Financial assets measured at fair value through other comprehensive income | 28,089,189 | Asset-based Approach | Discount for lack of marketability | 5%~70% (12.33%) | The higher the discount for lack of marketability, the lower the fair value |
| | | | Non-controlling discount | 5%~29.7% (19.17%) | The higher the non-controlling discount, the lower the fair value |
| | | Market Approach-comparable listed companies | Discount for lack of marketability | 22%~28% (25%) | The higher the discount for lack of marketability, the lower the fair value |
| | | | P/B ratio | 2.2~2.5 (2.35) | The higher the P/B ratio, the higher the fair value |
| | | Discounted Cash Flow Method | Discount rate | Not applicable | The higher the discount rate, the lower the fair value |
| | | | Credit spread | Not applicable | The higher the credit spread, the lower the fair value |
| | | | Prepayment rate | Not applicable | The higher the prepayment rate, the higher the fair value |

| | June 30, 2018 | | | | |
|---|---|---|---|---|---|
| **Accounting classification** | **Fair value** | **Valuation techniques** | **Significant unobservable input** | **Range (weighted-average)** | **Relationship between inputs and fair value** |
| Financial assets at fair value through profit or loss | $ 770,138 | Asset-based Approach | Discount for lack of marketability | 0% | The higher the discount for lack of marketability, the lower the fair value |
| | | | Non-controlling discount | 0% | The higher the non-controlling discount, the lower the fair value |
| | | Market Approach-comparable listed companies | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| | | | Revenue multiple | 1.2 | The higher the revenue multiple, the higher the fair value |
| | | | P/E ratio | 13~25 (19) | The higher the P/E ratio, the higher the fair value |
| | | | P/B ratio | 1.8~5.8 (3.8) | The higher the P/B ratio, the higher the fair value |
| Financial assets measured at fair value through other comprehensive income | 10,856,871 | Asset-based Approach | Discount for lack of marketability | 5%~70% (13.46%) | The higher the discount for lack of marketability, the lower the fair value |
| | | | Non-controlling discount | 5%~29.7% (21.35%) | The higher the non-controlling discount, the lower the fair value |
| | | Market Approach-comparable listed companies | Discount for lack of marketability | 22%~28% (25%) | The higher the discount for lack of marketability, the lower the fair value |
| | | | P/B ratio | 1.9~2.4 (2.15) | The higher the P/B ratio, the higher the fair value |

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

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

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

(b) Prices referring from quoted prices from counter parties or valuation institute. Price information is provided on a monthly or quarterly basis and shall be kept properly. Valuation shall be reviewed regularly to ensure the consistency with reference pricing source and the reasonability of the valuation.

(c) Prices of equity investment referring from market approach and valuation model.

(d) Prices of loans referring from discounted cash flow method.

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

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

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

| June 30, 2019 | Other comprehensive income (Note) | |
|---|---|---|
| **Accounting classification** | **Favorable** | **Unfavorable** |
| Financial assets at fair value through profit or loss | $ 22,566 | (22,456) |
| Financial assets measured at fair value through other comprehensive income | 95,994 | (95,968) |
| Total | **$ 118,560** | **(118,424)** |

| December 31, 2018 | Other comprehensive income (Note) | |
|---|---|---|
| **Accounting classification** | **Favorable** | **Unfavorable** |
| Financial assets at fair value through profit or loss | $ 32,448 | (32,036) |
| Financial assets measured at fair value through other comprehensive income | 103,100 | (103,030) |
| Total | **$ 135,548** | **(135,066)** |

| June 30, 2018 | Other comprehensive income | |
|---|---|---|
| **Accounting classification** | **Favorable** | **Unfavorable** |
| Financial assets measured at fair value through other comprehensive income | **$ 43,187** | **(43,187)** |

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

(c) Assets and liabilities not measured at fair value

(1) Fair value information

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

| Items | Carrying amount | Fair value |
|---|---|---|
| **June 30, 2019** | | |
| Financial assets | | |
| Financial assets measured at amortized cost | $ 1,805,938,912 | 1,864,148,293 |
| Financial liabilities | | |
| Bonds payable | 61,284,180 | 62,346,522 |
| **December 31, 2018** | | |
| Financial assets | | |
| Financial assets measured at amortized cost | 1,810,245,565 | 1,741,549,396 |
| Financial liabilities | | |
| Bonds payable | 63,115,172 | 63,392,214 |
| **June 30, 2018** | | |
| Financial assets | | |
| Financial assets measured at amortized cost | 1,696,274,934 | 1,644,321,939 |
| Financial liabilities | | |
| Bonds payable | 55,000,000 | 55,857,775 |

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

(2) Fair value hierarchy

| | June 30, 2019 | | | |
|---|---|---|---|---|
| Assets and liabilities items | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Financial assets: | | | | |
| Financial assets measured at amortized cost | $ 1,864,148,293 | 841,565,544 | 747,195,829 | 275,386,920 |
| Financial liabilities: | | | | |
| Bonds payable | 62,346,522 | - | 55,931,380 | 6,415,142 |

| Assets and liabilities items | December 31, 2018 Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets measured at amortized cost | $ 1,741,549,396 | 714,695,585 | 721,308,232 | 305,545,579 |
| Financial liabilities: | | | | |
| Bonds payable | 63,392,214 | - | 55,225,620 | 8,166,594 |

| Assets and liabilities items | June 30, 2018 Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets measured at amortized cost | $ 1,644,321,939 | 709,297,987 | 624,519,596 | 310,504,356 |
| Financial liabilities: | | | | |
| Bonds payable | 55,857,775 | - | 55,857,775 | - |

(AD) Financial risk management

(a) Risk management system

(1) The organization structure of risk management

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

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

2) Operational Risk Management Committee: It is convened by the president to supervise and manage the operational risk of the Company in order to assure the management adopts appropriate risk management procedures within its authority. Furthermore, in order to assist all business units to carry out the risk control and to facilitate the coordination of other risk control affairs, the Company’s board of directors designates a chief risk officer to be in charge of a risk management department which is independent of all business units. The risk management department executes or assists to execute risk control duty

following the regulation of risk management policy, organization rules governing the risk management committee and organization rules governing the risk related committee. The Company has established diverse risk management policies, risk limits and stop-loss limit, hierarchical authorization, and risk assessment criteria in order to facilitate effective risk management.

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

(2) Risk management policies

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

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

(3) Risk management process

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

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

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

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

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

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

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

(4) Risk hedging and diminishing strategy

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

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

(b) Credit risk analysis

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

(1) Analysis of credit risk concentration

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

Credit risk exposure- by industry

| Financial assets | June 30, 2019 Amount | % | December 31, 2018 Amount | % | June 30, 2018 Amount | % |
|---|---|---|---|---|---|---|
| Industrial enterprise | $ 83,735,751 | 3.14 | 91,168,389 | 3.39 | 84,273,592 | 3.38 |
| Public business | 109,674,978 | 4.12 | 107,477,560 | 4.00 | 102,546,658 | 4.12 |
| Mortgage backed securities | 43,761,599 | 1.64 | 43,149,178 | 1.61 | 41,379,358 | 1.66 |
| Financial sector | 1,109,426,298 | 41.63 | 1,116,538,215 | 41.54 | 1,034,286,539 | 41.53 |
| Consumer staples | 171,934,131 | 6.45 | 183,590,158 | 6.83 | 171,777,709 | 6.90 |
| Government | 365,937,451 | 13.73 | 373,060,322 | 13.88 | 339,632,870 | 13.64 |
| Technology | 66,523,968 | 2.50 | 67,824,115 | 2.52 | 59,928,559 | 2.41 |
| Raw material | 59,021,365 | 2.21 | 54,185,252 | 2.02 | 60,628,139 | 2.43 |
| Consumer discretionary | 56,774,542 | 2.14 | 54,972,579 | 2.04 | 43,473,924 | 1.74 |
| Energy | 133,369,777 | 5.00 | 136,624,644 | 5.08 | 123,061,321 | 4.94 |
| Assets backed securities | 18,820,860 | 0.71 | 19,538,584 | 0.73 | 25,955,615 | 1.04 |
| Telecommunication | 211,386,907 | 7.93 | 209,840,363 | 7.81 | 204,270,104 | 8.20 |
| Other | 234,366,712 | 8.80 | 229,851,159 | 8.55 | 199,630,328 | 8.01 |
| Subtotal | 2,664,734,339 | 100.00 | 2,687,820,518 | 100.00 | 2,490,844,716 | 100.00 |
| Fair value adjustment through business combination | (584,324) | | (567,614) | | - | |
| Total | $ 2,664,150,015 | 100.00 | 2,687,252,904 | 100.00 | 2,490,844,716 | 100.00 |

Credit risk exposure- by geographic area

| Financial assets | June 30, 2019 Amount | % | December 31, 2018 Amount | % | June 30, 2018 Amount | % |
|---|---|---|---|---|---|---|
| Taiwan | $ 609,022,919 | 22.86 | 616,510,966 | 22.94 | 613,616,311 | 24.63 |
| Asia except Taiwan | 392,533,948 | 14.73 | 404,543,931 | 15.05 | 265,883,430 | 10.68 |
| North America | 1,034,320,536 | 38.82 | 1,045,728,759 | 38.91 | 1,018,947,324 | 40.91 |
| Middle and South America | 40,505,784 | 1.52 | 46,228,783 | 1.72 | 40,959,508 | 1.64 |
| Europe | 514,423,604 | 19.30 | 504,533,583 | 18.77 | 480,682,249 | 19.30 |
| Africa/Middle East | 73,927,548 | 2.77 | 70,274,496 | 2.61 | 70,755,894 | 2.84 |
| Subtotal | 2,664,734,339 | 100.00 | 2,687,820,518 | 100.00 | 2,490,844,716 | 100.00 |
| Fair value adjustment through business combination | (584,324) | | (567,614) | | - | |
| Total | $ 2,664,150,015 | 100.00 | 2,687,252,904 | 100.00 | 2,490,844,716 | 100.00 |

(2) Categories for credit risk quality

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

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

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

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

Credit analysis of financial assets

| | June 30, 2019 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | stage1 | | | | stage2 | | | | stage3 | | | | |
| | Low risk | Medium risk | High risk | Total | Low risk | Medium risk | High risk | Total | Credit-impaired financial assets | Purchased or originated credit-impaired financial assets | Total | Loss allowance | Total |
| Financial assets measured at fair value through other comprehensive income-debt instruments | $ 506,697,118 | 5,802,107 | - | 512,499,225 | 911,881 | 11,933 | - | 923,814 | 1,677,986 | - | 1,677,986 | (Note 1) | 515,101,025 |
| Financial assets measured at amortized costs (Note 2) | 1,767,352,489 | 37,658,368 | - | 1,805,010,857 | - | - | - | - | 2,350,756 | - | 2,350,756 | 936,264 | 1,806,425,349 |
| Loans (Note 2) | 208,431,913 | 55,336,916 | 607,279 | 264,376,108 | 230,353 | 2,470,780 | 1,185 | 2,702,318 | 933,111 | - | 933,111 | 2,405,792 | 265,605,745 |
| Total | $ 2,482,481,520 | 98,797,391 | 607,279 | 2,581,886,190 | 1,142,234 | 2,482,713 | 1,185 | 3,626,132 | 4,961,853 | - | 4,961,853 | 3,342,056 | 2,587,132,119 |

| | December 31, 2018 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | stage1 | | | | stage2 | | | | stage3 | | | | |
| | Low risk | Medium risk | High risk | Total | Low risk | Medium risk | High risk | Total | Credit-impaired financial assets | Purchased or originated credit-impaired financial assets | Total | Loss allowance | Total |
| Financial assets measured at fair value through other comprehensive income-debt instruments | $ 550,756,668 | 8,172,543 | - | 558,929,211 | 1,353,218 | 17,365 | - | 1,370,583 | 1,394,288 | - | 1,394,288 | (Note 1) | 561,694,082 |
| Financial assets measured at amortized costs (Note 2) | 1,770,510,820 | 38,514,974 | - | 1,809,025,794 | - | - | - | - | 2,328,159 | - | 2,328,159 | 625,082 | 1,810,728,871 |
| Loans (Note 2) | 203,460,735 | 53,619,081 | 632,102 | 257,711,918 | 271,224 | 2,679,829 | 10,450 | 2,961,503 | 808,737 | - | 808,737 | 2,329,528 | 259,152,630 |
| Total | $ 2,524,728,223 | 100,306,598 | 632,102 | 2,625,666,923 | 1,624,442 | 2,697,194 | 10,450 | 4,332,086 | 4,531,184 | - | 4,531,184 | 2,954,610 | 2,631,575,583 |

| | June 30, 2018 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | stage1 | | | | stage2 | | | | stage3 | | | | |
| | Low risk | Medium risk | High risk | Total | Low risk | Medium risk | High risk | Total | Credit-impaired financial assets | Purchased or originated credit-impaired financial assets | Total | Loss allowance | Total |
| Financial assets measured at fair value through other comprehensive income-debt instruments | $ 559,250,558 | 5,018,362 | - | 564,268,920 | - | - | - | - | - | - | - | (Note 1) | 564,268,920 |
| Financial assets measured at amortized costs (Note 2) | 1,658,631,995 | 38,020,819 | - | 1,696,652,814 | - | - | - | - | - | - | - | 377,880 | 1,696,274,934 |
| Loans (Note 2) | 159,294,545 | 40,970,978 | 551,851 | 200,817,374 | 52,564 | 121,974 | 3,755 | 178,293 | 475,983 | - | 475,983 | 2,039,322 | 199,432,328 |
| Total | **$ 2,377,177,098** | **84,010,159** | **551,851** | **2,461,739,108** | **52,564** | **121,974** | **3,755** | **178,293** | **475,983** | **-** | **475,983** | **2,417,202** | **2,459,976,182** |

Note 1: Please refer to Note 6(AD) 2. (8) for further information of the loss allowance of debt instruments measured at FVOCI.

