

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**  
**(with Independent Accountants' Report Thereon)**

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(English Translation)

**FUBON INSURANCE CO., LTD.**

**JUNE 30, 2010 AND 2009**

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## INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors  
Fubon Insurance Co., Ltd.

We have audited the accompanying balance sheets of Fubon Insurance Co., Ltd. as of June 30, 2010 and 2009 and the related statements of income, changes in stockholders' equity and cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fubon Insurance Co., Ltd. as of June 30, 2010 and 2009, and the results of its operations and cash flows for the six-month periods then ended, in conformity with the "Principles of Preparing Financial Reports for Non-Life Insurance Companies", the related financial accounting standards of the "Business Entity Accounting Act" and the "Regulation on Business Entity Accounting Handling", and the generally accepted accounting principles in the Republic of China.

KPMG

Taipei, Taiwan, R.O.C.  
August 24, 2010

### Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

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

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**BALANCE SHEETS**  
**June 30 , 2010 AND 2009**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2010.06.30</u>	<u>2009.06.30</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes II, IV.1 & V)	\$ 3,980,665	5,114,305
Financial assets measured at fair value through profit or loss (Notes II, IV.2 & 21)	40,217	35,042
Available-for-sale financial assets-current (Notes II & IV.2 )	19,888,838	20,110,574
Investments in bonds without active markets - current (Notes II & IV.2 )	-	800,000
Notes receivable - net (Notes II & IV.3)	756,994	749,291
Premiums receivable - net (Notes II, IV.3 & V)	3,848,643	3,737,952
Prepayments for reinsurance premium (Notes III & IV.4)	2,696,793	3,273,326
Claims recoverable from reinsurers (Notes IV.5)	5,178,988	4,579,001
Due from reinsurers and ceding companies (Notes II & IV.6)	472,232	570,076
Reinsurance receivable	431,451	392,814
Interest Receivable	251,747	234,324
Other receivable (Notes II, IV.7 & V)	160,145	204,021
Prepayments	5,406	7,680
Deferred income tax assets - current (Notes II & IV.19)	31,558	85,222
Other current assets	82,003	33,935
Total Current Assets	<u>37,825,680</u>	<u>39,927,563</u>
<b>Fund and Investments (Notes II, IV.8, 9 &amp; 10)</b>		
Available-for-sale financial assets - non current	5,786,065	5,370,184
Financial assets carried at cost - non current	844,371	890,049
Investments in bonds without active markets - non current	7,139,082	7,082,453
Long-term equity investment - equity method	1,570,669	662,872
Investment in real estate	5,723,669	5,714,454
Total Fund and Investments	<u>21,063,856</u>	<u>19,720,012</u>
<b>Property and Equipment (Notes II &amp; IV.11)</b>		
Land	648,221	703,048
Buildings and equipment	1,084,121	1,101,712
Transportation and equipment	43,097	53,316
Miscellaneous equipment	625,163	602,159
	<u>2,400,602</u>	<u>2,460,235</u>
Less: Accumulated depreciation	1,020,898	961,060
Net Property and Equipment	<u>1,379,704</u>	<u>1,499,175</u>
<b>Intangible Asset (Note II)</b>		
Computer software costs	28,924	31,315
Deferred pension costs	62,880	77,694
Net Intangible Asset	<u>91,804</u>	<u>109,009</u>
<b>Other Assets</b>		
Guarantee deposits - out (Note VI)	1,414,360	1,474,639
Defferd income tax assets - non current (Notes II & IV.19)	130,427	257,882
Other overdue receivable (Notes II & IV.12)	101,469	63,757
Total Other Assets	<u>1,646,256</u>	<u>1,796,278</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 62,007,300</u></u>	<u><u>\$ 63,052,037</u></u>

**The accompanying notes are an integral part of the financial statements.**

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**BALANCE SHEETS (CON'D)**  
**June 30 , 2010 AND 2009**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2010.06.30</u>	<u>2009.06.30</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Repurchase bonds payable (Notes II & IV.14)	\$ -	3,758,310
Financial liabilities measured at fair value through profit or loss (Notes II, IV.2 & 21)	169,119	219,559
Commission payable	455,145	426,254
Claims payable (Notes III)	143,286	141,253
Due to reinsurers and ceding companies	635,800	666,553
Reinsurance premiums payable	1,380,985	1,305,443
Other payables (Notes II, IV.7, 19& V)	1,792,150	1,875,261
Advanced receipts	284,585	303,017
Other current payable	174,983	169,378
Total Current Liabilities	<u>5,036,053</u>	<u>8,865,028</u>
<b>Long-Term Liabilities</b>		
Reserve for land revaluation increment tax	9,263	9,263
Accrued pension liabilities (Notes II )	165,751	132,805
Total Long-Term Liabilities	<u>175,014</u>	<u>142,068</u>
<b>Reserve for operations and liabilities (Notes III &amp; IV.15)</b>		
Reserve for unearned premiums	13,080,346	13,203,793
Other liability reserve	607,587	687,439
Special reserve	11,887,653	11,065,432
Claims reserve	11,172,957	9,974,253
Premium deficiency reserve	7,576	89,689
Total Reserves	<u>36,756,119</u>	<u>35,020,606</u>
<b>Other Liabilities</b>		
Guarantee deposits received	62,733	60,228
Reinsurance liability reserve received	23,146	23,146
Total Other Liabilities	<u>85,879</u>	<u>83,374</u>
<b>Total Liabilities</b>	<u>42,053,065</u>	<u>44,111,076</u>
<b>Stockholders' Equity</b>		
Capital stock (Note IV.16)	8,178,396	8,178,396
Capital surplus - additional paid - in capital (Note IV.17)	8,318,907	8,318,907
Legal reserve (Note IV.18)	2,011,471	1,737,243
Special reserve (Note IV.18)	-	1,636,060
Retained earnings (Note IV.18 & 19)	1,470,215	(369,181)
Unrealized gain (loss) from financial instruments	114,832	(466,600)
Cumulative translation adjustments (Note II)	20,865	37,807
Net loss not recognized as pension cost (Note II)	(160,451)	(131,671)
Total Stockholders' Equity	<u>19,954,235</u>	<u>18,940,961</u>
<b>COMMITMENTS AND CONTINGENCIES (Note VII)</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 62,007,300</u>	<u>63,052,037</u>

The accompanying notes are an integral part of the financial statements.

**FUBON INSURANCE CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE SIX-MONTH ENDED JUNE 30 , 2010 AND 2009**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>For the six-month ended June 30 , 2010</u>	<u>For the six-month ended June 30 , 2009</u>		
<b>Operating Revenues</b>				
Premiums revenues (Notes V)	\$ 11,854,039	11,783,865		
Reinsurance commission incomes	361,440	514,877		
Claims recovered from reinsurers (Notes III)	1,271,478	1,891,817		
Recovered premiums and reserves	10,017,619	9,947,111		
Recovered special reserve	141,749	118,794		
Recovered claims reserve (Notes III)	1,968,480	1,753,803		
Recovered special reserve for deficiency reserves (Note V)	138,899	78,573		
Interest income (Note V)	406,426	427,617		
Gains on valuation of financial assets (Note IV.21)	-	92,139		
Income from equity investments under the equity method (Notes II & IV.9)	44,107	-		
Gains on disposal of investments	603,870	114,576		
Gains on real estate investments (Notes II & V)	175,448	174,088		
Total Revenue	<u>26,983,555</u>	<u>26,897,260</u>		
<b>Operating Costs</b>				
Reinsurance expenses	3,435,298	4,091,073		
Commission expenses	1,242,821	1,273,754		
Insurance claims payments	5,054,754	5,020,661		
Provision for premiums reserve	10,392,517	9,956,471		
Provision for special reserve	605,942	791,195		
Disbursements toward industry stability	22,782	22,300		
Provision for claim reserve (Notes III)	2,222,298	2,102,156		
Provision for deficiency reserve (Notes III)	7,576	89,689		
Interest expenses (Notes V)	265	5,000		
Loss on valuation of financial assets (Notes IV.21)	101,153	-		
Loss from equity investments under the equity method (Notes II & IV.8)	29,773	16,870		
Foreign exchange losses (Notes II & IV.8)	-	89,940		
Other operating costs	37,364	36,238		
Total Cost	<u>23,152,543</u>	<u>23,495,347</u>		
<b>Gross Profit</b>	<u>3,831,012</u>	<u>3,401,913</u>		
<b>Operating Expenses (Notes III, IV.13, V &amp; X.1)</b>				
Operating expenses	1,704,826	1,596,907		
Administrative expenses	301,270	287,430		
Staff training expenses	5,481	5,063		
Total Operating Expenses	<u>2,011,577</u>	<u>1,889,400</u>		
<b>Operating Income</b>	<u>1,819,435</u>	<u>1,512,513</u>		
<b>Non-Operating Income</b>				
Gain on disposal of fixed assets	294	93		
Miscellaneous income	35,657	20,110		
Total Non-Operating Income	<u>35,951</u>	<u>20,203</u>		
<b>Non-Operating Expenses</b>				
Loss on disposal of fixed assets	11	568		
Loss on impairment (Notes II, IV.2 & 8)	8,575	1,102,312		
Miscellaneous expenses	46,585	39,078		
Total Non-Operating Expenses	<u>55,171</u>	<u>1,141,958</u>		
Income Tax Expense (Note II & IV.19)	1,800,215	390,758		
<b>Net income(loss)</b>	<u>\$ 1,470,215</u>	<u>(369,181)</u>		
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<b>Basic earnings per share (in New Taiwan dollars) (Notes II &amp; IV.20)</b>	<u>\$ 2.20</u>	<u>1.80</u>	<u>0.48</u>	<u>(0.45)</u>
<b>Diluted earnings per share (in New Taiwan dollars) (Notes II &amp; IV.20)</b>	<u>\$ 2.20</u>	<u>1.80</u>	<u>0.48</u>	<u>(0.45)</u>

The accompanying notes are an integral part of the financial statements.