Note 2: Fair value adjustment through business combination of financial assets measured at amortized costs and loans for June 30, 2019 and December 31, 2018 was $(486,437), $(97,887), $(483,306) and $(84,308), respectively.

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

1) The Group determines whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Group considers the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward looking information). The main considerations include: external credit rating, market price decline, credit spreads, quantitative and qualitative information.

2) Low credit risk: it may be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

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

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

1) Bankruptcy:

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

2) Failure to pay:

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

3) Debt restructuring:

Due to financial difficulties, after renegotiating with creditors for debt reduction, extension or re-planning, impairment on creditors' rights and interests arise from the debtor's application for debt restructuring.

4) Repudiation or moratorium:

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

5) Cross default or accelerated expiry:

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

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

(5) Measurement of expected credit loss

1) The methodology and assumption applied

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

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

2) Forward looking information considerations

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

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

(6) Policies to hedge or mitigate credit risk

1) Collateral

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

2) Enhancement of other credits

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

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

(7) The maximum credit risk exposure of the Group

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

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

(8) Changes in the loss allowance

The reconciliation in loss allowance of loans for the six months ended June 30, 2019 and 2018 is as follows:

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans | Total |
|---|---|---|---|---|---|---|---|---|
| Balance of January 1, 2019 | $ 20,133 | 42,254 | 435 | 86,338 | - | 149,160 | 2,180,368 | 2,329,528 |
| Changes due to financial instruments recognized as at beginning: | | | | | | | | |
| －Transfer to lifetime expected credit losses | (635) | 1,342 | 4 | (711) | - | - | - | - |
| －Transfer to credit-impaired financial assets | (89) | (4,612) | (71) | 4,772 | - | - | - | - |
| －Transfer to 12-month expected credit losses | 3,433 | (3,336) | (97) | - | - | - | - | - |
| －Financial assets that have been derecognized during the period | (3,896) | (5,464) | (25) | (38,142) | - | (47,527) | - | (47,527) |
| New financial assets originated or purchased | 1,266 | 1,717 | - | 84 | - | 3,067 | - | 3,067 |
| Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans | - | - | - | - | - | - | 107,631 | 107,631 |
| Write-off bad debts | - | - | - | (431) | - | (431) | - | (431) |
| Foreign exchange and other movements | (391) | (889) | - | (1,551) | - | (2,831) | - | (2,831) |
| Changes in models/risk parameters | (1,739) | 3,696 | 83 | 14,315 | - | 16,355 | | 16,355 |
| Balance of June 30, 2019 | $ **18,082** | **34,708** | **329** | **64,674** | **-** | **117,793** | **2,287,999** | **2,405,792** |

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

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans | Total |
|---|---|---|---|---|---|---|---|---|
| Balance of January 1, 2018 | $ 1,306 | - | 257 | 28,326 | - | 29,889 | 1,895,993 | 1,925,882 |
| Changes due to financial instruments recognized as at beginning: | | | | | | | | |
| －Transfer to lifetime expected credit losses | (6) | - | 6 | - | - | - | - | - |
| －Transfer to credit-impaired financial assets | - | - | (39) | 39 | - | - | - | - |
| －Transfer to 12-month expected credit losses | 23 | - | (23) | - | - | - | - | - |
| －Financial assets that have been derecognized during the period | (84) | - | (30) | (3,898) | - | (4,012) | - | (4,012) |
| New financial assets originated or purchased | 169 | - | - | 28 | - | 197 | - | 197 |
| Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans | - | - | - | - | - | - | 111,392 | 111,392 |
| Foreign exchange and other movements | - | - | - | - | - | - | - | - |
| Changes in models/risk parameters | 36 | - | 93 | 5,734 | - | 5,863 | - | 5,863 |
| Balance of June 30, 2018 | **$ 1,444** | **-** | **264** | **30,229** | **-** | **31,937** | **2,007,385** | **2,039,322** |

The reconciliation in loss allowance of financial assets measured at fair value through other comprehensive income for the six months ended June 30, 2019 and 2018 is as follows:

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Total |
|---|---|---|---|---|---|---|---|
| Balance of January 31, 2019 | $ 306,721 | 133,201 | - | 450,428 | - | 890,350 | 890,350 |
| Changes due to financial instruments recognized as at beginning: | | | | | | | |
| －Transfer to lifetime expected credit losses | (12,788) | 12,788 | - | - | - | - | - |
| －Transfer to credit-impaired financial assets | (1,923) | (16,847) | - | 18,770 | - | - | - |
| －Transfer to 12-month expected credit losses | 11,133 | (11,133) | - | - | - | - | - |
| －Financial assets that have been derecognized during the period | (124,153) | (50,777) | - | (213,697) | - | (388,627) | (388,627) |
| New financial assets originated or purchased | 12,019 | - | - | - | - | 12,019 | 12,019 |
| Write-offs | (449) | (2,163) | - | (26,086) | - | (28,698) | (28,698) |
| Changes in model/risk parameter | 103,101 | 19,822 | - | 37,158 | - | 160,081 | 160,081 |
| Foreign exchange and other movements | (2,678) | (2,167) | - | (3,931) | - | (8,776) | (8,776) |
| Balance of June 30, 2019 | **$ 290,983** | **82,724** | **-** | **262,642** | **-** | **636,349** | **636,349** |

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

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Total |
|---|---|---|---|---|---|---|---|
| Balance of January 31, 2018 | 226,992 | - | - | - | - | 226,992 | 226,992 |
| Changes due to financial instruments recognized as at beginning: | | | | | | | |
| －Financial assets that have been derecognized during the period | (34,782) | - | - | - | - | (34,782) | (34,782) |
| New financial assets originated or purchased | 5,917 | - | - | - | - | 5,917 | 5,917 |
| Changes in model/risk parameter | (94,070) | - | - | - | - | (94,070) | (94,070) |
| Foreign exchange and other movements | 756 | - | - | - | - | 756 | 756 |
| Balance of June 30, 2018 | **$ 104,813** | **-** | **-** | **-** | **-** | **104,813** | **104,813** |

The reconciliation in expected credit losses of financial assets measured at amortized cost for the six months ended June 30, 2019 and 2018 is as follows:

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Total |
|---|---|---|---|---|---|---|---|
| Balance of January 1, 2019 | $ 392,266 | - | - | 232,816 | - | 625,082 | 625,082 |
| Changes due to financial instruments recognized as at beginning: | | | | | | | |
| －Financial assets that have been derecognized during the period | (26,296) | - | - | (289) | - | (26,585) | (26,585) |
| New financial assets originated or purchased | 29,099 | - | - | - | - | 29,099 | 29,099 |
| Changes in model/risk parameter | 297,940 | - | - | (16) | - | 297,924 | 297,924 |
| Foreign exchange and other movements | 7,137 | - | - | 3,607 | - | 10,744 | 10,744 |
| Balance of June 30, 2019 | **$ 700,146** | **-** | **-** | **236,118** | **-** | **936,264** | **936,264** |

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Total |
|---|---|---|---|---|---|---|---|
| Balance of January 1, 2018 | $ 633,513 | - | - | - | - | 633,513 | 633,513 |
| Changes due to financial instruments recognized as at beginning: | | | | | | | |
| －Financial assets that have been derecognized during the period | (37,166) | - | - | - | - | (37,166) | (37,166) |
| New financial assets originated or purchased | 52,029 | - | - | - | - | 52,029 | 52,029 |
| Changes in model/risk parameter | (277,105) | - | - | - | - | (277,105) | (277,105) |
| Foreign exchange and other movements | 6,609 | - | - | - | - | 6,609 | 6,609 |
| Balance of June 30, 2018 | **$ 377,880** | **-** | **-** | **-** | **-** | **377,880** | **377,880** |

The reconciliation in expected credit losses of other financial assets for the six months ended June 30, 2019 is as follows:

| | 12-month ECLs | Lifetime ECLs (collectively assessed) | Lifetime ECLs (individually assessed) | Lifetime ECLs (neither purchased nor originated credit-impaired financial assets) | Lifetime ECLs (purchased or originated credit-impaired financial assets) | The loss allowances measured in accordance with IFRS 9 | Total |
|---|---|---|---|---|---|---|---|
| Balance of January 1, 2019 | $ - | - | - | - | - | - | - |
| Changes due to financial instruments recognized as at beginning: | | | | | | | |
| New financial assets originated or purchased | 182 | - | - | - | - | 182 | 182 |
| Foreign exchange and other movements | (1) | - | - | - | - | (1) | (1) |
| Balance of June 30, 2019 | **$ 181** | **-** | **-** | **-** | **-** | **181** | **181** |

(c) Liquidity risk analysis

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

In terms of capital liquidity risk, the Group manages it in two aspects, short term and mid-to-long term. In addition to the capital liquidity ratio set up for the index of measurement and control of short-term liquidity, relevant departments have established prompt capital report mechanism and apply proper currency market instruments for daily capital movement; mid-to-long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The Group applies cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

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

The Group possesses sufficient operating funds, including cash and cash equivalents and securities with excellent liquidity such as government bond, to cover the investments and debt repayments. Therefore, the liquidity risk of the Group is extremely low. In addition, the derivative financial instruments the Group engages in, such as forward exchange contracts and foreign exchange swaps, are all of highly liquid currencies. The possibility that they are not able to be sold at reasonable prices in the market is minimum, and therefore the market liquidity risk is low. Furthermore, forward exchange contracts and foreign exchange swaps which matured are mostly rolled forward and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is insignificant.

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

| | June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | **<1 year** | **1~3 years** | **3~5 years** | **>5 years** | **Total** |
| Accounts payable | $ 52,267,905 | 183,095 | - | 29,789 | 52,480,789 |
| Bonds payable (Note) | 4,058,673 | 5,847,048 | 6,492,539 | 60,548,395 | 76,946,655 |
| Short-term debts | 316,035 | - | - | - | 316,035 |
| Total | **$ 56,642,613** | **6,030,143** | **6,492,539** | **60,578,184** | **129,743,479** |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | <1 year | 1~3 years | 3~5 years | >5 years | Total |
| Accounts payable | $ 81,880,891 | 175,721 | 1,183 | 208,820 | 82,266,615 |
| Bonds payable (Note) | 4,103,553 | 5,949,076 | 8,333,083 | 61,471,123 | 79,856,835 |
| Total | **$ 85,984,444** | **6,124,797** | **8,334,266** | **61,679,943** | **162,123,450** |

| | June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | <1 year | 1~3 years | 3~5 years | >5 years | Total |
| Accounts payable | $ 27,573,786 | 249 | 905 | 215,760 | 27,790,700 |
| Short-term debts | 44,604 | - | - | - | 44,604 |
| Bonds payable (Note) | 1,860,750 | 3,721,500 | 3,721,500 | 62,409,145 | 71,712,895 |
| Total | **$ 29,479,140** | **3,721,749** | **3,722,405** | **62,624,905** | **99,548,199** |

Note: The disclosed amounts included estimated interests and thus cannot be equal to the relevant accounts in the financial statements. In addition, the bonds payable without maturity date, the contractual cash flows were calculated based on a remaining maturity of 10 years.

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

| | June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | <1 year | 1~3 years | 3~5 years | >5 years | Total |
| Financial liabilities at fair value through profit or loss | $ 6,331,575 | - | - | - | 6,331,575 |
| Financial liabilities for hedging | 345,524 | - | 184,618 | - | 530,142 |
| Total | **$ 6,677,099** | **-** | **184,618** | **-** | **6,861,717** |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | <1 year | 1~3 years | 3~5 years | >5 years | Total |
| Financial liabilities at fair value through profit or loss | $ 3,445,100 | - | - | - | 3,445,100 |
| Hedging derivative liabilities | 32,776 | - | 623,580 | 115,189 | 771,545 |
| Total | **$ 3,477,876** | **-** | **623,580** | **115,189** | **4,216,645** |

| | June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | <1 year | 1~3 years | 3~5 years | >5 years | Total |
| Financial liabilities at fair value through profit or loss | $ 42,053,566 | - | - | - | 42,053,566 |
| Hedging derivative liabilities | - | - | 106,237 | 1,176,222 | 1,282,459 |
| Total | **$ 42,053,566** | **-** | **106,237** | **1,176,222** | **43,336,025** |

(d) Market risk analysis

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

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

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

(1) Value at Risk

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

The VaR model applied to manage risk shall be examined retrospectively and continuously to ensure the ability of measuring the maximum potential risk of the portfolios reasonably, completely and accurately.

(2) Sensitivity analysis

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

Sensitivity analysis (The Company)

Units: NT$'000

| June 30, 2019 | | | |
|---|---|---|---|
| **Risk factor** | **Variation** | **Change in profit or loss** | **Change in Equity** |
| Equity risk (Price index) | Price incline by 10% | - | 54,446,097 |
| | Price decline by 10% | - | (54,446,097) |
| Interest rate risk (Yield curve) | Interest rate curve (USD) incline by 50BPS | (3,774) | (13,899,415) |
| | Interest rate curve (NTD) incline by 50BPS | - | (28,213,248) |
| | Interest rate curve (Other currency) incline by 50BPS | (447) | (347,307) |
| | Interest rate curve (USD) decline by 50BPS | 2,518 | 14,717,973 |
| | Interest rate curve (NTD) decline by 50BPS | - | 29,413,626 |
| | Interest rate curve (Other currency) decline by 50BPS | 449 | 359,256 |
| Exchange rate risk (Foreign | NT$ to all currency incline by 3% | (11,262,341) | (7,683,891) |
| exchange rate) | NT$ to all currency decline by 3% | 11,262,341 | 7,683,891 |

| December 31, 2018 | | | |
|---|---|---|---|
| **Risk factor** | **Variation** | **Change in profit or loss** | **Change in Equity** |
| Equity risk (Price index) | Price incline by 10% | - | 47,092,560 |
| | Price decline by 10% | - | (47,092,560) |
| Interest rate risk (Yield curve) | Interest rate curve (USD) incline by 50BPS | (3,691) | (14,898,940) |
| | Interest rate curve (NTD) incline by 50BPS | - | (21,081,077) |
| | Interest rate curve (Other currency) incline by 50BPS | - | (356,450) |
| | Interest rate curve (USD) decline by 50BPS | 3,407 | 15,909,930 |
| | Interest rate curve (NTD) decline by 50BPS | - | 22,331,053 |
| | Interest rate curve (Other currency) decline by 50BPS | - | 369,477 |
| Exchange rate risk (Foreign | NT$ to all currency incline by 3% | (8,761,929) | (6,076,942) |
| exchange rate) | NT$ to all currency decline by 3% | 8,761,929 | 6,076,942 |

| June 30, 2018 | | | |
|---|---|---|---|
| **Risk factor** | **Variation** | **Change in profit or loss** | **Change in Equity** |
| Equity risk (Price index) | Price incline by 10% | - | 52,874,204 |
| | Price decline by 10% | - | (52,874,204) |
| Interest rate risk (Yield curve) | Interest rate curve (USD) incline by 50BPS | (3,209) | (15,600,979) |
| | Interest rate curve (NTD) incline by 50BPS | - | (18,170,601) |
| | Interest rate curve (Other currency) incline by 50BPS | - | (293,190) |
| | Interest rate curve (USD) decline by 50BPS | 2,614 | 16,587,505 |
| | Interest rate curve (NTD) decline by 50BPS | - | 19,148,926 |
| | Interest rate curve (Other currency) decline by 50BPS | - | 303,147 |
| Exchange rate risk (Foreign | NT$ to all currency incline by 3% | (5,840,791) | (5,972,554) |
| exchange rate) | NT$ to all currency decline by 3% | 5,840,791 | 5,972,554 |

Sensitivity analysis (Subsidiary- Fubon Hyundai Life Insurance)

Units: WON'000

| June 30, 2019 | | | |
|---|---|---|---|
| **Risk factor** | **Variation** | **Change in profit or loss** | **Change in Equity** |
| Equity risk (Price index) | Price incline by 10% | - | 15,931,519 |
| | Price decline by 10% | - | (15,931,519) |
| Interest rate risk (Yield curve) | Interest rate curve (USD) incline by 50BPS | - | (765,027) |
| | Interest rate curve (WON) incline by 50BPS | - | (45,073,438) |
| | Interest rate curve (USD) decline by 50BPS | - | 786,322 |
| | Interest rate curve (WON) decline by 50BPS | - | 47,499,982 |
| Exchange rate risk (Foreign exchange rate) | WON to all currency incline by 3% | (6,263,535) | - |
| | WON to all currency decline by 3% | 6,263,535 | - |

| December 31, 2018 | | | |
|---|---|---|---|
| **Risk factor** | **Variation** | **Change in profit or loss** | **Change in Equity** |
| Equity risk (Price index) | Price incline by 10% | - | 1,173,426 |
| | Price decline by 10% | - | (1,173,426) |
| Interest rate risk (Yield curve) | Interest rate curve (USD) incline by 50BPS | - | (2,942,044) |
| | Interest rate curve (WON) incline by 50BPS | - | (21,285,384) |
| | Interest rate curve (USD) decline by 50BPS | - | 3,024,892 |
| | Interest rate curve (WON) decline by 50BPS | - | 22,520,801 |
| Exchange rate risk (Foreign exchange rate) | WON to all currency incline by 3% | (4,298,309) | - |
| | WON to all currency decline by 3% | 4,298,309 | - |

Note1: The sensitivity analysis of equity risk and interest rate risk mainly includes financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The scenario of equity risk includes stock and fund but excludes monetary funds and bond funds. As for the scenario of interest rate risk, it includes bonds and bond funds. The sensitivity analysis of exchange rate variation excludes foreign currency insurance policy and OIU assets.

Note2: The abovementioned sensitivity analysis is a scenario assumed that the impact of changes in risk factor on fair value is based on other factors which remained constant.

Note3: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bp will affect \$(70), \$(71) and \$(60) in profit or loss and \$(868,306), \$(748,117) and \$(700,346) in equity on June 30, 2019, December 31, and June 30, 2018, respectively.

Note4: Assuming other factors remain the same, an upward parallel shift in the yield curve for individual currency of 1 bp will affect WON 940,758 and (497,467) in equity on June 30, 2019 and December 31, 2018.

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

(e) Transfers of financial assets

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation are mainly equity securities under lending agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. Therefore, the Group do not completely derecognize the transferred assets.

The table below discloses the information of financial assets that are not completely derecognized and the associated financial liabilities:

Units: NT$'000

| June 30, 2019 | | | | | |
|---|---|---|---|---|---|
| **Type of financial assets** | **Carrying amount of the transferred financial assets** | **Carrying amount of associated financial liabilities** | **Fair value of the transferred financial assets** | **Fair value of associated financial liabilities** | **Fair value net position** |
| Financial assets at fair value through profit or loss - Securities lending agreements | 900,398 | - | 900,398 | - | 900,398 |
| Financial assets measured at fair value through other comprehensive income - Securities lending agreements | 19,967 | - | 19,967 | - | 19,967 |
| Financial assets measured at amortized cost - Repurchase agreements | 294,271 | 316,035 | 317,486 | 316,035 | 1,451 |

| December 31, 2018 | | | | | |
|---|---|---|---|---|---|
| **Type of financial assets** | **Carrying amount of the transferred financial assets** | **Carrying amount of associated financial liabilities** | **Fair value of the transferred financial assets** | **Fair value of associated financial liabilities** | **Fair value net position** |
| Financial assets at fair value through profit or loss - Securities lending agreements | 3,159,974 | | 3,159,974 | | 3,159,974 |
| Financial assets measured at fair value through other comprehensive income - Securities lending agreements | 34,823 | - | 34,823 | - | 34,823 |

| June 30, 2018 | | | | | |
|---|---|---|---|---|---|
| Type of financial assets | Carrying amount of the transferred financial assets | Carrying amount of associated financial liabilities | Fair value of the transferred financial assets | Fair value of associated financial liabilities | Fair value net position |
| Financial assets at fair value through profit or loss - Securities lending agreements | 49,195 | - | 49,195 | - | 49,195 |
| Financial assets measured at fair value through other comprehensive income - Securities lending agreements | 64,853 | - | 64,853 | - | 64,853 |
| Financial assets measured at amortized cost - Repurchase agreements | 53,200 | 44,604 | 65,054 | 44,604 | 20,450 |

(f) Offsetting financial assets and financial liabilities

Although the Group engages in transactions that do not meet the offsetting condition in IFRSs, the Group has signed enforceable master netting agreements or similar agreements with counterparties. When both parties choose net settlement, the transactions will be allowed to settle in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transactions will be settled in gross amount. However, if one party defaults, the other party could choose net settlement. Relevant information is shown as follows:

| June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|
| Financial assets subject to enforceable master netting agreements and similar agreements | | | | | | |
| | | | | Related amounts not set off in the balance sheets (d) | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of recognized financial liabilities set off in the balance sheets (b) | Net amounts of financial assets presented in the balance sheets (c)=(a)-(b) | Financial instruments (Note) | Cash collateral received | Net amount (e)=(c)-(d) |
| Derivative financial instruments and structured deposits | $ 24,566,442 | - | 24,566,442 | 5,811,923 | 114,034 | 18,640,485 |
| Reverse repurchase agreements | 56,555,754 | - | 56,555,754 | 55,800,400 | - | 755,354 |
| Total | $ **81,122,196** | **-** | **81,122,196** | **61,612,323** | **114,034** | **19,395,839** |

| June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|
| Financial liabilities subject to enforceable master netting agreements and similar agreements | | | | | | |
| | | | | Related amounts not set off in the balance sheets (d) | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized financial assets set off in the balance sheets (b) | Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b) | Financial instruments (Note) | Cash collateral pledged | Net amount (e)=(c)-(d) |
| Derivative financial instruments | $ 6,861,717 | - | 6,861,717 | 5,825,414 | 278,094 | 758,209 |
| Repurchase agreements | 316,035 | - | 316,035 | 294,271 | - | 21,764 |
| Total | $ **7,177,752** | **-** | **7,177,752** | **6,119,685** | **278,094** | **779,973** |

December 31, 2018

Financial assets subject to enforceable master netting agreements and similar agreements

| | Gross amounts of recognized financial assets (a) | Gross amounts of recognized financial liabilities set off in the balance sheets (b) | Net amounts of financial assets presented in the balance sheets (c)=(a)-(b) | Related amounts not set off in the balance sheets (d) | | Net amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial instruments (Note) | Cash collateral received | |
| Derivative financial instruments and structured deposits | $ 29,481,228 | - | 29,481,228 | 2,505,569 | 16,288 | 26,959,371 |
| Reverse repurchase agreements | 55,651,334 | - | 55,651,334 | 55,236,600 | - | 414,734 |
| Total | **$ 85,132,562** | **-** | **85,132,562** | **57,742,169** | **16,288** | **27,374,105** |

December 31, 2018

Financial liabilities subject to enforceable master netting agreements and similar agreements

| | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized financial assets set off in the balance sheets (b) | Net amounts of financial liabilities presented in the balance sheets (c)=(a) (b) | Related amounts not set off in the balance sheets (d) | | Net amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial instruments (Note) | Cash collateral pledged | |
| Derivative financial instruments | **$ 4,216,645** | **-** | **4,216,645** | **2,505,940** | **588,230** | **1,122,475** |

June 30, 2018

Financial assets subject to enforceable master netting agreements and similar agreements

| | Gross amounts of recognized financial assets (a) | Gross amounts of recognized financial liabilities set off in the balance sheets (b) | Net amounts of financial assets presented in the balance sheets (c)=(a)-(b) | Related amounts not set off in the balance sheets (d) | | Net amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial instruments (Note) | Cash collateral received | |
| Derivative financial instruments and structured deposits | $ 27,839,064 | - | 27,839,064 | 12,954,682 | 119,865 | 14,764,517 |
| Reverse repurchase agreements | 41,499,613 | - | 41,499,613 | 40,990,000 | - | 509,613 |
| Total | **$ 69,338,677** | **-** | **69,338,677** | **53,944,682** | **119,865** | **15,274,130** |

June 30, 2018

Financial liabilities subject to enforceable master netting agreements and similar agreements

| | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized financial assets set off in the balance sheets (b) | Net amounts of financial liabilities presented in the balance sheets (c)=(a)-(b) | Related amounts not set off in the balance sheets (d) | | Net amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial instruments (Note) | Cash collateral pledged | |
| Derivative financial instruments | $ 43,336,025 | - | 43,336,025 | 14,056,142 | 6,103,965 | 23,175,918 |
| Repurchase agreements | 44,604 | - | 44,604 | 44,604 | - | - |
| Total | **$ 43,380,629** | **-** | **43,380,629** | **14,100,746** | **6,103,965** | **23,175,918** |

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

(AE) Structured entities

(a) Consolidated structured entities

The consolidated structured entities of the Group are real estate investment and management entities. The structured entities are consolidated because the Group is exposed, or has rights, to variable returns from its involvement with the entities and can affect those returns through its power over the entities. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group has provided a non-contractual obligation loan of $33,803,177, $21,856,055 and $22,483,783 to the entities, respectively.

(b) Unconsolidated structured entities

(1) The Group hold the following types equity of unconsolidated structured entities. The fund of unconsolidated structured entities is from the Group and an external third-party:

| Type of structured entity | Nature and purpose | Rights of the Group |
|---|---|---|
| Private fund investment | Invest in private fund issued by outside fund manager to gain profit | Investment in the units issued by fund or limited partnership rights |
| Asset securitization product and real estate investment trust | Invest in asset securitization products and real estate investment trust to gain profit | Investment in asset-backed securities issued by unconsolidated structured entities |

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

| June 30, 2019 | Private fund investment | Asset securitization product and real estate investment trust |
|---|---|---|
| **Assets held by the Group** | | |
| -Financial assets at fair value through profit or loss | $ 71,672,491 | 9,058,648 |
| -Financial assets measured at fair value through other comprehensive income | - | 27,134,990 |
| -Financial assets measured at amortized cost | - | 36,033,973 |
| Total assets of the Group | **$ 71,672,491** | **72,227,611** |

| December 31, 2018 | Private fund investment | Asset securitization product and real estate investment trust |
|---|---|---|
| **Assets held by the Group** | | |
| -Financial assets at fair value through profit or loss | $ 65,972,113 | 7,995,559 |
| -Financial assets measured at fair value through other comprehensive income | - | 26,038,079 |
| -Financial assets measured at amortized cost | - | 37,283,707 |
| Total assets of the Group | **$ 65,972,113** | **71,317,345** |

| June 30, 2018 | Private fund investment | Asset securitization product and real estate investment trust |
|---|---|---|
| **Assets held by the Group** | | |
| -Financial assets at fair value through profit or loss | $ 65,466,151 | 7,132,622 |
| -Financial assets measured at fair value through other comprehensive income | - | 26,702,501 |
| -Financial assets measured at amortized cost | - | 40,850,391 |
| Total assets of the Group | **$ 65,466,151** | **74,685,514** |

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

(3) No financial support is provided for those unconsolidated private fund investments, asset securitization products and real estate investment trust for the six months ended June 30, 2019 and 2018.

(AF) Capital management

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

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

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

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

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

As of June 30, 2019, the Group's method of capital management for the year remains the same.

(AG)Investing and financing activities not affecting current cash flow

The Group obtained a right of use asset through non-cash financing activities during January 1 to June 30, 2019. Please refer to Note 6(J) for more information.