(English Translation)  
**FUBON INSURANCE CO., LTD.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE SIX-MONTH ENDED JUNE 30 , 2010 AND 2009**  
(Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings				Equity Adjustments				Total
	Capital Stock	Capital Surplus - additional paid - in capital	Legal Reserve	Special Reserve	Unassigned retained earnings	Unrealized gain (loss) from financial instruments	Net loss not recognized as pension cost	Cumulative translation adjustments	
<b>Balance, January 1, 2009</b>	\$ 8,178,396	8,318,907	1,328,228	-	2,045,075	(2,404,720)	(131,671)	35,921	17,370,136
Net loss from January 1, 2009 to June 30, 2009	-	-	-	-	(369,181)	-	-	-	(369,181)
Recognition of legal reserve	-	-	409,015	-	(409,015)	-	-	-	-
Recognition of special reserves	-	-	-	1,636,060	(1,636,060)	-	-	-	-
Recognized unrealized gain or loss on financial instruments	-	-	-	-	-	1,938,120	-	-	1,938,120
Recognized cumulative translation adjustments	-	-	-	-	-	-	-	1,886	1,886
<b>Balance, June 30, 2009</b>	<b>\$ 8,178,396</b>	<b>8,318,907</b>	<b>1,737,243</b>	<b>1,636,060</b>	<b>(369,181)</b>	<b>(466,600)</b>	<b>(131,671)</b>	<b>37,807</b>	<b>18,940,961</b>
<b>Balance, January 1, 2010</b>	\$ 8,178,396	8,318,907	1,737,243	1,636,060	1,371,141	1,218,202	(160,451)	25,635	22,325,133
Net income from January 1, 2010 to June 30, 2010	-	-	-	-	1,470,215	-	-	-	1,470,215
Recognition of legal reserve	-	-	274,228	-	(274,228)	-	-	-	-
Reverse of special reserves	-	-	-	(1,636,060)	1,636,060	-	-	-	-
Cash dividend	-	-	-	-	(2,732,973)	-	-	-	(2,732,973)
Recognized unrealized gain or loss on financial instruments	-	-	-	-	-	(1,103,370)	-	-	(1,103,370)
Allocation for unrecognized pension cost loss	-	-	-	-	-	-	-	-	-
Recognized cumulative translation adjustments	-	-	-	-	-	-	-	(4,770)	(4,770)
<b>Balance, June 30, 2010</b>	<b>\$ 8,178,396</b>	<b>8,318,907</b>	<b>2,011,471</b>	<b>-</b>	<b>1,470,215</b>	<b>114,832</b>	<b>(160,451)</b>	<b>20,865</b>	<b>19,954,235</b>

<Note> : As for the six-month ended June 30, 2010 and 2009, provisions for employee bonuses and remuneration paid to directors and supervisors the employee bonuses, which are amounted to 5,000 thousands and 4,000 thousands, respectively, and the remuneration paid to directors and supervisors which are amounted to 0 thousands, are deducted from the Statements of Income.

The accompanying notes are an integral part of the financial statements.

(English Translation)  
**FUBON INSURANCE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH ENDED JUNE 30 , 2010 AND 2009**  
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the six-month ended June 30 , 2010</u>	<u>For the six-month ended June 30 , 2009</u>
<b>Cash flows from operating activities</b>		
<b>Net income (loss)</b>	\$ 1,470,215	(369,181)
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Bad debts expenses	27,212	2,793
Depreciation	78,413	78,327
Amortization	2,493	1,941
(Gain) loss on disposal of fixed assets	(283)	475
Amortization of premium on financial assets	60,578	20,319
Loss from equity investments under the equity method	29,773	16,870
Changes in unrealized foreign exchange	(83,167)	(29,484)
Changes in Financial assets/liabilities measured at fair value through profit or loss- current	101,154	(92,139)
Net changes from the insurance reserves	1,083,463	1,074,405
Gain form disposal of investment	(543,441)	(48,463)
Loss from financial assets impairments	-	1,102,312
Loss from non-financial assets impairments	8,575	-
<b>Net changes of operating assets:</b>		
Increase in premium receivable	(169,655)	(237,396)
Increase in notes receivable	(120,811)	(31,918)
Increase in prepaid reinsurance premiums	(164,050)	(408,971)
Increase in reinsurance premiums receivable	(62,913)	(18,043)
Decrease (increase) in other receivables	126,515	(5,247)
Decrease (increase) in prepayments	4,788	(162)
Decrease in claims recoverable from reinsurers	378,420	300,955
Decrease (increase) in reinsurance premiums receivable	163,749	(104,621)
(Increase) decrease in other overdue receivable	(87,933)	10,737
Increase in others current asset	(77,108)	(15,718)
Decrease in deferred income tax assets	49,183	44,274
<b>Net changes of operating liabilities:</b>		
Increase in claims payable	2,008	19,816
Decrease in other payable	(548,825)	(58,255)
Increase in accrued pension liabilities	10,019	8,112
Increase in reinsurance premiums payable	223,568	234,495
(Increase) decrease in commission payable	65,301	(35,979)
Decrease in advanced receipts	(84,745)	(75,571)
Increase (decrease) in other current liabilities	23,711	(19,088)
Increase in deferred income tax liabilities	-	52,733
<b>Net cash flows provided by operating activities</b>	<u>1,966,207</u>	<u>1,418,328</u>



(English Translation)  
**FUBON INSURANCE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH ENDED JUNE 30 , 2010 AND 2009**  
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the six-month ended June 30 , 2010</u>	<u>For the six-month ended June 30 , 2009</u>
<b>Cash flows from investment activities:</b>		
Purchase of available-for-sale financial assets	\$ (11,203,077)	(10,940,587)
Sale of available-for-sale financial assets	12,849,764	6,500,763
Purchase of investment bonds without active markets	(1,913,787)	(6,505)
Sale of investment bonds without active markets	1,994,417	2,201,608
Principle payment of investment bonds without active markets	100,000	500,000
Sale of financial assets carried at cost	1,140	30,000
Increase of prepaid long-term equity investments	(942,057)	-
Purchase of property and equipment	(21,611)	(33,965)
Sale of property and equipment	526	712
Decrease in guarantee deposits - out	25,721	11,857
Purchase of intangible assets	(3,484)	(2,958)
Purchase of investment in real estate	(4,967)	(16,617)
<b>Net cash provided by (used in) by investment activities</b>	<u>882,585</u>	<u>(1,755,692)</u>
<b>Cash flows from financing activities:</b>		
Increase in repurchase bonds & notes payable	-	1,586,381
Increase in guarantee deposits received	682	6,838
Decrease in reinsurance liability reserve received	-	(25,707)
Distribution of cash dividend	(2,732,973)	-
<b>Net cash (used in) provided by financing activities</b>	<u>(2,732,291)</u>	<u>1,567,512</u>
<b>Net increase in cash and cash equivalents</b>	116,501	1,230,148
<b>Cash and cash equivalents, beginning of year</b>	3,864,164	3,884,157
<b>Cash and cash equivalents, end of period</b>	<u>\$ 3,980,665</u>	<u>5,114,305</u>
<b>Supplementary disclosures of cash flow information:</b>		
Cash paid for interest during the period	<u>\$ 134</u>	<u>6,164</u>
Cash paid for interest (capitalized interests not included)	<u>\$ 134</u>	<u>6,164</u>
Cash paid for income tax during the period	<u>\$ 510,509</u>	<u>407,449</u>

The accompanying notes are an integral part of the financial statements.

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 AND 2009**  
**(Expressed in thousands of New Taiwan Dollars)**

**I. ORGANIZATION**

Fubon Insurance Co., Ltd. (the old Fubon) was founded in 1961 and primarily engaged in the business of property and casualty insurance. The enactment of the Financial Holding Company Act in Taiwan in 2001 provides an opportunity to create Fubon Group as the holding entity of the main financial services company that had been operating under the Fubon brand. Therefore, a new Fubon Insurance (the Company) was established on December 19, 2001. Substantially, all assets and liabilities as well as the related operations of the Old Fubon were transferred to the New Fubon, and the Old Fubon was renamed as Fubon Financial Holding Co., Ltd.