Reconciliation of liabilities arising from financing activities were as follows:

| | Bonds payable | Lease liabilities |
|---|---|---|
| Balance of January 1, 2019 | $ 63,115,172 | 18,437,168 |
| Cash flow used in financing activities | | |
| Redemption of corporate bonds | (1,621,980) | - |
| Termination of lease liabilities | - | (1,321,804) |
| Subtotal | (1,621,980) | (1,321,804) |
| Foreign exchange movement | (168,880) | (2) |
| Items not affecting current cash flow | | |
| Signing / renewing lease agreement | - | 278,239 |
| Amortization on discounts/ premiums | (40,132) | - |
| Subtotal | (40,132) | 278,239 |
| Balance of June 30, 2019 | **$ 61,284,180** | **17,393,601** |

(AH) Other

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

| | June 30, 2019 | | | December 31, 2018 | | | June 30, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign Currency | Exchange Rate (Note 2) | NTD | Foreign Currency | Exchange Rate (Note 2) | NTD | Foreign Currency | Exchange Rate (Note 2) | NTD |
| **Financial Assets** | | | | | | | | | |
| **Monetary items (Note 1)** | | | | | | | | | |
| USD | $ 65,344,285 | 31.072/31.079 /31.118 | 2,030,467,314 | 64,922,827 | 30.733/31 /30.751/30.748 | 1,995,284,679 | 63,728,881 | 30.500/30.286 /30.503 | 1,943,731,259 |
| **Non-monetary items (Note 1)** | | | | | | | | | |
| USD | 8,069,132 | 31.072/31.079 /31.118 | 250,724,743 | 6,017,529 | 30.733 | 184,937,911 | 6,192,538 | 30.500 | 188,872,413 |
| HKD | 7,108,163 | 3.979 | 28,282,670 | 8,522,344 | 3.924 | 33,441,935 | 6,971,432 | 3.887 | 27,099,209 |
| CNY | 11,032,965 | 4.519/4.523 /4.521 | 50,865,581 | 10,357,207 | 4.469 | 47,282,442 | 8,946,442 | 4.598/4.606 | 41,852,267 |
| **Derivatives Financial Instruments (Note 1)** | | | | | | | | | |
| USD | - | 31.072/31.118 | 5,761,081 | - | 30.733 | 2,587,055 | - | 30.500 | 1,457,359 |
| **Equity investment under equity method (Note 1)** | | | | | | | | | |
| | | | | - | - | - | | | |
| HKD | 2,226,041 | 3.981 | 8,861,648 | 2,241,539 | 3.928 | 8,804,540 | 2,215,460 | 3.888 | 8,613,044 |
| KRW | - | - | - | - | - | - | 120,918,577 | 0.027 | 3,313,169 |
| **Financial Liabilities** | | | | | | | | | |
| **Monetary items (Note 1)** | | | | | | | | | |
| USD | 436,615 | 31.072/31.079 | 13,568,666 | 285,293 | 30.733 | 8,771,682 | 110,949 | 30.500 | 3,382,556 |
| HKD | - | - | - | - | - | - | 527,379 | 3.887 | 2,049,489 |
| AUD | 50,000 | 21.766 | 1,088,297 | - | - | - | - | - | - |
| **Non-monetary items (Note 1)** | | | | | | | | | |
| USD | 39 | 31.079 | 1,211 | - | - | - | - | - | - |
| **Derivatives Financial Instruments (Note 1)** | | | | | | | | | |
| USD | - | 31.072/31.118 | 6,861,717 | - | 30.733/30.748 | 4,216,646 | - | 30.500 | 43,336,025 |

Note 1: Each balance listed is greater than 5% of total amounts of the item.

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

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

| | June 30, 2019 | | |
|---|---|---|---|
| **Assets** | **Recovery within 12 months** | **Recovery beyond 12 months** | **Total** |
| Cash and cash equivalents | $ 212,808,936 | - | 212,808,936 |
| Receivables, net | 46,808,281 | 2,887,810 | 49,696,091 |
| Current tax assets | 876,398 | 5,989,842 | 6,866,240 |
| Financial assets at fair value through profit or loss | 416,956,155 | 563,118,348 | 980,074,503 |
| Financial assets at fair value through other comprehensive income | 12,190,215 | 574,117,387 | 586,307,602 |
| Financial assets measured at amortized cost | 5,203,215 | 1,800,735,697 | 1,805,938,912 |
| Financial assets for hedging | 790,409 | 644,968 | 1,435,377 |
| Investments accounted for using equity method, net | - | 12,928,144 | 12,928,144 |
| Other financial assets, net | 629,208 | 1,584,241 | 2,213,449 |
| Investment property, net | - | 242,961,725 | 242,961,725 |
| Loans | 4,331,140 | 261,176,718 | 265,507,858 |
| Reinsurance assets | 1,137,721 | 1,027,899 | 2,165,620 |
| Property, plant and equipment | 122 | 19,689,971 | 19,690,093 |
| Right of use assets | 11,593 | 2,689,371 | 2,700,964 |
| Intangible assets | - | 6,059,269 | 6,059,269 |
| Deferred tax assets, net | - | 12,359,417 | 12,359,417 |
| Other assets | 1,185,699 | 26,321,405 | 27,507,104 |
| Assets on insurance product, separate account | 36,796,973 | 341,896,482 | 378,693,455 |
| Total assets | **$ 739,726,065** | **3,876,188,694** | **4,615,914,759** |

| | June 30, 2019 | | |
|---|---|---|---|
| **Liabilities** | **Settlement within 12 months** | **Settlement beyond 12 months** | **Total** |
| Accounts payable | $ 52,267,905 | 212,884 | 52,480,789 |
| Current tax liabilities | 50,636 | 1,062,246 | 1,112,882 |
| Short-term debts | 316,035 | - | 316,035 |
| Financial liabilities at fair value through profit or loss | 6,331,575 | - | 6,331,575 |
| Financial liabilities for hedging | 345,524 | 184,618 | 530,142 |
| Bonds payable | 2,500,573 | 58,783,607 | 61,284,180 |
| Lease liabilities | 1,401,882 | 15,991,719 | 17,393,601 |
| Insurance liabilities | 101,717,942 | 3,637,840,840 | 3,739,558,782 |
| Reserve for insurance with nature of financial instrument | - | 3,579,131 | 3,579,131 |
| Reserve for foreign exchange valuation | - | 11,837,528 | 11,837,528 |
| Liabilities reserve | 23,222 | 13,474,002 | 13,497,224 |
| Deferred tax liabilities | - | 9,191,107 | 9,191,107 |
| Other liabilities | 10,868,222 | 9,234,584 | 20,102,806 |
| Liabilities on insurance product, separate account | 11,205,176 | 363,917,807 | 375,122,983 |
| Total liabilities | **$ 187,028,692** | **4,125,310,073** | **4,312,338,765** |

| Assets | December 31, 2018<br>Recovery within 12 months | Recovery beyond than 12 months | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 203,487,765 | - | 203,487,765 |
| Receivables, net | 80,049,009 | 2,686,961 | 82,735,970 |
| Current tax assets | 6,088,246 | 546,162 | 6,634,408 |
| Financial assets at fair value through profit or loss | 247,757,526 | 492,073,089 | 739,830,615 |
| Financial assets at fair value through other comprehensive income | 13,926,046 | 606,810,758 | 620,736,804 |
| Financial assets measured at amortized cost | 311,568 | 1,809,933,997 | 1,810,245,565 |
| Financial assets for hedging | 366,898 | 468,635 | 835,533 |
| Investments accounted for using equity method, net | - | 12,594,931 | 12,594,931 |
| Other financial assets, net | 618,579 | 229,684 | 848,263 |
| Investment property, net | - | 174,467,497 | 174,467,497 |
| Loans | 5,368,173 | 253,700,149 | 259,068,322 |
| Reinsurance assets | 1,396,386 | 855,047 | 2,251,433 |
| Property, plant and equipment | 680 | 19,873,706 | 19,874,386 |
| Intangible assets | - | 6,273,687 | 6,273,687 |
| Deferred tax assets, net | 496 | 17,129,199 | 17,129,695 |
| Other assets | 1,485,465 | 57,592,874 | 59,078,339 |
| Assets on insurance product, separate account | 67,325,770 | 302,108,678 | 369,434,448 |
| Total assets | **$ 628,182,607** | **3,757,345,054** | **4,385,527,661** |

| Liabilities | December 31, 2018<br>Recovery within 12 months | Recovery beyond than 12 months | Total |
|---|---|---|---|
| Accounts payable | $ 81,880,891 | 385,724 | 82,266,615 |
| Current tax liabilities | 144,246 | 816,074 | 960,320 |
| Financial liabilities at fair value through profit or loss | 3,445,100 | - | 3,445,100 |
| Financial liabilities for hedging | 32,776 | 738,769 | 771,545 |
| Bonds payable | 2,199,777 | 60,915,395 | 63,115,172 |
| Insurance liabilities | 171,955,828 | 3,436,978,054 | 3,608,933,882 |
| Reserve for insurance with nature of financial instrument | - | 3,523,635 | 3,523,635 |
| Reserve for foreign exchange valuation | - | 8,337,666 | 8,337,666 |
| Liabilities reserve | 66,958 | 13,439,881 | 13,506,839 |
| Deferred tax liabilities | 6,700 | 4,128,217 | 4,134,917 |
| Other liabilities | 8,889,552 | 7,548,448 | 16,438,000 |
| Liabilities on insurance product, separate account | 44,942,748 | 324,902,939 | 369,845,687 |
| Total liabilities | **$ 313,564,576** | **3,861,714,802** | **4,175,279,378** |

| Assets | June 30, 2018 Recovery within 12 months | Recovery beyond 12 months | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 130,642,486 | - | 130,642,486 |
| Receivables, net | 38,848,163 | 1,138,803 | 39,986,966 |
| Current tax assets | - | 482,948 | 482,948 |
| Financial assets at fair value through profit or loss | 194,449,744 | 521,269,930 | 715,719,674 |
| Financial assets at fair value through other comprehensive income | 10,776,510 | 615,106,154 | 625,882,664 |
| Financial assets measured at amortized cost | 457,569 | 1,695,817,365 | 1,696,274,934 |
| Financial assets for hedging | - | 423,420 | 423,420 |
| Investments accounted for using equity method, net | - | 15,501,354 | 15,501,354 |
| Other financial assets, net | 475,621 | 422,427 | 898,048 |
| Investment property, net | - | 171,219,964 | 171,219,964 |
| Loans | 3,886,834 | 195,545,494 | 199,432,328 |
| Reinsurance assets | 1,131,932 | 795,259 | 1,927,191 |
| Property, plant and equipment | - | 19,559,762 | 19,559,762 |
| Intangible assets | - | 232,109 | 232,109 |
| Deferred tax assets, net | - | 19,226,427 | 19,226,427 |
| Other assets | 7,583,222 | 53,040,907 | 60,624,129 |
| Assets on insurance product, separate account | 1,860,063 | 157,563,598 | 159,423,661 |
| Total assets | **$ 390,112,144** | **3,467,345,921** | **3,857,458,065** |

| Liabilities | June 30, 2018 Settlement within 12 months | Settlement beyond 12 months | Total |
|---|---|---|---|
| Accounts payable | $ 27,573,786 | 216,914 | 27,790,700 |
| Current tax liabilities | 1,279,065 | 840,443 | 2,119,508 |
| Short-term debts | 44,604 | - | 44,604 |
| Financial liabilities at fair value through profit or loss | 42,053,566 | - | 42,053,566 |
| Financial liabilities for hedging | - | 1,282,459 | 1,282,459 |
| Bonds payable | - | 55,000,000 | 55,000,000 |
| Insurance liabilities | 171,146,082 | 3,111,424,353 | 3,282,570,435 |
| Reserve for insurance with nature of financial instrument | 313 | 3,757,216 | 3,757,529 |
| Reserve for foreign exchange valuation | - | 4,521,903 | 4,521,903 |
| Liabilities reserve | 25,210 | 7,151,348 | 7,176,558 |
| Deferred tax liabilities | 5,996 | 4,120,154 | 4,126,150 |
| Other liabilities | 5,134,285 | 6,920,083 | 12,054,368 |
| Liabilities on insurance product, separate account | 466 | 159,423,195 | 159,423,661 |
| Total liabilities | **$ 247,263,373** | **3,354,658,068** | **3,601,921,441** |

## 7. RELATED PARTY TRANSACTIONS

(A) Names and relationships of related parties

| Names of related parties | Relationship with the Group |
|---|---|
| Fubon Financial Holding Co., Ltd. | Parent company |
| Fubon Insurance Co., Ltd. | The same parent company |
| Taipei Fubon Commercial Bank Co., Ltd. | The same parent company |
| Fubon Securities Co., Ltd. | The same parent company |
| Fubon Bank (Hong Kong) Limited | The same parent company |
| Fubon Securities Investment Trust Co., Ltd. | The same parent company and investee company under equity method |
| Fubon Sports & Entertainment Co., Ltd. | The same parent company and investee company under equity method |
| Fusheng Life Insurance Agent Co., Ltd. | The same parent company and investee company under equity method |
| Fubon Insurance Brokers Co., Ltd. | The same parent company and investee company under equity method |
| ZA Life Limited | The investee company under equity method by subsidiary of the Group |
| Fubon Construction Co., Ltd. | Affiliates |
| Taroko Mall Co., Ltd. | Affiliates |
| Taroko Development Co., Ltd. | Affiliates |
| Taiwan Mobile Co., Ltd. | Affiliates |
| Taiwan Fixed Network Co., Ltd. | Affiliates |
| Chien Kuo Construction Co., Ltd. | Affiliates (Note1) |
| Fubon Culture and Education Foundation | Affiliates |
| Fubon Charity Foundation | Affiliates |
| Fubon Art Foundation | Affiliates |
| Kbro Co., Ltd. | Affiliates |
| Kbro Media Co., Ltd. | Affiliates |
| Fubon Real Estate Management Co., Ltd. | Affiliates |
| Fubon Multimedia Technology Co., Ltd. | Affiliates |
| Taipei City Government | Affiliates |
| Convoy Financial Service Ltd. | Affiliates |
| Hyundai Commercial Co., Ltd. | Affiliates |
| Hyundai Mobis Co., Ltd. | Affiliates |

| Names of related parties | Relationship with the Group |
|---|---|
| Ming Tung Industrial Co., Ltd. | Affiliates |
| Other related parties | Directors, supervisors, managers and their close relatives, etc. |

Note1: No longer a related party commencing from the fourth quarter of 2018.

(B) Significant related party transactions

(a) Deposits with related parties

| Nature | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | | | |
| Check deposits | $ 92,373 | 79,365 | 92,099 |
| Demand deposits | 12,437,890 | 4,643,860 | 4,543,838 |
| Time deposits | 1,379,172 | 1,879,724 | 2,379,172 |
| Fubon Bank (Hong Kong) Co., Ltd. | | | |
| Demand deposits | 978,296 | 699,660 | 530,918 |
| Time deposits | - | 818,142 | 610,056 |
| Other | | | |
| Check deposits | 3,287 | 1,557 | - |
| Demand deposits | 3,778 | 7,723 | - |
| Total | **$ 14,894,796** | **8,130,031** | **8,156,083** |

(b) Interest receivable with related parties

| Name of related party | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | **$ 19,091** | **9,602** | **13,905** |

(c) Other receivable (payable) with related parties

| Names of related parties | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fubon Financial Holding Co., Ltd. | $ - | - | (5,202) |
| Taipei Fubon Commercial Bank Co., Ltd. | (520,804) | (416,337) | (600,201) |
| Fubon Bank (Hong Kong) Co., Ltd. | (28,042) | - | - |
| Fubon Insurance Co., Ltd. | 126,444 | 145,455 | 136,944 |
| Fusheng Life Insurance Agent Co., Ltd. | (27,130) | (35,905) | (26,796) |
| Chien Kuo Construction Co., Ltd. | - | - | (57,750) |
| Fubon Securities Co., Ltd. | (15,148) | (11,119) | (13,828) |
| ZA Life Limited | (29,791) | - | - |
| Other (accounts with balance of less than $10,000 or 10% of total transaction balance) | 5,038 | 19,023 | (712) |
| Total | $ (489,433) | (298,883) | (567,545) |

(d) Joint declaration of tax

The Group and its parent company as well as its subsidiaries adopted the policy of jointly declaration of tax for declaring income tax and undistributed earnings. (Joint declaration of tax payable includes estimates payable pending for verification.)

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Joint declaration of tax-receivables (current income tax assets) | $ 6,421,720 | 6,040,372 | 186,338 |
| Joint declaration of tax-payable (current income tax liabilities) | 1,062,246 | 820,275 | 2,083,527 |

(e) Bonds transactions (including bonds issued by the Group) and derivatives transactions

(1) Sales

| Names of related parties | For the six months ended June 30, 2019 | For the six months ended June 30, 2018 |
|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | $ - | 4,099,874 |

| Names of related parties | For the three months ended June 30, 2018<br>Interest income | For the six months ended June 30, 2018<br>Interest income | As of June 30, 2018<br>Proceeds from repo of bonds |
|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | $ - | - | 500,000 |

(2) Bonds Payable (issued by the Group)

| Names of related parties | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fubon Financial Holding Co., Ltd. | $ 20,000,000 | 20,000,000 | 20,000,000 |
| Hyundai Commercial Co., Ltd. | 269,000 | - | - |
| Total | $ **20,269,000** | **20,000,000** | **20,000,000** |

Interest Payable

| Names of related parties | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fubon Financial Holding Co., Ltd. | $ 189,370 | 552,329 | 189,370 |
| Hyundai Commercial Co., Ltd. | 82 | - | - |
| Total | $ **189,452** | **552,329** | **189,370** |

Interest Expense

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Fubon Financial Holding Co., Ltd. | $ 179,507 | 189,370 | 357,041 | 189,370 |
| Hyundai Commercial Co., Ltd. | 7,400 | - | 7,524 | - |
| Total | $ **186,907** | **189,370** | **364,565** | **189,370** |

(3) Derivatives (at Principal Value)

The contract amounts:

| Names of related parties | Financial Instruments | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | Foreign Exchange SWAP | $ **2,796,480** | **2,765,970** | **2,745,000** |

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

| Names of funds | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fubon Fubon Fund | $ 50,934 | 45,318 | 84,300 |
| Fubon Chi-Hsiang Money Market Fund | 1,801,446 | 702,511 | 1,207,472 |
| Fubon Technology ETF Fund | 219,197 | 198,598 | 205,905 |
| Fubon Morgan ETF Fund | 145,510 | 129,112 | 139,826 |
| Fubon Taiwan Eight Industries ETF Fund | 157,508 | 138,215 | 158,956 |
| Fubon Taiwan Finance ETF Fund | 186,932 | 165,216 | 170,274 |
| Fubon 7-10 Years US Treasury Bond ETF | - | - | 3,324,282 |
| Fubon 20+ Years US Treasury Bond ETF | 5,072,840 | 2,077,412 | 2,065,516 |
| Fubon S&P US Preferred Stock ETF | 1,964,609 | 1,722,683 | 588,349 |
| Fubon China Policy Bank Bond ETF | 1,741,467 | 4,680,564 | 8,739,274 |
| Fubon 10+Years US Corporate Bond BBB | 4,631,980 | 198,697 | 200,381 |
| Fubon 1-5 Years US High Yield Bond ETF | - | 201,402 | 203,084 |
| Fubon SZSE 100 ETF | - | 101,731 | 133,330 |
| Fubon FB NASDAQ Fund | - | 32,330 | 36,258 |
| FB H-Share L2XI | - | 23,480 | 28,480 |
| Fubon Taiwan 50 | 971,040 | 873,180 | 998,550 |
| Fubon NASDAQ L2XI | - | 14,808 | 19,512 |
| Fubon Corporate Governance | 1,064,000 | 966,500 | 1,055,000 |
| Fubon 1-3 Years US Treasury Bond ETF | - | 3,088,427 | - |
| Fubon 9-35 Years US Corporate Bond A ETF | - | 3,843,315 | - |
| Fubon FTSE World Broad Investment-Grade USD Bank Bond 10+ Year Index ETF | 5,305,353 | - | - |
| Total | $ 23,312,816 | 19,203,499 | 19,358,749 |

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

| Names of related parties | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fubon No.1 Real Estate Investment Trust | $ 855,212 | 834,769 | 779,118 |
| Fubon No.2 Real Estate Investment Trust | 963,207 | 918,728 | 924,562 |
| | $ 1,818,419 | 1,753,497 | 1,703,680 |

(h) Property transactions

(1) Payments of investment property are as follows:

| Names of related parties | Nature | For the six months ended June 30, 2019 | 2018 |
|---|---|---|---|
| Fubon Construction Co., Ltd. | Consulting fees and etc. | $ - | 6,832 |
| Taipei City Government | Prepaid superficies rent, project contract, rental of public hearing venue and etc. | - | 15,260 |
| Chien-kuo Construction Co., Ltd. | Project contract | - | 309,509 |
| Other (accounts with balance of less than $10,000) | | 5,601 | - |
| Total | | $ 5,601 | 331,601 |

(i) Loans to related parties are as follows:

(1) Secured loans

June 30, 2019

| Category | Name of related party | Maximum Amount | Ending Balance | Performing situation | Collateral | Collateral terms are the same with other regular clients |
|---|---|---|---|---|---|---|
| Residence mortgage loans | 53 affiliates | $ 394,013 | 386,740 | Normal | Real estate | No |

December 31, 2018

| Category | Name of related party | Maximum Amount | Ending Balance | Performing situation | Collateral | Collateral terms are the same with other regular clients |
|---|---|---|---|---|---|---|
| Residence mortgage loans | 53 affiliates | $ 409,583 | 397,891 | Normal | Real estate | No |

June 30, 2018

| Category | Name of related party | Maximum Amount | Ending Balance | Performing situation | Collateral | Collateral terms are the same with other regular clients |
|---|---|---|---|---|---|---|
| Residence mortgage loans | 52 affiliates | $ 382,815 | 374,658 | Normal | Real estate | No |

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

(2) Life insurance loans:

**June 30, 2019**

| Category | Name of related party | Maximum Amount | Ending Balance | Performing situation | Collateral | Collateral terms are the same with other regular clients |
|---|---|---|---|---|---|---|
| Life insurance loans | 130 affiliates | $ 47,694 | 39,487 | Normal | Policy value | No |

**December 31, 2018**

| Category | Name of related party | Maximum Amount | Ending Balance | Performing situation | Collateral | Collateral terms are the same with other regular clients |
|---|---|---|---|---|---|---|
| Life insurance loans | 126 affiliates | $ 59,581 | 39,473 | Normal | Policy value | No |

**June 30, 2018**

| Category | Name of related party | Maximum Amount | Ending Balance | Performing situation | Collateral | Collateral terms are the same with other regular clients |
|---|---|---|---|---|---|---|
| Life insurance loans | 117 affiliates | $ 49,263 | 43,658 | Normal | Policy value | No |

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

(j) Prepayment (advance receipt)

| Names of related parties | Nature | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | Incentives and employee welfares | $ 44,083 | 88,676 | 49,767 |
| Fubon Insurance Co., Ltd. | Prepaid insurance expenses | 19,721 | 34,196 | (5,195) |
| Taipei City Government | Prepaid superficies rent and temporary payment | - | - | 152,958 |
| Fubon Financial Holdings Co., Ltd. | Temporary payments | | - | (591) |
| Other (accounts with balance of less than $10,000 or 10% of total transaction balance) | | 1,069 | 1,184 | (10,393) |
| Total | | $ 64,873 | 124,056 | 186,546 |

(k) Rental expense and refundable deposits

Guarantee deposit paid

| Names of related parties | | June 30, 2019 | December 31, 2018 | June 30, 2018 | Note |
|---|---|---|---|---|---|
| Fubon Insurance Co., Ltd. | $ | 23,773 | 23,773 | 22,739 | Office rent |
| Taipei City Government | | 1,223,676 | 1,223,476 | 1,208,426 | Project/ Superficies |
| Fubon No.1 Real Estate Investment Trust | | 30,108 | 29,939 | 29,939 | Office rent |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | | 12,862 | 12,571 | 12,405 | Office rent |
| Total | $ | 1,290,419 | 1,289,759 | 1,273,509 | |

Rental expense (Before 2018)

| Names of related parties | | For the three months ended June 30, 2018 | For the six months ended June 30, 2018 | Note |
|---|---|---|---|---|
| Fubon Insurance Co., Ltd. | $ | 22,739 | 45,478 | Office rent |
| Taipei City Government | | 75,647 | 150,464 | Superficies rent |
| Fubon No.1 Real Estate Investment Trust | | 28,764 | 57,408 | Office rent |
| Affiliates | | 8,756 | 17,512 | Office rent |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | | 7,424 | 14,846 | Office rent |
| Total | $ | 143,330 | 285,708 | |

Right-of-use assets and lease liabilities- Buildings (Since January 1, 2019)

| | | Right-of-use assets | |
|---|---|---|---|
| Names of related parties | | June 30, 2019 | December 31, 2018 |
| Taiwan Fixed Network Co., Ltd. | $ | 100,521 | 119,048 |
| Fubon No.1 Real Estate Investment Trust | | 187,077 | 244,519 |
| Fubon No.2 Real Estate Investment Trust | | 27,258 | 33,855 |
| Taipei Fubon Commercial Bank Co., Ltd. | | 21,754 | 26,254 |
| Fubon Insurance Co., Ltd. | | 146,344 | 201,429 |
| Affiliates | | 17,333 | 36,513 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | | 8,308 | 13,500 |
| | $ | 508,595 | 675,118 |

| Names of related parties | Lease liabilities June 30, 2019 | Lease liabilities 108.1.1 | Interest expense For the three months ended June 30, 2019 | Interest expense For the six months ended June 30, 2019 | Total value amount |
|---|---|---|---|---|---|
| Taiwan Fixed Network Co., Ltd | $ 106,006 | 124,414 | 941 | 1,941 | 201,427 |
| Ming Tung Investment Co., Ltd. | 3,484 | 6,910 | 35 | 84 | 21,059 |
| Fubon No.1 Real Estate Investment Trust | 185,728 | 238,654 | 1,679 | 3,558 | 351,161 |
| Fubon No.2 Real Estate Investment Trust | 26,182 | 31,522 | 229 | 476 | 50,498 |
| Taipei Fubon Commercial Bank Co., Ltd. | 20,632 | 24,694 | 183 | 382 | 26,663 |
| Fubon Insurance Co., Ltd. | 139,073 | 183,830 | 1,303 | 2,789 | 284,124 |
| Affiliates | 17,386 | 34,478 | 175 | 420 | 105,075 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 4,659 | 5,701 | 43 | 88 | 6,833 |
| Total | $ 503,150 | 650,203 | 4,588 | 9,738 | 1,046,840 |

Right-of-use assets and lease liabilities - Investment Property - Superficies (Since January 1, 2019)

| Names of related parties | Right-of use assets June 30, 2019 | Right-of use assets 108.1.1 |
|---|---|---|
| Taipei City Government | $ 30,945,215 | 30,230,875 |

| Names of related parties | Lease liabilities June 30, 2019 | Lease liabilities 108.1.1 | Interest expense For the three months ended June 30, 2019 | Interest expense For the six months ended June 30, 2019 | Total value amount |
|---|---|---|---|---|---|
| Taipei City Government | $ 7,513,477 | 7,705,808 | 58,927 | 116,112 | 37,738,742 |

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

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| **Guarantee deposits received** | | | |
| Fubon Multimedia Technology Co., Ltd. | $ 34,282 | 30,072 | 27,219 |
| Taroko Mall Co., Ltd. | 35,000 | 35,000 | 35,000 |
| Taiwan Fixed Network Co., Ltd. | 10,589 | 10,589 | 10,597 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 40,012 | 39,035 | 33,400 |
| Total | $ 119,883 | 114,696 | 106,216 |

The above-mentioned guarantee deposits are for rental investment properties, a performance guarantee of $26,345 from Kbro Media Co., Ltd. and $22,500 from Taroko Mall Co., Ltd.