The Company's ultimate parent company was Fubon Financial Holding Co., Ltd. As of June 30, 2010 and 2009, the Company had 2,218 and 2,198 employees, respectively.

**II. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The 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 financial statements, the Chinese version shall prevail.

The Company's financial statements were prepared in conformity with the "Principles of Preparing Financial Reports for Non-Life Insurance Companies", the "Business Entity Accounting Act", the "Regulation on Business Entity Accounting Handling" and R.O.C. generally accepted accounting principles. The significant accounting principles are as follows:

1. Foreign Currency Translation

The Company recorded transactions in New Taiwan Dollar. The non-derivative foreign currency transactions of the Company are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for as equity adjustments.

2. Accounting Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

3. Principles of classifying assets and liabilities as current and non-current

Cash or cash equivalents that are not restricted in use, assets held for trading purposes, or assets held on short-term basis and are expected to be converted to cash within 12 months after the balance sheet date are classified as current assets; otherwise, they are classified as non-current assets.

Liabilities that must be fully liquidated within 12 months after the balance sheet date are classified as current liabilities; otherwise, they are classified as non-current liabilities.

4. Asset Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

5. Cash equivalents

Cash equivalents include all highly liquid investments with an insignificant rate of risk and with original maturities of three months or less from the date of acquisition.

6. Financial Assets

The Company's financial assets are classified into financial assets measured at fair value through profit and loss, available-for-sale financial assets, held-to-maturity financial assets, and financial assets measured at cost and debt instrument with no active market.

Financial instruments held by the Company are recorded on trading date, except for Foreign Exchange Forward Contracts and overseas financial assets, which are recorded on the settlement date. The financial instruments are initially recognized at fair value plus transaction costs, except for financial instruments held for trading purpose, which are initially recognized at fair value. Subsequent to their initial recognition, the financial instruments held by the Company are classified according to the purpose of holding as follows:

- (1) Financial assets measured at fair value through profit or loss: These included financial assets or liabilities held for trading and financial assets or liabilities designated at fair value at initial recognition. Financial assets which are measured at fair value are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Company, except for those designated as hedging instruments, are classified under this account.

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- (2) Available-for-sale financial assets: Financial assets are measured at fair value and unrealized gains and losses thereon are recognized as an adjustment item of stockholders' equity. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If the impairment loss in the following period is reduced, reversal of loss for equity investments is adjusted to stockholders' equity, and reversal of loss for debt instrument is credited to current income if the reduction of impairment loss resulted from a subsequent event.
- (3) Held-to-maturity financial assets: Financial assets are measured at amortized cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.
- (4) Financial assets measured at cost: Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary, and the impairment loss is irreversible.
- (5) Debt instrument with no active market: These are debt instruments with no active market quote and measured at amortized cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

In accordance with the second amendment of Republic of China Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement," financial assets classified as assets measured at fair value through profit or loss (other than derivative financial assets and those designated as assets measured at fair value through profit or loss by the entity upon initial recognition) upon initial recognition may be reclassified into other categories. Financial assets classified as available-for-sale that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category. The accounting treatments on the date of reclassification are summarized as follows:

- (1) Financial assets classified as assets measured at fair value through profit or loss upon initial recognition that would have met the definition of loans and receivables shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. Any previous gain or loss already recognized in profit or loss shall not be reversed.

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- (2) Financial assets classified as assets measured at fair value through profit or loss upon initial recognition which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- (3) Financial assets classified as available-for-sale that would have met the definition of loans and receivables shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

For any previous gain or loss on a financial asset that has been recognized directly in equity, if the financial asset has a fixed maturity, the gain or loss should be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains in equity.

7. Allowance for doubtful accounts

Allowance for doubtful accounts on notes receivable, premium receivable, receivable in arrears, policy loan and collateral loans is provided for based on the results of review of collection of the balances and the allowance provision rates prescribed by the relevant regulations and Tai Tsai Hsuei No.0930750731 issued by the Ministry of Finance. In compliance with the Value-Added and Non-Value-Added Business Tax Law, the provision for writing off overdue loans or setting aside allowance for bad debts based on 3% of sales is discontinued if because the percentage of overdue loans of the Company is lower than 1%.

8. Bonds purchased/sold under agreements to resell/ repurchase

These transactions are defined involving the sale or purchase of bonds coupled with an agreement to repurchase or resell the same or substantially identical bonds at a stated price. Any of these transaction is considered a financing transaction if the risk and reward are transferred to the seller.

Under the financing criterion, the transaction under resale agreement is recorded at purchase price and is listed as an asset on the balance sheet. On the resale date, the difference between the purchase price and the resale price is accounted for as interest income.

Under the financing criterion, the transaction under repurchase agreement is recorded at selling price and listed as a liability on the balance sheet. On repurchase date, the difference between the selling price and repurchase price is accounted for as interest expense.

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9. Investments under equity method

Investees in which the parent company and its holding companies, control more than 20% of the outstanding stock with voting power, or hold less than 20% of outstanding stock with voting power but has significant influence over the investees are accounted for under the equity method.

The excess is recognized as goodwill if the investment cost exceeds the net equity of the investee acquired.

Upon disposition, gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value. The remaining capital surplus arising from long-term equity investment is adjusted to profit and loss based on the percentage of sales.

The investment income between the company and affiliated company will be traded on realize investment gain or loss, which will be deferred in further. The investment income, which is generated by depreciate assets (fixed asset) will be amortized in every years; investment income, which generated by other assets will realized when it occurs.

When financial assets measured at fair value through profit and loss or financial assets carried at cost changes to investment under equity method, the book value of investments at the beginning of the year is recognized as its original value. The account will not be retroactive adjusted.

Majority-owned affiliates are accounted for under the equity method and combined into the consolidated financial statements. The consolidated financial statements are prepared quarterly.

Assets and liabilities of foreign subsidiary are translated by the spot rate at the balance sheet date, and stockholders' equity is translated by historical rate except for the beginning balance of retained earnings, which is translated by the prevailing rate then. Income statement accounts are translated by the weighted-average exchange rate of the period, with exchange difference reported as part of the cumulative translation adjustments to stockholders' equity.

10. Investments in real estate

Investments in real estate are stated at cost when acquired. At each balance sheet date, the Company evaluates the investments in real estate based on the lower of cost or market and recognizes impairment loss for an asset whose carrying value is higher than the market value.

Major additions, betterment and renewals are capitalized, while repairs and maintenance are expensed currently.

The cost of an investment in real estate and its corresponding revaluation surplus and accumulated depreciation are written off in the books upon retirement or disposal. The gain or loss resulting from disposal of an investment in real estate is classified as an operating gain or loss.

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11. Property and equipment

Property and equipment are carried at cost or cost plus appreciation, less accumulated depreciation. Improvements costs and major renovation costs of properties are capitalized, while repairs and maintenance costs are expensed immediately. Depreciation on depreciable assets, leasing assets and idle assets is calculated using straight-line method, over the estimated useful life. The useful adopted for leasehold improvements is the shorter of the lease period or economic useful life. When the economic useful lives have expired, property and equipment which are still in use are depreciated based on the residual value. The useful life of property and equipment are as follows:

Buildings	3-55 years
Transportation equipment	5-6 years
Computers and other equipments	3-8 years

Any gains/ (losses) on disposal of property and equipment are charged to non-operating revenue/ (expense).

12. Computer software costs

Computer software costs are amortized in three years by straight-line method.

13. Marketable securities of debt-credit

The Company carries on the debit and credit sides of the marketable securities through the stock exchange corporation. Fix the price and trade at competitive price borrow calculation formula, certificate of expenses, adopt day by day chasing pens, multiplied by the quantity of guarantee and multiplied by and made a deal rate again for the closing price of every day of marketable securities that is marked, to borrow certificate expenses total is by dealer in securities on return certificate receipts and payments after finishing.

14. Pension

The Company adopted the Statement of Financial Accounting Standards (SFAS) No. 18 "Accounting for Pension Costs" which requires actuarial valuation of pension assets or obligations and pension cost. The excess amount between accumulated benefit obligation and pension plan assets state as minimum liability, and then disclose the correlated benefit obligation.

Only because the pension plan of our company has not cooperated with the implementation of the Labor Pension Act on July 1, 2005, so the any plan has not been stipulated, handle in accordance with the original defined benefit plan.

In compliance with Section 25, Statement of Financial Accounting Standards (SFAS) NO23 "Interim Financial Reporting", the Company does not have to disclose the related pension information when preparing its interim financial statement.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

15. Insurance premium and expenses

Revenue from direct written premiums is recognized when the policy becomes effective and the policy related expenses are recognized as incurred.

Revenue from reinsurance premiums assumed and reinsurance commission expenses are recognized upon assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized when notified to make claim payments. At the end of each quarter, adjustments are made on reserves based on past experience.

16. Employee Bonuses and Directors' Remunerations

Employee bonuses and directors' remunerations are accounted for based on the Interpretation (96) 052 issued by the Accounting Research and Development Foundation ("ARDF"). The Company estimates the amount of employee bonuses and directors' remunerations according to the Interpretation and recognizes it as expenses. Differences between the amounts are approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

17. Income tax

The Company adopted the FASB Statement No. 22 "Accounting for Income Tax" which requires the intra-period tax allocations in addition to computing current period income tax payable/ (refund). Furthermore, it requires recognition of deferred income tax liabilities on future taxable temporary differences, and deferred income tax assets on future deductible temporary differences, prior year's loss carry-forwards and investment tax credits. The realization of deferred income tax assets is further assessed and a valuation allowance, if needed, is provided accordingly. Adjustment of prior year's income tax expense is recorded as current period income tax expense in the year of adjustment.

Deferred income tax assets and liabilities are classified as current or non-current in accordance with the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or non-current based on the length of the expected realizable or reversible period.

The parent company of the Company, Fubon Finance Holding Co., Ltd., was selected as the tax payer to declare a combined final business income tax and an additional 10% surtax on undistributed earnings in compliance with Article 49 of the Finance Holding Company Law.

The adjustment items of prior period tax are state as the tax expense adjustment item of this year.

The taxpayer to declare a combined final business income tax and an additional 10% surtax on undistributed earnings stated as current period expense after the date of the earning distribution decided by shareholder's meeting.



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18. Earnings per share

EPS is computed based on net income divided by the weighted-average number of common shares outstanding during the period. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses which were approved by the stockholders' meeting held before 2008, EPS is retroactively adjusted.

**III REASON AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES:**

None

**IV. DETAILS OF MAJOR ACCOUNTS**

1. Cash and cash equivalents

The details of this account were as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Cash on hand	\$ 80	130
Cash in bank	3,000,617	1,912,125
Marketable securities	1,008,572	2,894,765
Bonds purchased under agreements to resell	-	350,288
Less: Statutory deposits	(28,604)	(43,003)
Total	<u>\$ 3,980,665</u>	<u>5,114,305</u>

Marketable securities comprised of treasury, commercial paper and bankers' acceptance due in three months from investment date.

Certain time deposits were pledged as statutory deposits. Please refer to Note VI for further details.

2. Financial assets and liability-current

The details of this account were as follows:

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Financial assets measured at fair value through profit or loss:		
Interest rate swap	\$ -	2,157
FX forward contract	40,217	32,885
Total	<u>\$ 40,217</u>	<u>35,042</u>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Financial liability measured at fair value through profit or loss:		
FX forward contract	\$ 169,119	194,731
Cross currency swap contract	-	24,828
Total	<u>\$ 169,119</u>	<u>219,559</u>

(2) Available-for-sale financial assets-current :

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Stock of listed company	\$ 10,927,615	10,308,649
Beneficiary's Certificates	1,829,070	4,053,382
Government bonds	4,947,989	4,155,971
Corporate bonds	201,024	-
Foreign beneficiary certificate	2,003,921	1,613,353
	<u>19,909,619</u>	<u>20,131,355</u>
Less:Accumulated impairment	(20,781)	(20,781)
Total	<u>\$ 19,888,838</u>	<u>20,110,574</u>

(3) Investment in bonds without active markets - current

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Financial bonds	\$ -	300,000
Corporate bonds	-	500,000
Total	<u>\$ -</u>	<u>800,000</u>

The impairment loss is amounted to \$20,781 thousands by investing foreign beneficiary certificate as of June 30, 2010 and 2009.

Included in these financial assets was Fubon's discretionary investment trust fund intended for investment purposes. This fund was managed by Fubon Securities Investment Trust Co., Ltd. under Fubon Insurance's one-year Discretionary Investment Service Contract with Fubon Securities Investment Trust Co., Ltd. The Discretionary Contract was early terminated on November 30, 2009. For 2009, the contract was amounted to 3 billion and the fund activities were limited to investment in securities being traded on the Taiwan Stock Exchange and Taiwan OTC Exchange, securities being underwritten subject to approval by the SFC, government bonds, corporate bonds and other investments approved by the SFC. Idle funds were placed in bank deposits and others approved by the SFC. The investment manager was appointed and agreed by both parties and operated in accordance with Article 146-1 of the Insurance Law. The calculation of investment fund trustee's compensation, fees and expenses, the method and schedule of payment conform to the following:

(a) Calculation of compensation, fees and expenses:

Calculated daily based on the daily net asset value times the agreed fee ratio.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(b) Method of payment:

Remittance to Fubon Securities Investment Trust Co., Ltd. from Fubon Insurance's custodial institution.

(c) Schedule of payment:

Every fifth working day of the following month.

The agreed fee ratio were both ranged from 0.30% to 2.00% and adjusted by operating performance for January 1 to June 30, 2009. As of June 30, 2009, the details of the market values of these investments were as follows:

	<b>June 30, 2009</b>
Cash in Bank	\$ 69,348
Bonds purchased under agreements to resell	350,288
Stock of listed companies	787,552
	<b>\$ 1,207,188</b>

As of June 30, 2010, the details of the available for sale investments- current lent out through TWSE were as follows:

	<b>June 30,2010</b>	
<b>Marketable securities lent</b>	<b>Shares (thousands)</b>	<b>Period</b>
Mega Financial Holdings Co., Ltd.	24,300	2010.06.24~2010.12.24
Chunghwa Telecom Co., Ltd.	12,206	2010.04.20~2010.12.23

  

	<b>June 30,2009</b>	
<b>Marketable securities lent</b>	<b>Shares (thousands)</b>	<b>Period</b>
Formosa Taffeta Co., Ltd.	1,500	2009.05.21 ~ 2009.11.20
Taiwan Semicond Mnfgr., Ltd.	700	2009.05.05 ~ 2009.11.04
Chunghwa Telecom Co., Ltd.	12,800	2009.05.20 ~ 2009.12.02
Formosa Petrochemical Co., Ltd.	2,100	2009.04.06 ~ 2009.11.20

The lending interest calculated daily based on closing price times the agreed fee ratio.

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3. Notes and premiums receivables - net

(1) Notes receivable

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Notes receivable	\$ 764,457	753,332
Less: Allowance for bad and doubtful debts	(7,463)	(4,041)
Net	<b>\$ 756,994</b>	<b>749,291</b>

(2) Premiums receivable

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Premiums receivable	\$ 3,868,818	3,754,993
Less: Allowance for bad and doubtful debts	(20,175)	(17,041)
Net	<b>\$ 3,848,643</b>	<b>3,737,952</b>

4. Prepayments for reinsurance premium

Prepayments for reinsurance premium are the unearned premiums reserve for reinsurance premium. Prepayments for reinsurance premium are amounted to \$2,696,793 thousands and \$3,273,326 thousands as of June 30, 2010 and 2009, respectively.

5. Claims recoverable from reinsurers

Reinsurance recovery receivables consisted of receivables from reinsurance loss recovery from other reinsurance companies, and included recoverable cases that insurance loss are paid, are to be paid, are determined but unpaid, are un-determined and unpaid, and those incurred but not reported. Claims recoverable are amounted to \$5,178,988 thousands and \$4,579,001 thousands as of June 30, 2010 and 2009, respectively.

Compliance with the "Regulations Governing the Setting Aside of Unauthorized Reinsurance Reserves for Insurance Company" No.5, the unauthorized reinsurance reserves should be reported on the supervision statement, and also be represented in the notes of financial statements.

(1) For the six-month period ended June 30, 2010, the major unauthorized reinsurance companies that the Company had transactions with are as follows:

- (a) SUNBRIGHT INSURANCE PTE LTD.: Including engineering insurance, which is facultative insurance.
- (b) NORFOLK REINSURANCE COMPANY LTD.: Including commercial fire insurance, which is facultative insurance.
- (c) ECP VITA LTD.: Including commercial fire insurance, which is facultative insurance.

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- (d) COLOGNE REINSURANCE and 16 related companies: Including new insurance, which is facultative insurance.
  - (e) COVEA RISK: Including commercial fire insurance and new insurance, which is facultative insurance.
  - (f) LIBERTY MUTUAL GROUP: Including new insurance, which is facultative insurance.
  - (g) LOCKTON COMPANIES ( HONG KONG) LTD.: Including new insurance, which is facultative insurance.
  - (h) HOULDER INSURANCE BROKERS (FAR EAST) LTD.: Including new insurance, which is facultative insurance.
- (2) For the six-month period ended June 30, 2009, the Company had transactions with three unauthorized reinsurance companies, which are listed as follows:
- (a) SUNBRIGHT INSURANCE PTE LTD.: Including marine hull insurance and engineering insurance, which are both facultative insurance.
  - (b) NORFOLK REINSURANCE COMPANY LTD.: Including commercial fire insurance, which is facultative insurance.
  - (c) ECP VITA LTD.: Including commercial fire insurance, which is facultative insurance.
- (3) For the six-month period ended June 30, 2010 and 2009, the expense for reinsurance, which was dealt with unauthorized reinsurance company, was amounted to \$348,544 thousands and \$4,795 thousands, respectively.
- (4) For the six-month period ended June 30, 2010 and 2009, the unauthorized reinsurance reserves amounted to \$472,059 thousands and \$24,508 thousands, respectively. The components of this account includes: (a) unearned premium reserve amounted to \$142,531 thousands and \$10,420 thousands, respectively. (b) claims recoverable from reinsurers of paid claims overdue in nine month amounted to \$105,938 thousands and \$5,160 thousands, respectively. (c) claims recoverable from reinsurers of reported but unpaid claims amounted to \$223,590 thousands and \$8,928 thousands, respectively.