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Rental revenue** | | | | |
| Fubon Multimedia Technology Co., Ltd. | $ 31,320 | 27,507 | 59,969 | 55,016 |
| Taipei Fubon Commercial Bank Co., Ltd. | 9,843 | 9,771 | 19,510 | 19,526 |
| Taroko Development Co., Ltd. | - | 9,583 | - | 38,333 |
| Taiwan Fixed Network Co., Ltd. | 10,176 | 10,188 | 20,405 | 20,346 |
| Taiwan Mobile Co., Ltd. | 7,985 | 7,948 | 16,018 | 15,915 |
| Kbro Media Co., Ltd. | 14,079 | 14,101 | 34,116 | 32,441 |
| Kbro Co., Ltd. | 5,422 | 6,760 | 10,845 | 13,125 |
| Taroko Mall Co., Ltd. | 28,750 | 19,167 | 57,500 | 19,167 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 14,662 | 11,819 | 29,557 | 23,444 |
| Total | $ 122,237 | 116,844 | 247,920 | 237,313 |

Rental revenues from real estate investment amounted to$122,550 and $116,536 for the three months ended June 30, 2019 and 2018, $247,890 and $236,666 for the six months ended June 30, 2019 and 2018, respectively. Rental revenues from real investment property are accounted for gains on investment property.

Unearned rental revenue, accounted for other liabilities, amounted to$32,436 $8,085 and $34,884 as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

(m) Gross Written Premiums

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Fubon Insurance Co., Ltd. | $ 10,597 | 10,528 | 21,233 | 21,134 |
| Fubon Securities Co., Ltd. | 8,307 | 11,497 | 16,745 | 17,305 |
| Taipei Fubon Commercial Bank Co., Ltd. | 25,103 | 25,379 | 50,037 | 49,265 |
| Hyundai Mobis Co., Ltd. | (160) | - | 10,872 | - |
| Affiliates | 13,162 | 67,393 | 52,253 | 132,117 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 370,068 | 345,305 | 789,487 | 683,529 |
| Total | $ 427,077 | 460,102 | 940,627 | 903,350 |

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

(n) Commission revenues

| Name of related party | 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 Securities Investment Trust Co., Ltd. | $ 17,622 | 1,572 | 34,552 | 3,070 |

(o) Commission 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 |
|---|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | $ 1,496,645 | 1,546,425 | 2,858,751 | 2,736,118 |
| Fusheng Life Insurance Agent Co., Ltd. | 60,179 | 65,286 | 130,383 | 133,106 |
| Fubon Insurance Brokers Co., Ltd. | - | 607 | - | 607 |
| Fubon Bank (Hong Kong) Co., Ltd. | 47,823 | 6,697 | 75,473 | 40,439 |
| Convoy Financial Service Ltd. | 8,998 | 209 | 23,575 | 579 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 3 | 2 | 6 | 5 |
| Total | $ 1,613,648 | 1,619,226 | 3,088,188 | 2,910,854 |

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

| Names of related parties | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Taipei Fubon Commercial Bank Co., Ltd. | $ 7,186 | 9,245 | 11,328 |
| Fusheng Life Insurance Agent Co., Ltd. | 94,327 | 99,945 | 92,646 |
| Total | $ 101,513 | 109,190 | 103,974 |

(p) Interest income with related parties

| 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. | $ 40,670 | 38,032 | 63,816 | 71,880 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 1,430 | 2,127 | 4,290 | 4,040 |
| Total | $ 42,100 | 40,159 | 68,106 | 75,920 |

(q) Marketing 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 Insurance Co., Ltd. | $ 125,149 | 134,896 | 265,824 | 254,233 |
| Taipei Fubon Commercial Bank Co., Ltd. | 7,298 | 4,873 | 13,373 | 10,229 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 275 | 318 | 577 | 1,105 |
| Total | **$ 132,722** | **140,087** | **279,774** | **265,567** |

(r) 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 Securities Co., Ltd. | $ 15,232 | 13,888 | 47,177 | 29,896 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | 3,789 | 3,732 | 8,527 | 6,845 |
| Total | **$ 19,021** | **17,620** | **55,704** | **36,741** |

(s) Other revenues

| Names of related parties | Nature | 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 Securities Co., Ltd. | Security lending handling fee income | $ 41,199 | 10,258 | 56,773 | 23,507 |
| Hyundai Mobis Co., Ltd. | Other revenue | 10,501 | - | 10,501 | - |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | Other revenue | 2,563 | 20 | 2,572 | 20 |
| Total | | **$ 54,263** | **10,278** | **69,846** | **23,527** |

(t) Other expenses

| Names of related parties | Nature | 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 Securities Co., Ltd. | Entrusted with the sale of fee and consignment trading handling fees | $ 29,351 | 35,591 | 71,649 | 58,704 |
| Fubon Real Estate Management Co., Ltd. | Building management fees, investment property fees, etc. | 31,032 | 28,533 | 62,031 | 54,358 |
| Fubon Insurance Co., Ltd. | Property insurance, parking fees, etc. | 8,157 | 7,828 | 19,213 | 18,456 |
| Taiwan Fixed Network Co., Ltd. | Telephone fees, telecommunication fees, etc. | 22,847 | 40,678 | 45,462 | 71,759 |
| Taipei Fubon Commercial Bank Co., Ltd. | Bank charge, custodian fees, exhibition cost, etc. | 383,329 | 294,181 | 647,186 | 533,112 |
| Fubon Culture and Education Foundation | Donation fees and advertisement expenses | 20,314 | 15,684 | 20,314 | 15,684 |
| Fubon Charity Foundation | Donation fees | 16,182 | 18,547 | 21,302 | 24,893 |
| Fubon Art Foundation | Other expenses | 15,724 | 15,228 | 15,845 | 15,242 |
| Fubon Sports & Entertainment Co., Ltd. | Advertisement, stationery and printing, etc. | 81,127 | 52,869 | 157,236 | 165,176 |
| Others (accounts with balance of less than $10,000 or 10% of total transaction balance) | | 22,148 | 4,086 | 38,425 | 29,860 |
| Total | | **$ 630,211** | **513,225** | **1,098,663** | **987,244** |

(C) Major management remuneration information

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Remuneration and other short-term employee benefits | $ 59,681 | 82,424 | 165,086 | 165,365 |
| Other long-term employee benefits | 496 | 473 | 1,053 | 947 |
| Post-employment benefits | 1,750 | 3,415 | 6,431 | 6,824 |
| Total | $ **61,927** | **86,312** | **172,570** | **173,136** |

## 8. PLEDGED ASSETS

Pledged assets are as follows:

| Pledged assets | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Government bonds( recognized as financial assets measured at FVOCI) | $ 1,542,582 | 504,549 | 1,101,460 |
| Government bonds ( recognized as financial assets measured at amortized costs) | 5,138,771 | 2,965,894 | 53,200 |
| Savings deposits (recognized as other financial assets) | 611 | | - |
| Government bonds (recognized as guarantee - lawful guarantee) | 16,716,472 | 16,557,668 | 12,365,736 |
| Savings deposits (recognized as guarantee - lawful guarantee) | 16,008 | 15,840 | 15,960 |
| Time deposits (recognized as guarantee - other) | 1,379,173 | 1,379,172 | 1,360,172 |
| Savings deposits (recognized as guarantee - other) | 81 | - | - |
| Total | $ **24,793,698** | **21,423,123** | **14,896,528** |

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

## 9. SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

(A) The Group's maturity analysis of lease contractual commitments is as follows:

| December 31, 2018 | < 1 year | 1~5 years | > 5 years | Total |
|---|---|---|---|---|
| Lease contractual commitments | | | | |
| Operating lease expenditure (Lessee) | 790,969 | 858,359 | - | 1,649,328 |
| Operating lease expenditure - Superficies (Lessee) | 1,146,113 | 3,413,280 | 20,303,406 | 24,862,799 |
| Operating lease revenue (Lessor) | 5,669,955 | 20,216,070 | 28,280,724 | 54,166,749 |
| Total finance lease expenditure (Lessee) | 9,445 | 37,414 | 1,157,209 | 1,204,068 |
| Present value of finance lease expenditure (Lessee) | 118 | 214 | 208,820 | 209,152 |

| June 30, 2018 | < 1 year | 1~5 years | > 5 years | Total |
|---|---|---|---|---|
| Lease contractual commitments | | | | |
| Operating lease expenditure (Lessee) | 634,708 | 691,922 | - | 1,326,630 |
| Operating lease expenditure - Superficies (Lessee) | 1,139,535 | 3,386,969 | 19,916,556 | 24,443,060 |
| Operating lease revenue (Lessor) | 5,575,940 | 20,041,473 | 30,092,156 | 55,709,569 |
| Total finance lease expenditure (Lessee) | 9,756 | 38,709 | 1,200,384 | 1,248,849 |
| Present value of finance lease expenditure (Lessee) | 111 | 263 | 215,760 | 216,134 |

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

(C) Significant unrecognized commitments

(a) Superficies contracts awarded but unsigned are as follows:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Acquisition of superficies | $ - | - | 700,500 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| New construction contracts | $ 12,465,558 | 3,792,485 | 4,328,226 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| USD | $ 2,427,172 | 1,518,565 | 1,803,993 |
| EUR | $ 606,754 | 222,280 | 270,868 |
| KRW | $ 274,536,724 | - | - |
| NTD | $ 150,000 | 150,000 | - |

Note: The unfunded commitments excluded unsettled trades.

## 10. SIGNIFICANT DISASTER LOSS: None.

## 11. SIGNIFICANT SUBSEQUENT EVENT

On August 16, 2019, the Group approved the increase in investment of Star Shining Energy Co. Ltd. The investment amount will not exceed NTD 1.5 billion, and the investment will be completed in phases within 3 years.

## 12. OTHER

(A) Personnel expenses, depreciation and amortization for the periods ended June 30, 2019 and 2018 are categorized by function as follows:

| Function / Nature | For the three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Operating Costs | Operating Expenses | Total | Operating Costs | Operating Expenses | Total |
| Employees Benefits | | | | | | |
| Salaries and wages | 3,061,590 | 1,353,129 | 4,414,719 | 2,744,303 | 1,112,334 | 3,856,637 |
| Labor and health insurance | - | 414,024 | 414,024 | - | 392,195 | 392,195 |
| Pension | 67,595 | 219,611 | 287,206 | 75,799 | 220,603 | 296,402 |
| Remuneration of directors | - | 8,432 | 8,432 | - | 7,896 | 7,896 |
| Other | - | 305,162 | 305,162 | - | 278,816 | 278,816 |
| Depreciation | - | 344,723 | 344,723 | - | 119,475 | 119,475 |
| Amortization | - | 88,090 | 88,090 | 36,984 | 29,460 | 66,444 |

| Function / Nature | For the six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Operating Costs | Operating Expenses | Total | Operating Costs | Operating Expenses | Total |
| Employees Benefits | | | | | | |
| Salaries and wages | 6,097,809 | 2,663,344 | 8,761,153 | 5,504,086 | 2,193,621 | 7,697,707 |
| Labor and health insurance | - | 867,958 | 867,958 | - | 840,253 | 840,253 |
| Pension | 134,967 | 428,462 | 563,429 | 151,247 | 442,642 | 593,889 |
| Remuneration of directors | - | 16,684 | 16,684 | - | 15,704 | 15,704 |
| Other | - | 853,417 | 853,417 | - | 832,739 | 832,739 |
| Depreciation | - | 693,671 | 693,671 | - | 235,903 | 235,903 |
| Amortization | - | 177,726 | 177,726 | 55,356 | 58,554 | 113,910 |

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

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

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

(E) The information of discontinued operations: None.

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

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

## 13. NOTES TO DISCLOSURE EVENTS

(A) Information on Significant Transactions:

In accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, the Group disclosed the information on significant transactions for the six months ended June 30, 2019 as follows:

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

Units:$'000

| Acquiring Company | Property Name | Occurrence Date | Amount (Note) | Amount Paid | Counterparty | Relationship | Previous transfer information, as counterparty is a related party, | | | | Reference for price | Purpose and usage | other |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relations with the issuer | Transfer Date | Amount | | | |
| Fubon Life Insurance Co., Ltd. | Land : Land No. 159, Lane 6, Tong Hua Lane, Da'an District, Taipei City Building : 8th Floor, No. 105, Section 2, Dunhua South Road, Da'an District, Taipei City | 2019.05.22 | 356,618 | Paid in accordance with the contract | Unipoint electric MFG. Co., Ltd. | Not related party | - | - | - | - | Referred to market price and appraisal reports | Investment Property | None |
| Fubon Eurotower (Luxembourg) S. à r.l. | Eurotower, Kaiserstrasse 29, 60311 Frankfurt am Main, Germany | 2019.04.09 | EUR530,000 | Fully paid in accordance with the contract | Eurotower Frankfurt GmbH & Co. KG, Eurotower Verwaltungs und Beteiligungs GmbH | Not related party | - | - | - | - | Referred to market price and appraisal reports | Investment Property | None |

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

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

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

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

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

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

| | | | | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| No | Company | Counterparty | Relationship | Accounts | Amount | Trading terms | Percentage ratio against total operating income or total assets |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon (Hong Kong) Co., Ltd. | 1 | Receivables | 2,399 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon (Hong Kong) Co., Ltd. | 1 | Non-operating income & expense | 7,755 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Carter Lane (Guernsey) Limited | 1 | Loans | 2,249,189 | Same as non related-party transactions | 0.05 % |
| 0 | Fubon Life Insurance Co., Ltd. | Carter Lane (Guernsey) Limited | 1 | Receivables | 25,693 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Carter Lane (Guernsey) Limited | 1 | Interest income | 52,675 | Same as non related-party transactions | 0.01 % |
| 0 | Fubon Life Insurance Co., Ltd. | Bow Bells House (Jersey) Limited | 1 | Loans | 5,650,519 | Same as non related-party transactions | 0.12 % |
| 0 | Fubon Life Insurance Co., Ltd. | Bow Bells House (Jersey) Limited | 1 | Receivables | 64,371 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Bow Bells House (Jersey) Limited | 1 | Interest income | 129,911 | Same as non related-party transactions | 0.03 % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon MTL Property (Jersey) Limited | 1 | Loans | 9,578,103 | Same as non related-party transactions | 0.21 % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon MTL Property (Jersey) Limited | 1 | Receivables | 109,978 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon MTL Property (Jersey) Limited | 1 | Interest income | 222,140 | Same as non related-party transactions | 0.05 % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon Ellipse (Belgium) S.A. | 1 | Loans | 4,138,231 | Same as non related-party transactions | 0.09 % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon Ellipse (Belgium) S.A. | 1 | Receivables | 36,316 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon Ellipse (Belgium) S.A. | 1 | Interest income | 72,894 | Same as non related-party transactions | 0.02 % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon Eurotower (Luxembourg) S. à r.l. | 1 | Loans | 12,187,135 | Same as non related-party transactions | 0.26 % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon Eurotower (Luxembourg) S. à r.l. | 1 | Receivables | 21,570 | Same as non related-party transactions | - % |
| 0 | Fubon Life Insurance Co., Ltd. | Fubon Eurotower (Luxembourg) S. à r.l. | 1 | Interest income | 21,570 | Same as non related-party transactions | 0.01 % |
| 1 | Fubon (Hong Kong) Co., Ltd. | Fubon Life Insurance Co., Ltd. | 2 | Accounts payable | 2,399 | Same as non related-party transactions | - % |
| 1 | Fubon (Hong Kong) Co., Ltd. | Fubon Life Insurance Co., Ltd. | 2 | Other operating expenses | 7,755 | Same as non related-party transactions | - % |
| 2 | Carter Lane (Guernsey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Other financial liabilities | 2,249,189 | Same as non related-party transactions | 0.05 % |
| 2 | Carter Lane (Guernsey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Accounts payable | 25,693 | Same as non related-party transactions | - % |
| 2 | Carter Lane (Guernsey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Other operating expenses – interest expenses | 52,675 | Same as non related-party transactions | 0.01 % |
| 3 | Bow Bells House (Jersey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Other financial liabilities | 5,650,519 | Same as non related-party transactions | 0.12 % |
| 3 | Bow Bells House (Jersey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Accounts payable | 64,371 | Same as non related-party transactions | - % |
| 3 | Bow Bells House (Jersey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Other operating expenses – interest expenses | 129,911 | Same as non related-party transactions | 0.03 % |
| 4 | Fubon MTL Property (Jersey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Other financial liabilities | 9,578,103 | Same as non related-party transactions | 0.21 % |
| 4 | Fubon MTL Property (Jersey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Accounts payable | 109,978 | Same as non related-party transactions | - % |
| 4 | Fubon MTL Property (Jersey) Limited | Fubon Life Insurance Co., Ltd. | 2 | Other operating expenses – interest expenses | 222,140 | Same as non related-party transactions | 0.05 % |
| 5 | Fubon Ellipse (Belgium) S.A. | Fubon Life Insurance Co., Ltd. | 2 | Other financial liabilities | 4,138,231 | Same as non related-party transactions | 0.09 % |
| 5 | Fubon Ellipse (Belgium) S.A. | Fubon Life Insurance Co., Ltd. | 2 | Accounts payable | 36,316 | Same as non related-party transactions | - |
| 5 | Fubon Ellipse (Belgium) S.A. | Fubon Life Insurance Co., Ltd. | 2 | Other operating expenses – interest expenses | 72,894 | Same as non related-party transactions | 0.02 |
| 6 | Fubon Eurotower (Luxembourg) S. à r.l. | Fubon Life Insurance Co., Ltd. | 2 | Other financial liabilities | 12,187,135 | Same as non related-party transactions | 0.26 |

| No | Company | Counterparty | Relationship | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounts | Amount | Trading terms | Percentage ratio against total operating income or total assets |
| 6 | Fubon Eurotower (Luxembourg) S. à r.l. | Fubon Life Insurance Co., Ltd. | 2 | Accounts payable | 21,570 | Same as non related-party transactions | - |
| 6 | Fubon Eurotower (Luxembourg) S. à r.l. | Fubon Life Insurance Co., Ltd. | 2 | Other operating expenses – interest expenses | 21,570 | Same as non related-party transactions | 0.01 |

Note1: Each number represents the following definitions:

(1) Zero stands for the parent company

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

Note2: Transaction relationship is as follows:

(1) Parent company to subsidiary company

(2) Subsidiary company to parent company

(3) Subsidiary company with subsidiary company

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

Disclosure on business investments for the six months ended June 30, 2019 is as follows:

Units:NT$'000

| Investor Company | Investee Company | Location | Major Business | Original Investment | | Held by the Company | | | Income (losses) of investee company | Income (losses) recognized from investee company | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Period-end | End of prior year | Shares | Percentage (%) | Book Value | | | |
| Fubon Life Insurance Co., Ltd. | Fubon Life Insurance (Vietnam) Co., Ltd. | Hanoi Vietnam | Life insurance business | 2,153,217 | 2,153,217 | - | 100.00 % | 1,702,605 | 1,142 | 1,142 | Subsidiary<br>Note 1 |
| Fubon Life Insurance Co., Ltd. | Fubon Life Insurance (Hong Kong) Co., Ltd. | Hong Kong | Life insurance business | 7,809,384 | 5,059,927 | 1,975,000,000 | 100.00 % | 5,911,965 | (939,647) | (939,647) | Subsidiary<br>Note1 |
| Fubon Life Insurance Co., Ltd. | Fubon Hyundai Life Insurance Co., Ltd. | Korea | Life insurance business | 12,588,857 | 12,588,857 | 83,736,047 | 62.06 % | 15,553,371 | 318,579 | 209,634 | Subsidiary<br>Note 6 |
| Fubon Life Insurance Co., Ltd. | Carter Lane (Guernsey) Limited | Guernsey | Rental property business | 3,348,784 | 3,348,784 | 41,514,743 | 100.00 % | 2,817,445 | 54,127 | 54,127 | Subsidiary<br>Note 1<br>Note 2<br>Note 4 |
| Fubon Life Insurance Co., Ltd. | Bow Bells House (Jersey) Limited | Jersey | Rental property business | 2,186,556 | 2,186,556 | 46,172,931 | 100.00 % | 1,842,900 | (25,919) | (25,919) | Subsidiary<br>Note 1<br>Note 2<br>Note 4 |
| Fubon Life Insurance Co., Ltd. | Fubon MTL Property (Jersey) Limited | Jersey | Rental property business | 4,708,389 | 4,708,389 | 92,581,000 | 100.00 % | 5,251,055 | 447,043 | 447,043 | Subsidiary<br>Note 1<br>Note 2<br>Note 4 |
| Fubon Life Insurance Co., Ltd. | Fubon Ellipse (Belgium) S.A. | Brussels Belgium | Rental property business | 2,579,461 | 2,579,461 | 1,133,717 | 100.00 % | 2,497,819 | (143,827) | (143,827) | Subsidiary<br>Note 1<br>Note 3<br>Note 4<br>Note 5 |

| Investor Company | Investee Company | Location | Major Business | Original Investment | | Held by the Company | | | Income (losses) of investee company | Income (losses) recognized from investee company | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Period-end | End of prior year | Shares | Percentage (%) | Book Value | | | |
| Fubon Life Insurance Co., Ltd. | Fubon Ellipse (Jersey) Limited | Jersey | Holding Company | 3,027 | 3,027 | 90,059 | 100.00 % | 1,069 | (393) | (393) | Subsidiary<br>Note 1<br>Note 5 |
| Fubon Life Insurance Co., Ltd. | Fubon Eurotower (Luxembourg) S. à r.l. | Luxembourg | Rental property business | 7,727,154 | - | 219,997 | 100.00 % | 6,620,287 | (1,151,475) | (1,151,475) | Subsidiary<br>Note 1<br>Note 4<br>Note 6 |
| Fubon Life Insurance Co., Ltd. | CITIC Capital Holdings Limited | Hong Kong | Holding Company | 7,046,304 | 7,046,304 | 13,979,798 | 18.00 % | 8,861,648 | 1,138,945 | (43,880) | Affiliate company |
| Fubon Life Insurance Co., Ltd. | Fubon Financial Holdings Venture Capital Co., Ltd. | ROC | Venture capital service | 1,979,650 | 1,979,650 | 123,437,000 | 25.00 % | 2,190,048 | 465,992 | 112,617 | Affiliate company |
| Fubon Life Insurance Co., Ltd. | Star River Energy Co., Ltd. | ROC | Energy technology service | 236,800 | 236,800 | 23,680,000 | 20.00 % | 253,081 | 49,191 | 9,838 | Affiliate company |
| Fubon Life Insurance Co., Ltd. | Star Shining Energy Co., Ltd. | ROC | Energy technology service | 900,000 | 900,000 | 90,000,000 | 30.00 % | 909,318 | 27,159 | 8,148 | Affiliate company |
| Fubon Life Insurance Co., Ltd. | Whole Max Green Power Co., Ltd. | ROC | Energy technology service | 327,000 | 327,000 | 32,700,000 | 30.00 % | 335,433 | 1,253 | 8,837 | Affiliate company |
| Fubon (Hong Kong) Co., Ltd. | ZA Life Limited | Hong Kong | Life insurance business | 1 | - | 350 | 35.00 % | - | (84,534) | (29,587) | Affiliate company |

Note 1: Write off under consolidated financial statements.

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

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

Note 4: Investee does not have external debts, act as guarantor or provide its assets as collateral for debts of external parties. Except being pledged as collateral for its shareholder loan, the ownership of its property is not subject to restrictions.

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

Note 6: Investment Property is located in Frankfurt, Germany.

## (C) Disclosure on Investments in Mainland China：

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

Units:$'000

| Investee company | Main business | Paid-in capital | Method of investment (Note 1) | Accumulated outward fund of investment from Taiwan at the beginning | Outward remittance or inward recovery | | Accumulated outward fund of investment from Taiwan at the balance sheet date | Investee company gains/(losses) in current period | Directly or indirectly share holding percentage | Income(losses) recognized from investee company | Book value of investment at period end | Recovery investment profit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | |
| Fubon Property & Casualty Insurance Co., Ltd. | Property Insurance | 5,063,632<br>CNY 1,120,000 | (a) | 2,155,416 | - | 94 | 2,155,322 | (132,494)<br>CNY (28,971) | 40.00 % | (52,998)<br>Note2 | 378,616 | - |
| Shenzhen Teng Fu Bo Investment Limited | Investment Consultancy | 1,582,385<br>CNY 350,000 | (c) | - | - | - | - | (110,842)<br>CNY (24,236) | 12.44 % | (13,789)<br>CNY (3,015) | 97,579 | - |
| CITIC Full Joy (Da Lian) Co., Ltd. | Real estate investment | 1,433,124<br>HKD 360,000 | (b) | - | - | - | - | 98,616<br>CNY 21,563 | 18.00 % | 17,751<br>CNY 3,881 | Note3 | - |
| Xiang Xin Real Estate (Shenyang) Co., Ltd. | Real estate leasing | 1,990,450<br>HKD 500,000 | (b) | - | - | - | - | (29,032)<br>CNY (6,348) | 18.00 % | (5,226)<br>CNY (1,143) | Note3 | - |
| CITIC Capital Equity Investment (Tianjin) Co., Ltd. | Investment Consultancy | 20,328,814<br>CNY 4,496,431 | (b) | - | - | - | - | 601,123<br>CNY 131,439 | 12.27 % | 73,757<br>CNY 16,127 | Note3 | - |
| Shenzhen Huizhi Juxin Investment Management Co., Ltd. | Investment Management | 22,606<br>CNY 5,000 | (b) | - | - | - | - | 323,577<br>CNY 70,752 | 12.27 % | 39,702<br>CNY 8,681 | Note3 | - |
| Zhong An Taixin (Shenzhen) Equity Investment Fund Management Co., Ltd. | Investment Consultancy | 45,211<br>CNY 10,000 | (b) | - | - | - | - | 15,335<br>CNY 3,353 | 18.00 % | 2,760<br>CNY 604 | Note3 | - |
| CITIC Capital (Shenzhen) Asset Management Co., Ltd. | Investment Consultancy | 45,211<br>CNY 10,000 | (b) | - | - | - | - | 60,854<br>CNY 13,306 | 18.00 % | 10,954<br>CNY 2,395 | Note3 | - |
| CITIC Capital Cultural Tourism (Chengdu) Co., Ltd | Real estate leasing | 2,518,705<br>CNY 557,100 | (b) | - | - | - | - | (10,061)<br>CNY (2,200) | 12.58 % | (1,266)<br>CNY (277) | Note3 | - |
| Chengdu Jinruitong Investment Management Co., Ltd. | Real estate leasing | 830,404<br>CNY 183,673 | (b) | - | - | - | - | (41,714)<br>CNY (9,121) | 6.41 % | (2,676)<br>CNY (585) | Note3 | - |
| Tianjin Xinze Equity Investment Fund Management Co., Ltd | Investment Consultancy | 113,028<br>CNY 25,000 | (b) | - | - | - | - | (52,635)<br>CNY (11,509) | 18.00 % | (9,474)<br>CNY (2,072) | Note3 | - |
| Shanghai Yuhui Business Information Consulting Co., Ltd. | Real estate leasing | 3,360,683<br>CNY 743,333 | (b) | - | - | - | - | (67,522)<br>CNY (14,764) | 8.76 % | (5,914)<br>CNY (1,293) | Note3 | - |
| Shanghai Jingrong Industrial Development Co., Ltd. | Real estate leasing | 1,699,934<br>CNY 376,000 | (b) | - | - | - | - | (23,077)<br>CNY (5,046) | 8.76 % | (2,021)<br>CNY (442) | Note3 | - |
| Shenyang Zucai Heating Development Co., Ltd. | Real estate leasing | 293,872<br>CNY 65,000 | (b) | - | - | - | - | (121,858)<br>CNY (26,645) | 18.00 % | (21,934)<br>CNY (4,796) | Note3 | - |

Note 1: Investment types are as follows:
(a) Direct investments in Mainland China.
(b) Investment in Mainland China companies through CITIC Capital Holdings Limited, a company established in a thrid region.
(c) Others.