6. Due from reinsurers and ceding companies

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Due from other insurance companies	\$ 502,089	615,662
Less: Allowance for bad and doubtful debts	(29,857)	(45,586)
Net	<b>\$ 472,232</b>	<b>570,076</b>

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7. Other accounts receivable (payable)

(1) Other receivable

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Related parties (Note V)	\$ 97,181	156,698
Non-Related parties	62,964	47,323
	<u>\$ 160,145</u>	<u>204,021</u>

(2) Other payable

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Related parties (Note V)	\$ 315,725	898,575
Non-Related parties	1,476,425	976,686
	<u>\$ 1,792,150</u>	<u>1,875,261</u>

8. Financial assets – non current

(1) Available-for-sale financial assets - non current:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Domestic bonds	\$ 2,193,941	2,425,112
Foreign bonds	4,862,557	4,278,245
Sub-total	7,056,498	6,703,357
Less : Statutory deposits	(1,270,433)	(1,333,173)
	<u>\$ 5,786,065</u>	<u>5,370,184</u>

Certain Government bonds were pledged as statutory deposits. Please refer to Note VI for further details.

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(2) Financial assets measured at cost:

<u>Investee</u>	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
WK Technology Fund	\$ 59,800	3.07%	59,800	3.07%
Taiwan Aerospace Corp.	17,000	1.25%	17,000	1.25%
Teng Feng Venture Capital Investment Corp.	25,170	4.67%	25,170	4.67%
Kuo Chiao Venture Capital Investment Corp.	34,838	10.00%	34,838	10.00%
Hsin Yu Energy Development Co., Ltd.	-	0.98%	-	0.98%
Yi Hua Venture Capital Investment Corp.	-	- %	310	- %
Taiwan High Speed Rail Co., Ltd.	1,604,615	1.56%	1,604,615	1.56%
Pan-Pacific Venture Capital Co., Ltd.	5,732	5.12%	8,291	5.12%
Arco Communication Co., Ltd.	9,480	0.25%	9,480	0.25%
Vision Venture Co., Ltd.	20,000	2.16%	20,000	2.16%
Fu Yu Venture Capital Investment Co., Ltd.	19,125	2.22%	25,500	2.22%
Taiwan Hi-tech Co., Ltd.	2,455	0.78%	2,455	0.78%
Wua Wei Venture Capital Co., Ltd.	6,000	1.00%	10,000	1.00%
Phalanx Biotech Corp.	4,585	1.41%	16,257	1.98%
Hui Yang Private Equity Fund Co., Ltd.	20,000	1.03%	20,000	1.03%
Toppoly Optoelectronics Corp.	-	- %	30,000	0.07%
Hsin Yung Enterprise Co., Ltd.	102,600	3.10%	102,600	3.10%
Hsinchu Golf Country Club Co., Ltd	60	0.35%	-	- %
Total	1,931,460		1,986,316	
Less : Accumulated impairment	(1,087,089)		(1,096,267)	
	<u>\$ 844,371</u>		<u>890,049</u>	

The above investments of the company are in accordance with “Regulations Governing Use of Insurance Companies' Funds for Special Projects and Public Investments” and approved by Ministry of finance.

The board of directors of Phalanx Biotech Corp. reverse stock split to offset losses during the six-month period ended on June 30, 2010. The reduced capital made up 71.8% of total equity and the company recognized investment losses amounted to 11,672 thousands.

Yi Hua Venture Capital Investment Corp. had been liquidated on October 1, 2007, and the entire related investment cost was receipted during the six-month period ended on June 30, 2010.

Toppoly Optoelectronics Corp. obtained approval from board of directors to merge with Innolux Display Corp. and Chi Mei Optoelectronics Corp. The eliminated companies of the merger were Toppoly Optoelectronics Corp. and Chi Mei Optoelectronics Corp. The existing company was Innolux Display Corp. (renamed as Chimei Innolux Corporation) and the record date for merger was March 18, 2010. The Company had completed the stocks conversion on March 18, 2010 and the investments had been reclassified as available-for-sale financial assets.

The shares of Toppoly Optoelectronics Corp. owned by the Company had been measured as the market value of March 18, 2010. The difference between the book value and the

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market value had been recognized as incomes for the current period.

Commencing from the first half year of 2009, the parent company of the Company and its holding companies control more than 20% of the outstanding stock of China Technology Venture Capital Co., Ltd. Accordingly, the account was adjusted from financial assets carried at cost to long term equity investment - equity method.

The Company estimated the net cash flows from operating activities of the investee, Taiwan High Speed Rail Co., Ltd. (THSRC), according to the evaluated report by the THSRC and its financial consultant. Considered the present value of the financial costs and repayment, the Company recognized the related investment loss \$1,070,679 thousands.

As of June 30, 2010 and 2009, the provision for impairment loss was amounted to \$1,087,089 thousands and \$1,096,267 thousands, respectively.

(3) Investment in bonds without active markets - non current

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Corporate bonds	\$ 200,000	400,000
Finacial bonds	730,000	1,030,000
Bonds securitization	394,154	483,457
Real estate securitization	34,333	34,333
Preferred stock recallable	500,010	500,010
Oversea bonds	6,221,816	5,454,201
Sub-total	8,080,313	7,902,001
Less: Accumulated impairment	(941,231)	(819,548)
Net	<u>\$ 7,139,082</u>	<u>7,082,453</u>

The Company recognized impairment loss by \$941,231 and \$819,548 thousands for default of Bonds securitization and Oversea bonds as of June 30, 2010 and 2009.

9. Long term equity investment - equity method

<u>Investee</u>	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fubon Venture Capital Co., Ltd.	\$ 15,353	20.00%	15,353	20.00%
Sino Star Venture Capital Co., Ltd.	22,084	20.83%	22,084	20.83%
Fubon Brokerage (Thailand) Co., Ltd.	817	25.00%	409	25.00%
Fubon Insurance (Vietnam) Co., Ltd.	581,941	100.00%	615,675	100.00%
China Technology Venture Capital Co., Ltd.	8,417	3.73%	9,351	3.73%
Prepaid Investments	942,057	50.00%	-	-%
Sub - total	<u>\$ 1,570,669</u>		<u>662,872</u>	

On November 24, 2006, Sino Star Venture Capital Co., Ltd obtained approval from the Board of Directors to dissolve in December 31, 2006. The refund amount due to the liquidation is based on the holding share. In accordance with Ki-Mi (88) No.233 issued by the Accounting Research and Development Foundation, the Company adjusted the account to the refundable amount. As



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of June 30, 2010 and 2009, the Company has received \$57,501 thousands, and the remaining amount was \$22,084 thousands.

On July 4, 2007, Fubon Venture Capital Co., Ltd. obtained approval from the Board of Directors to dissolve and liquidate its business on July 31, 2007. The refund amount due to the liquidation is based on the holding share. In accordance with Ki-Mi(88) No.233 issued by the Accounting Research and Development Foundation, the Company adjusted the account to the refundable amount. As of June 30, 2010 and 2009, the remaining amount was \$15,353 thousands and will be received after the liquidation.

The Company established Fubon Insurance (Vietnam) Co. Ltd., on July 1, 2008, and the registered capital was VND 300,000,000 thousands (USD 19,000 thousands).

Commencing from the first half year of 2009, the Company's parent company and its holding companies control more than 20% of the outstanding stock of China Technology Venture Capital Co., Ltd. Accordingly, the account was adjusted from financial assets carried at cost to long term equity investment - equity method. In accordance with Financial Accounting Standing No. 5, the investment is measured by its book value at the beginning of the year when adopting the long term equity investment - equity method. The difference between the investment cost exceeds the net equity of the investee acquired, which amounted to \$3,250 thousands, is recognized as goodwill. The Company also accrued an impairment loss amounted to \$3,250 thousands. In July 2009, the investee approved to decrease its capital and refunded the amount \$1,875 to the Company. Accordingly, the Company adjusted the account to the refundable amount.

The Company prepaid 942,057 thousands to establish Fubon Property and Casualty Insurance Co., Ltd, and the related procedures haven't been completed until the reporting date.