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

Note 3: The carrying amount of individual investment in Mainland China cannot be distinguished from the third region company's financial statement which has been conducted analytical procedures by certified public accountant.

Note 4: There are more companies the Group have invested through CITIC Capital Holdings Limited, which are Peng Yu Investment Consulting (Shanghai) Co., Ltd., Peng Yu Investment Consulting (Shanghai) Co., Ltd. Pudong Branch, Beijing Xinhe Run Investment Management Co., Ltd., Shenzhen Pengyi Equity Investment Management Co., Ltd., Shenzhen Xinpeng Yu Investment Management Co., Ltd., Beijing Pengyu Investment Management Co., Ltd., Jiaqiang (Shanghai) Consulting Co., Ltd., Jiaqiang Equity Investment Management (Shenzhen) Co., Ltd., Shanghai Xunyi Investment Management Consulting Co., Ltd., Pengwei Investment Consulting (Shanghai) Co., Ltd., Pengwei Investment Consulting (Shanghai) Co., Ltd. Jing'an Branch, Pengwei Investment Consulting (Shanghai) Co., Ltd. Xuhui Branch, CITIC Capital (China) Investment Co., Ltd., CITIC Capital Equity Investment (Tianjin) Co., Ltd. Beijing Branch, CITIC Capital Equity Investment (Tianjin) Co., Ltd. Shanghai Branch, Beijing Yuexin Investment Management Co., Ltd., Shenzhen Jiaqiang Xiaofeng Equity Investment Management Co., Ltd., Shenzhen Jiaqiang Yiheng Equity Investment Management Co., Ltd., Shenzhen Huizhi Minzhi Juxin Investment Management Co., Ltd. Beijing Branch, Shenzhen Yixin Management Consulting Co., Ltd., Chengdu Jin Rui Tong Investment Management Co., Ltd. Six Senses Qing Cheng Mountain Resort Branch, Benyuan Investment Consulting (Beijing) Co., Ltd., Shanghai Yuanlong Engineering Service Co., Ltd., Shanghai Longyu Management Consulting Co., Ltd., CITIC Capital (Qingdao) Investment Management Limited, Dechen High Mountain Inn Co., Ltd., Yunnan Shangri-La High Mountain Inn Co., Ltd., Shenzhen Shengyin Consulting Co., Ltd., Shenzhen Sheng Kai Equity Investment Management Co., Ltd., Shenzhen Jiashi Datong Industrial Co., Ltd., Shenzhen Yaoshengxin Consulting Co., Ltd., Shanghai Stratford Real Estate Co., Ltd., Huiyi Management Consulting (Shanghai) Co., Ltd., Kangquan (Nanjing) Warehouse Service Co., Ltd. Shenzhen Xinlong Consulting Co., Ltd., Shanghai Xinming Investment Consulting Co., Ltd., CDB-CITIC Capital Investment Management (Beijing) Co., Ltd., CDB-CITIC Capital Investment Co., Ltd., CITIC Kazyna (Beijing) Consulting Co., Ltd., CITIC Fulljoy (Dalian) Real Estate Development Co., Ltd., CITIC Capital (Shenzhen) Investment Management Co., Ltd., CITIC Capital (Zhuhai) Asset Management Co., Ltd., Zhong Yu Capital (Beijing) Asset Management Co., Ltd., Xinxiao Commercial Management (Shanghai) Co., Ltd., CITIC Cash Asset Management Co., Ltd., Shanghai Ling Xuan Business Information Consulting Co., Ltd., CITIC Capital (Ningbo) Investment Management Co., Ltd., Shanghai Hang Qiao Investment Management Co., Ltd., Xizang Yuzexin Investment Service Co., Ltd., Xizang Lingdaxin Investment Management Co., Ltd., Xizang Xinzhen Investment Service Co., Ltd., Chengdu Ruite Tourism Resources Development Co., Ltd., Zhejiang Xinwei Investment Management Co., Ltd., Xizang Juli Hexin Investment Management Co., Ltd., Shanghai Zhongxing Enterprise Management Co., Ltd., CITIC Jiu'an (Ningbo) Equity Investment Fund Management Co., Ltd., Zhuhai Zhongrui Zhixin Investment Management Co., Ltd., Ningbo Dingxin Ningli Investment Management Co., Ltd., Xinhua (Shanghai) Asset Management Co., Ltd. , Beijing Jianyuan Tiandi Real Estate Co., Ltd., Ningbo Xinrong Jiu'an Enterprise Management Consulting Co., Ltd., Chengdu Xinrun Dehong Equity Investment Management Co., Ltd. CITIC Jiu'an (FangXian) Equity Investment Fund Management Co., Ltd., Shenzhen Hengxin Management Consulting Co., Ltd., Jinan Huangou Commercial Operation Management Co., Ltd., Beijing Shangyun Capital Management Co., Ltd., CITIC Capital (Guangdong) Industrial Investment Fund Management Co., Ltd., CITIC Capital (Guangdong) Equity Investment Co., Ltd., Shenzhen Shuntai Industrial Park Management Co., Ltd., Shenzhen Shunze Industrial Park Management Co., Ltd., Hunan Yingfu Real Estate Co., Ltd., Huizhou Xinli Nanshan Real Estate Development Co., Ltd., Huizhou Weiyu Industrial Development Co., Ltd., Shanhai Yun Xiang Consultant Management Co. Ltd., Xizang Xing Zhao Business Service Co. Ltd., Tianjin Xin He Tai Technology Development Co. Ltd., China Transport Telecommunication Information Group Shanghai Equity Investment Fund Management Co. Ltd., Shenzhen Jia De Xi Trade Co. Ltd., Shenzhen Snail E-commerce Co. Ltd., Shenzhen Nan Xing Cultural Activity Planning Co. Ltd., Xizang Yao Yi Enterprise Management Service Co. Ltd., Xizang Long Yi Enterprise Management Co. Ltd., Shanhai Fung Yu Tai Industrial Co. Ltd., Wuxi Fung Yu Tai Industrial Co. Ltd., Shenzhen Xu Xin Consulting Co. Ltd., Shenzhen Run Heng Industrial Park Management Co. Ltd., Shenzhen Yi Hui Feng Technology Co. Ltd., Shenzhen Shun Jie Industrial Park Management Co. Ltd., Shenzhen Yi Rong Feng Technology Co. Ltd., Shenzhen Jia Feng Industrial Park Management Co. Ltd., Shenzhen Yi Run Fung Technology Co. Ltd., Tainjin Rong Qi Health Consulting Service Co. Ltd., Tianjin Hung Qi Health Consulting Service Co. Ltd., Beijing Bee Waikin Technology Co. Ltd., Tianjin Peng Xin Medical Consulting Co. Ltd.

Note 5: The TWD amounts in the table which were originally presented in foreign currencies are translated at the closing rate as of June 30, 2019, or the average exchange rate for the six months ended June 30, 2019.

The Group and its affiliate company, Fubon Insurance Co., Ltd, have jointly invested in the set-up of Fubon Property and Casualty Insurance Co., Ltd in 2010 for its insurance business operation in Mainland China. In addition, the Group signed a joint investment contract with Fubon Insurance Co., Ltd, and Xiamen Port Holding Group in September 2012. The board of directors of the group in June 2017 agreed on participating in the capital increase by cash in Fubon Property and Casualty Insurance Co., Ltd. The group was approved by the regulation of Jin Guan Bao Chan Letter No. 10602080481 and the Investment Commission, MOEA, Jing Shen (2) Ruling No. 10600236350 to invest CNY 60 million in Fubon Property and Casualty Insurance Co., Ltd., which remitted CNY 4,800 thousands of funds on September 13, 2018. The investment was approved by CBRC on January 3, 2019, simultaneously assigned the record date for the capital increase was January 3, 2019. As of the record date for the capital increase, the paid-in capital of Fubon Property & Casualty Insurance Co., Ltd was CNY 1,120 million. The investment of the Company amounted to CNY 448 million.

On November 20, 2018, Fubon Property & Casualty Insurance Co., Ltd participated in a cash capital increase for Shenzhen Teng Fu Bo Investment Limited with its original shareholdings. The capital increase 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. On July 3, 2019, a further CNY 15.55 million was remitted for the second phase. As of June 30, 2019, the paid-up capital of Shenzhen Teng Fu Bo Investment Limited was CNY 350 million, and Fubon Property & Casualty Insurance Co., Ltd invested an accumulative amount of CNY 108.85 million.

The Group indirectly invested in 12 companies such as CITIC Full Joy (Da Lian) Co., Ltd through CITIC Capital Holdings Limited.

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

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

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

| | 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 | 1,486,700 |
| Premium deficiency reserve | 669,688 | 692,753 | 638,577 |
| Total | **$ 4,686,007** | **4,751,410** | **4,723,162** |

(3) Ratio accounted for the total premium revenue of the Group: 0.47%

(4) Ratio accounted for the total claim payment of the Group: 0.39%

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

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

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

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

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

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

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

(c) Limit of investment in China：

Unit:NTD$'000

| Name of Company | Accumulated amount transferred from Taiwan, end of the period | Investment amount approved by Ministry of Finance | Limit of investment regulated by Investment Audit Committee of Ministry of Finance. |
|---|---|---|---|
| Fubon Life Insurance Co., Ltd. | 25,781,503 | 25,989,507 | 175,487,240 |

Note: The limit of investment is $116,991,493 according to the Regulations Governing Foreign Investments by the Group.

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

## 14. SEGMENT FINANCIAL INFORMATION DISCLOSURE

(A) General information

The Group runs its life insurance business and provides insurance contract product in accordance with local insurance laws, or operates other kinds of businesses according to local laws. Because the Group mainly runs insurance business and invests in real estates in Taiwan and overseas, the Group shall consider both regions and operating characteristics when determining reportable segments. The operating sectors of the Group report their profit or loss based on the net income before tax, the value of which is the foundation of performance evaluation and consistent with the report used by their decision makers. The accounting policies of the operating sectors are the same as significant accounting policies summary in Note 4.

(B) Segment information

| | For the three months ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | **Taiwan Insurance Business** | **Asia Insurance Business (Note 1)** | **Europe Investment property Business** | **Adjustments and Eliminations (Note 2)** | **Total** |
| Revenue | | | | | |
| Gains from external customers | $ 186,626,886 | 23,173,931 | (560,959) | (20,724) | 209,219,134 |
| (Losses) gains from internal segments | (1,127,924) | - | - | 1,127,924 | - |
| Total revenue | $ 185,498,962 | 23,173,931 | (560,959) | 1,107,200 | 209,219,134 |
| Net income | $ 7,827,597 | (458,514) | (873,452) | 1,387,520 | 7,883,151 |

| | For the three months ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | **Taiwan Insurance Business** | **Asia Insurance Business (Note 1)** | **Europe Investment property Business** | **Adjustments and Eliminations (Note 2)** | **Total** |
| Revenue | | | | | |
| Gains from external customers | $ 161,720,001 | 1,227,817 | 431,441 | - | 163,379,259 |
| (Losses) gains from internal segments | 387,983 | - | - | (387,983) | - |
| Total revenue | $ 162,107,984 | 1,227,817 | 431,441 | (387,983) | 163,379,259 |
| Net income | $ 9,792,198 | (21,983) | 164,098 | (142,115) | 9,792,198 |

| | For the six months ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | **Taiwan Insurance Business** | **Asia Insurance Business (Note 1)** | **Europe Investment property Business** | **Adjustments and Eliminations (Note 2)** | **Total** |
| Revenue | | | | | |
| Gains from external customers | $ 381,100,016 | 34,634,124 | (226,028) | (29,239) | 415,478,873 |
| (Losses) gains from internal segments | (1,050,327) | - | - | 1,050,327 | - |
| Total revenue | **$ 380,049,689** | **34,634,124** | **(226,028)** | **1,021,088** | **415,478,873** |
| Net income | **$ 10,896,162** | **(619,926)** | **(820,445)** | **1,568,527** | **11,024,318** |
| Total assets | **$4,163,160,737** | **464,905,662** | **55,809,397** | **(67,961,037)** | **4,615,914,759** |

| | For the six months ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | **Taiwan Insurance Business** | **Asia Insurance Business (Note 1)** | **Europe Investment property Business** | **Adjustments and Eliminations (Note 2)** | **Total** |
| Revenue | | | | | |
| Gains from external customers | $ 327,703,806 | 2,744,704 | 947,292 | - | 331,395,802 |
| (Losses) gains from internal segments | 893,708 | - | - | (893,708) | - |
| Total revenue | **$ 328,597,514** | **2,744,704** | **947,292** | **(893,708)** | **331,395,802** |
| Net income | **$ 19,083,702** | **2,242** | **393,141** | **(395,383)** | **19,083,702** |
| Total assets | **$3,840,705,246** | **20,599,832** | **35,530,428** | **(39,377,441)** | **3,857,458,065** |

Note1: Asia Insurance Business does not include Taiwan.

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