The list of gain (loss) on investments under equity method was as follows:

	<b>For the six-month period ended June 30, 2010</b>	<b>For the six-month period ended June 30, 2009</b>
<b>Financial statement audited by CPA</b>		
Fubon Insurance (Vietnam)Co., Ltd.	\$ (29,599)	(16,820)
<b>Financial statement unaudited by CPA</b>		
Fubon Brokerage (Thailand) Co., Ltd.	266	-
China Technology Venture Capital Co., Ltd.	(440)	(50)
Sub - total	<b>\$ (29,773)</b>	<b>(16,870)</b>

The majority-owned subsidiary, Fubon Insurance (Vietnam) Co., Ltd. was combined into the consolidated financial statement.

The cumulative translation adjustments of equity methods according to audited or unaudited financial statements except for liquated companies were amounted to 4,439 and 636 thousands respectively for the six-month period ended June 30, 2010 and 2009.

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10. Real estate investment

The details of this account were as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<b>Cost</b>		
Land	\$ 3,388,122	3,349,087
Reserve for land revaluation increment	18,331	18,331
Buildings	<u>3,533,051</u>	<u>3,459,520</u>
Sub-total	<u>6,939,504</u>	<u>6,826,938</u>
<b>Accumulated depreciation</b>		
Buildings	996,045	918,923
Sub-total	<u>996,045</u>	<u>918,923</u>
Less: Accumulated asset impairment	<u>219,790</u>	<u>193,561</u>
<b>Net</b>	<u><u>\$ 5,723,669</u></u>	<u><u>5,714,454</u></u>

The Company recognized accumulated impairment loss by \$219,790 thousands and \$193,561 thousands as of June 30, 2010 and 2009, respectively. The impairment loss was caused by the decrease of market value in some real estate investment, and the return amount was less than the book value.

As of June 30, 2010, total rental incomes according to the rental contract for the coming five years were as follows:

<u>Years</u>	<u>Amounts(thousands)</u>
2010.07.01~2011.06.30	\$ 336,000
2011.07.01~2012.06.30	336,000
2012.07.01~2013.06.30	336,000
2013.07.01~2014.06.30	336,000
2014.07.01~2015.06.30	<u>336,000</u>
Total	<u><u>\$ 1,680,000</u></u>

11. Property and equipment

As of June 30, 2010 and 2009, none of the real estate investment, property and equipment assets were pledged to or secured by any third party.

12. Overdue receivables

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Overdue receivables	\$ 142,330	78,786
Less: Allowance for bad and doubtful debts	<u>(40,861)</u>	<u>(15,029)</u>
Net	<u><u>\$ 101,469</u></u>	<u><u>63,757</u></u>

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13. Pension

(1) The details of pension expense were as follows:

	<b>For the six-month period ended June 30, 2010</b>	<b>For the six-month period ended June 30, 2009</b>
Provisions for defined benefit plan	\$ 30,085	31,555
Provisions for defined contribution plan	22,078	19,545
	<b>\$ 52,163</b>	<b>51,100</b>

(2) As of June 30, 2010 and 2009, the plan assets are amounted to \$732,216 thousands and \$766,692 thousands, respectively.

14. Bonds sold under agreements to repurchase

In accordance with Tai Tsai Pao No.8322766 issued by the Ministry of Finance dated January 24, 1995, the government bonds held by the Company to deploy capital under agreements to repurchase through securities dealer.

The details of this account were as follows:

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Bonds sold under agreements to repurchase	\$ -	3,758,310
Maturity dates	-	2009.07.01~2009.08.04
Annual interest rates	-	0.11%~0.12%

15. Reserve for operations and liabilities

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Reserve for unearned premiums	\$ 13,080,346	13,203,793
Other liability reserve	607,587	687,439
Special reserve	11,887,653	11,065,432
Claims reserve	11,172,957	9,974,253
Premium deficiency reserve	7,576	89,689
Total	<b>\$ 36,756,119</b>	<b>35,020,606</b>

Reserves for operations included the following reserves:

(1) Reserve for unearned premiums

The Company provides the reserve for unearned premiums provision according to the

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Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.09802513192 on December 28, 2009. To the effective contract without expiration or the accepting risk which is not terminative, the Company be calculated for the unearned premium in accordance with the detention danger which is not expired in different types of insurance, and provides the reserve for unearned premium on the basis of insurance category. The mentioned reserve was decided by actuaries in the insurance industry according to the characteristics in different types of insurance, and should be noted in the calculation instructions of insurance commodities, and is not allowed to change it without the permission from the Authority.

Compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance should be provided the reserve for unearned premiums based on the regulations as follows:

- (a) The unearned premiums reserve for compulsory private passenger auto liability, compulsory commercial auto liability and compulsory motorcycle liability were provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance.
  - (b) The unearned premiums reserve for nuclear insurance was provided based on the Regulations for the Reserve of Nuclear Insurance.
  - (c) Resident earthquake insurance was based on the Regulations for danger diversified mechanism for Resident earthquake insurance.
- (2) Special reserve

The Company provides provision for special reserve for each type of policies according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan (FSC), Jin Guan Bao Tsai No.09802513192 on December 28, 2009. Related provision and release of special reserve are defined as follows:

- (a) Special catastrophe reserve: To set aside to cover payout of major losses for future catastrophic events
  - (i) Deposit: Each insurance policy should deposit based on the rate of the special reserve.
  - (ii) Deduct: If the actual claims is over thirty million, the over amount need to be deducted from the special reserve and report to FSC. For the year ended December 31, 2009, due to the damage of the Typhoon Morakot, the deduction of the special catastrophe reserve was \$358,994 thousands. The deduction has been approved by the Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.09902500240.
  - (iii) Get back: If the deposit of special reserve has been over 15 years, the deposit should be assessed by appointed actuaries and approved by the Authority. If there is any change, it should adopt the same procedures as fore mentioned.

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- (b) Dangerous change of special claim reserve: To deal with different or extraordinary change of recompense of each insurance policy.
- (i) Deposit: If the actual claims and claims adjustment expenses for a particular type of insurance are less than the expected amounts determined by FSC, an additional special reserve equal to 15% of the amount of the difference is provided.
- (ii) Deduct: The actual claims need to be deducted from the special reserve first. If excess that amount, then deducted from the special reserve of this insurance. If it is still not enough, then deduct from the special reserve of other insurance. The type and amount of deduction should report to FSC.
- (iii) Get back: The total amount of special claim reserve for a particular type of insurance at the end of year may not exceed its net earned premiums for such year; if the amount excess 60% must be released from its reserves and treated as income of the Company. The total amount of special claim reserve for accident insurance and health insurance which period is under 1 year at the end of year may not exceed its net earned premiums for such year; if the amount excess 30% must be released from its reserves and treated as income of the Company. Based on the need of conserved development industry, FSC can assign or limit usage.
- (c) The special reserve for compulsory private passenger auto liability, compulsory commercial auto liability and compulsory motorcycle liability were provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance.
- (d) The special reserve for nuclear insurance was provided based on the Regulations for the Reserve of Nuclear Insurance.
- (e) Resident earthquake insurance was based on the Regulations for danger diversified mechanism for resident earthquake insurance.
- (3) Claims reserve:

The Company provides claims reserve according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises amended by Financial Supervisory Commission, Executive Yuan, Jin Guan Bao Tsai No.09802513192 on December 28, 2009. Non life insurance companies should calculate the claims reserve divided into reported but unpaid claims and IBNR based on the past claim experience and payments, using the actuary methodology. Regarding to the claims reserve for reported but not paid, it should be estimated based on actual situation by each case. The claim reserve has been provided, return at final accounting in next year, and then provide it according to actual final accounting data in that very year.

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

The Company reported its methodology for providing claims reserve on December 12, 2006 and obtained the approval issued by Financial Supervisory Commission, Executive

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Yuan, Jin Guan Bao Yi No.09502155540. The methodology is as follows:

- (a) Provision for reported but unpaid claims reserve is estimated based on historical information and circumstances surrounding each claim for each type of insurance.
- (b) Provision for IBNR reserve is determined based on the actual loss ratio incurred and the actuary method of loss development for each type of insurance.

Compulsory automobile liability insurance, nuclear insurance and resident earthquake insurance should be provided the claims reserve based on the regulations as follows:

- (a) The claims reserve for compulsory private passenger auto liability, compulsory commercial auto liability and compulsory motorcycle liability were provided based on the Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance.
  - (b) The claims reserve for nuclear insurance was provided based on the Regulations for the Reserve of Nuclear Insurance.
  - (c) Resident earthquake insurance was based on the Regulations for danger diversified mechanism for Resident earthquake insurance.
- (4) Other liability reserve

The formula of other liability reserve's calculation is including present value rate.

- (5) Premium deficiency reserve

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

16. Stockholders' equity

As of June 30, 2010 and 2009, the Company had authorized capital of \$20,000,000 thousands and issued capital of \$8,178,396 thousands, NT \$10 per share, 2,000,000 thousand shares.

17. Capital surplus

As of June 30, 2010 and 2009, the details of this account were as follows:

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	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Additional paid-in capital	<u>\$ 8,318,907</u>	<u>8,318,907</u>

Under the Company's Articles of Incorporation, capital surplus should be offset a deficit when legal reserve is not sufficient to offset losses, and then be capitalized. According to the Enforcement Rules for the Securities Exchange Act, the amount of additional paid-in capital to be used to increase capital shall not exceed 10% of total paid-in capital.

18. Retained earnings

(1) Legal reserve

The Company's Articles of Incorporation requires that 20% of the annual income after tax less losses of prior years shall be appropriated as legal reserve. The legal reserve is provided until the accumulated reserve balance equals the total issued capital stock. The legal reserve may be used to cover accumulated losses. If the balance of the reserve exceeds 50% of issued capital, half of such legal reserve balance may be capitalized.

(2) Special reserve

Under the Company's Articles of Incorporation, a special reserve equal to current year shareholders' equity contra account, (i.e. unrealized gain/loss on financial instrument), is provided from current years net income and prior years' unappropriated retained earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

(3) Undistributed retained earnings appropriated

Under the Company's Articles of Incorporation, the Company's net income after deduction of income tax and cumulative prior years' losses (if any), should be set aside as legal reserve before payment of interest of 6% on capital. The remaining balance, after distributing 0.1% ~ 5% as employees' bonus, may be distributed as dividend according to the resolution of the shareholders' meet.

For the six-month period ended June 30, 2010 and 2009, the Company estimated employee bonuses to be \$5,000 and \$4,000 thousands respectively. This estimate was calculated based on the estimated June 30, 2010 and 2009 income before tax, and the past experiences. Differences between the amount approved at the shareholders' meeting and recognized in the financial statement are accounted for as changes in accounting estimates and recognized as current year profit or loss. The estimated employee bonuses represent 204 and 173 thousands shares, which was calculated based on the net assets of June 30, 2010 and 2009, when calculate diluted earnings per share.

The resolution of the shareholders' meeting held on May 27, 2010 and May 26, 2009 and decided the distribution of retained earnings for the year ended December 31, 2009 and 2008. The details of employee bonuses and remuneration paid to directors and supervisors were as follows:

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**For the year ended December 31, 2009**

	<b>Actual amount of retained earnings distributed</b>	<b>Amount recognized in the financial report</b>	<b>Difference</b>
Employee bonuses	\$ -	8,000	8,000

**For the year ended December 31, 2008**

	<b>Actually amount of retained earnings distributed</b>	<b>Amount recognized in the financial report</b>	<b>Difference</b>
Employee bonuses	\$ -	8,000	8,000

The differences between the amount recognized in the financial report and the actual amount of employee bonuses and remuneration paid to directors and supervisors for the year ended December 31, 2009 and 2008 are considered as accounting estimates, which is recognized as the current year profit or loss for the year ended December 31, 2010 and 2009.

19. Income tax

- (1) The components of income tax expense were as follows:

	<b>For the six-month period ended June 30 , 2010</b>	<b>For the six-month period ended June 30 , 2009</b>
Current income tax expense	\$ 280,816	695,755
Deferred income tax expense (benefit)	49,184	64,184
Income tax expense	<b>\$ 330,000</b>	<b>759,939</b>

- (2) According to amendment of Income Tax Law which announced on May 27, 2009 originally, the Company's income tax rate will be changed from 20% to 25% effective from January 1, 2010. According to the released amendment of Income Tax Law which announced on June 15, 2010, the Company's income tax rate will be changed to 17% effective from January 1, 2010. The applicable income tax rates of the Company for 2010 and 2009 are 17% and 25% respectively and the company calculates income basic taxes according to "Income Basic Tax Act.

For the six-month period ended June 30, 2010 and 2009, the differences between the income tax expense calculated based on net income before tax and income tax provision were shown as follows:



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	<b>For the six-month period ended June 30 , 2010</b>	<b>For the six-month period ended June 30 , 2009</b>
Income tax expense before adjustments	\$ 306,037	97,679
Tax effect of tax exempt securities transaction gains	(82,640)	(9,738)
Tax effect of investment gains accounted under the equity method	75	12
Domestic impairment on investments	-	274,067
Fluctuating income tax rate	37,502	51,324
Adjustments of income taxed separately	-	(11,019)
Non taxable cash dividend	(10,274)	(3,241)
Prior year's estimated tax difference	29,819	360,855
Others	49,481	-
Income tax expense	<b>\$ 330,000</b>	<b>759,939</b>

(3) The components of deferred income tax expense (benefit) were as follows:

	<b>For the six-motnh period ended June 30 , 2010</b>	<b>For the six-motnh period ended June 30 , 2009</b>
Allowance for bad debts	\$ -	(6,757)
Unrealized exchange gain (loss)	35,763	4,466
Unrealized financial assets gain (loss)	(17,196)	23,035
Pension cost	(440)	(2,168)
Fluctuating income tax rate	37,502	51,324
Loss on impairment	(1,458)	(1,511)
Loss on foreign investment in equity method	(4,987)	(4,205)
Income tax expense	<b>\$ 49,184</b>	<b>64,184</b>

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(4) The components of deferred income tax assets and liabilities and their income tax effect were shown as follows:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Amount</u>	<u>Income tax effect</u>	<u>Amount</u>	<u>Income tax effect</u>
<b>Deferred income tax assets (liabilities) - current</b>				
Allowance for bad debts	\$ 56,476	9,601	56,476	11,295
(Gain) loss on valuation of financial instrument	(161,401)	(27,438)	184,517	36,903
Loss on valuation of available-for-sale financial assets	169,293	28,780	384,023	76,805
Unrealized exchange loss (gain)	121,265	20,615	(198,907)	(39,781)
		<u><b>31,558</b></u>		<u><b>85,222</b></u>
<b>Deferred income tax assets (liabilities) - noncurrent</b>				
Pension reserve not withdraw	\$ (51,160)	(8,697)	(64,501)	(12,900)
(Gain) loss on valuation of available-for-sale financial assets	(305,656)	(51,962)	352,268	70,454
Loss on impairment	1,185,803	201,587	1,041,140	208,228
Loss from equity investments under the equity method	30,353	5,160	7,761	1,552
Change in cumulative translation adjustments	(92,124)	(15,661)	(47,258)	(9,452)
		<u><b>130,427</b></u>		<u><b>257,882</b></u>

(5) The components of accrued tax payables were as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Income tax expense	\$ 280,816	695,755
Income taxed Separately	-	(3,678)
Adjustments of fluctuating income tax rate	-	-
Provisional income tax and withholding tax	(15,410)	(9,845)
Prior year's estimated tax difference	-	(9,977)
Income tax payables	<u><b>\$ 265,406</b></u>	<u><b>672,255</b></u>

(6) For the six-month period ended June 30, 2010 and 2009, the current income expense, deferred income tax expense (benefit), deferred income tax assets (liabilities), and income tax payable (receivable) calculated in conformity with R.O.C. SFAS No.22, "Accounting for Income Tax", were reconciled with the related balances calculated for combined corporate income tax return filing with Fubon Financial Holding Company as follows:

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	<b>For the six-month period ended June 30, 2010</b>			
	<b>Current income tax expense</b>	<b>Deferred income tax expense (benefit)</b>	<b>Deferred income tax assets (liabilities) - net</b>	<b>Income tax payable (due to affiliated parties)</b>
Amounts calculated under SFAS No.22	\$ 280,816	49,184	161,985	265,406
Adjustments difference	-	-	-	-
Amounts calculated for combined corporate income tax return filing	<b>\$ 280,816</b>	<b>49,184</b>	<b>161,985</b>	<b>265,406</b>

	<b>For the six-month period ended June 30, 2009</b>			
	<b>Current income tax expense</b>	<b>Deferred income tax expense (benefit)</b>	<b>Deferred income tax assets (liabilities) - net</b>	<b>Income tax payable (due to affiliated parties)</b>
Amounts calculated under SFAS No.22	\$ 695,755	64,184	(343,104)	672,255
Adjustments difference	-	-	-	-
Amounts calculated for combined corporate income tax return filing	<b>\$ 695,755</b>	<b>64,184</b>	<b>(343,104)</b>	<b>672,255</b>

The Company has been combined into Fubon Financial Holding Co., Ltd. in filing income tax returns. The balance of income tax payable reclassified as payable to affiliated parties (recorded under other payable) as of June 30, 2010 and 2009.

- (7) The R.O.C. Tax Authorities have assessed the Company's income tax returns through 2004. The Company's income tax return has been consolidated to Fubon Financial Holding Company since 2002. The R.O.C. tax authorities have assessed the parent company's income tax return through 2002, 2003 and 2004, increased the interest income from amortization of discount or premium on bonds and decreased the tax deduction from the withholding tax for bonds interest which was held by the owner prior to Fubon Insurance. The parent company of the Company disagreed with this assessment. Therefore, it applied for administrative remedy.
- (8) For the period from 2001 to 2007, tax authorities inspected the commission paid to insurance agents and insurance brokers, which did not comply with the Income Tax Law. Therefore, the Company has accrued potential income tax expenses.

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(9) Imputed tax information:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Undistributed earnings		
Before 1997	\$ -	-
After 1998	1,470,215	(369,181)
Total	<u>\$ 1,470,215</u>	<u>(369,181)</u>
account	<u>\$ 70</u>	<u>465</u>
	<u>For the year ended</u> <u>December 31, 2010</u>	<u>For the year ended</u> <u>December 31, 2009</u>
Percentage of tax credit	<u>1.20%(Estimated)</u>	<u>8.55%(Actual)</u>

20. Earnings per share

The Company's capital structure was Complex for the six-month period ended June 30, 2010 and 2009, and the calculation of earnings per share was shown as follows:

	<u>For the six-month period</u> <u>ended June 30, 2010</u>		<u>For the six-month period</u> <u>ended June 30, 2009</u>	
	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Net income(loss)	<u>\$ 1,800,215</u>	<u>1,470,215</u>	<u>390,758</u>	<u>(369,181)</u>
Weighted-average number of shares outstanding (in thousands)	817,840	817,840	817,840	817,840
Dilutive potential common shares (in thousands)	204	204	173	173
Weighted- average number of shares outstanding for diluted EPS	<u>818,044</u>	<u>818,044</u>	<u>818,013</u>	<u>818,013</u>
Basic earnings per share (in New Taiwan dollars)	<u>\$ 2.20</u>	<u>1.80</u>	<u>0.48</u>	<u>(0.45)</u>
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 2.20</u>	<u>1.80</u>	<u>0.48</u>	<u>(0.45)</u>

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21. Information on Financial Assets and Liabilities

(1) The fair value of the financial instruments of the Company based on quoted market price in active market or determined by using certain valuation techniques were as follows:

	<b>June 30, 2010</b>		
	<b>Book value</b>	<b>Fair value</b>	
		<b>Quoted prices in active market</b>	<b>Value by using valuation techniques</b>
<b><u>Non-Derivatives Financial Instruments</u></b>			
Financial assets:			
Cash and cash equivalents	\$ 3,980,665	-	3,980,665
Available-for-sale financial assets - current	19,888,838	19,888,838	-
Note receivables - net	756,994	-	756,994
Premium receivable - net	3,848,643	-	3,848,643
Claims recoverable from reinsurers	5,178,988	-	5,178,988
Due from reinsurers and ceding companies	472,232	-	472,232
Reinsurance receivable	431,451	-	431,451
Interest Receivable	251,747	-	251,747
Other receivables	160,145	-	160,145
Available-for-sale financial assets - non current	5,786,065	5,786,065	-
Financial assets measured at cost - non current	844,371	-	844,371
Investment in bonds without active markets - non current	7,139,082	-	11,032,530(Note 1)
Guarantee deposits - out	1,414,360	-	1,414,360
Other overdue receivables	101,469	-	101,469
Financial liabilities:			
Commission payable	455,145	-	455,145
Claims payable	143,286	-	143,286
Due to reinsurers and ceding companies	635,800	-	635,800
Reinsurance premiums payable	1,380,985	-	1,380,985
Other payable	1,792,150	-	1,792,150
Guarantee deposit received	62,733	-	62,733
Reinsurance liability reserve received	23,146	-	23,146
<b><u>Derivatives Financial Instruments</u></b>			
Financial assets:			
Financial assets measured at fair value through profit or loss	40,217	-	40,217
Financial liabilities:			
Financial liabilities measured at fair value through profit or loss	169,119	-	169,119

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

	<b>June 30, 2009</b>		
	<b>Book value</b>	<b>Fair value</b>	
		<b>Quoted prices in active market</b>	<b>Value by using valuation techniques</b>
<b>Non-Derivatives Financial Instruments</b>			
<b>Financial assets:</b>			
Cash and cash equivalents	\$ 5,114,305	-	5,114,305
Available-for-sale financial assets - current	20,110,574	20,110,574	-
Investments in bonds without active markets - current	800,000	-	79,9961(Note 1)
Note receivables - net	749,291	-	749,291
Premium receivable - net	3,737,952	-	3,737,952
Claims recoverable from reinsurers	4,579,001	-	4,579,001
Due from reinsurers and ceding companies	570,076	-	570,076
Reinsurance receivable	392,814	-	392,814
Interest Receivable	234,324	-	234,324
Other receivables	204,021	-	204,021
Available-for-sale financial assets - non current	5,370,184	5,370,184	-
Financial assets measured at cost - non current	890,049	-	890,049
Investment in bonds without active markets - non current	7,082,453	-	6,780,107(Note 1)
Guarantee deposits - out	1,474,639	-	1,474,639
Other overdue receivables	63,757	-	63,757
<b>Financial liabilities:</b>			
Repurchase bonds payable	3,758,310	-	3,758,310
Commission payable	426,254	-	426,254
Claims payable	141,253	-	141,253
Due to reinsurers and ceding companies	666,553	-	666,553
Reinsurance premiums payable	1,305,443	-	1,305,443
Other payable	1,875,261	-	1,875,261
Guarantee deposit received	60,228	-	60,228
Reinsurance liability reserve received	23,146	-	23,146
<b>Derivatives Financial Instruments</b>			
<b>Financial assets:</b>			
Financial assets measured at fair value through profit or loss	35,042	-	35,042
<b>Financial liabilities:</b>			
Financial liabilities measured at fair value through profit or loss	219,559	-	219,559

Note1: The fair value presented at quoted prices in OTC, quoted prices by counterparties, or presented at cost, if no related market price.

- (a) As of June 30, 2010 and 2009, gain and loss arising from evaluation of financial instruments by using valuation techniques amounted to \$101,153 thousands (loss) and \$92,139 thousands (gain), respectively.
- (b) As of June 30, 2010 and 2009, the fair value of the financial assets which were exposed to fair value risk rising from interest rate fluctuation is \$18,822,528 thousands and \$17,478,924 thousands.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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

- (a) The fair value of short-term financial instruments is determined by their face value on the balance sheet. Because these instruments will mature on short notice, the face value is used as a reasonable basis for establishing the fair value. This method is applied to cash, receivables, debts, call loans and deposits from bank, etc.
- (b) Market quotes of Financial Assets are used as their fair values if available; otherwise financial or other information will be used to establish their fair values.
- (c) Financial assets carried at cost-non current is investments in stock of unlisted company without active market, measured at cost.
- (d) Fair value of financial derivatives is established by the amount of cash to be paid or to be received, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gains or losses on outstanding contracts of the current period. There are reference reports from financial institutions for most of the financial derivatives of the Company.

(3) Information of derivatives Financial Instruments

(a) As of June 30, 2010 and 2009, the nominal principal detail of derivatives Financial Instruments was as follows:

		<u>June 30, 2010</u>	<u>June 30, 2009</u>
Foreign exchange forward contracts	Selling USD	\$ 400,007	315,000
Foreign exchange forward contracts	Selling SGD	-	4,347
Foreign exchange forward contracts	Selling NTD	-	308,645
Foreign exchange forward contracts	Selling NZD	4,300	-
Foreign exchange forward contracts	Selling AUD	23,141	-
Foreign exchange forward contracts	Selling EUR	4,139	-
Foreign exchange forward contracts	Selling JPY	453,957	-
Foreign exchange forward contracts	Selling KRW	25,483,500	-
Cross currency swaps contracts	USD	-	25,000
Interest rate swaps contracts	NTD	-	200,000

(b) Forward contracts and cross currency swaps are contracted primarily to hedge against exchange risk from foreign-denominated investments and interest risk from bond investments.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(c) For the six-month period ended June 30, 2010 and 2009, gain (loss) on valuation of financial assets and liabilities was follows:

<b>Item</b>	<b>For the six-month period ended June 30 , 2010</b>	<b>For the six-month period ended June 30 , 2009</b>
Gain (loss) on financial assets		
Interest rate swaps contracts	\$ -	(920)
FX forward contract	(56,211)	(5,114)
Totals	<b>\$ (56,211)</b>	<b>(6,034)</b>
Gain (loss) on financial liabilities		
FX forward contract	\$ (59,987)	107,199
Cross currency swaps contracts	15,045	(9,026)
Totals	<b>\$ (44,942)</b>	<b>98,173</b>

(4) Financial risk information

(a) Market risk

The Company use value at risk (VaR) to measure the market risk of financial instruments. VaR is an estimate of the probability being reflected by the confidence level due to fluctuations in the market factors over a given period of time. The Company uses historical price volatility of last three years to estimate VaR of the financial instruments that the Company issued and held.

(b) Credit Risk

Possible influence may incur in the event of non-performance by counter-parties to contracts of financial instruments held by the Company. These include the dispersal, element, contract value and other receivable.

(c) Liquidity Risk

For margin calls, the Company has sufficient operating funds to meet the liquidity requirement. As a result, there is no significant liquidity risk.

(d) Cash flow risk rising from interest rate fluctuation:

As of June 30, 2010 and 2009, the Company had \$1,866,125 thousands and \$2,613,799 thousands financial assets exposed to cash flow risk rising from interest rate fluctuation. The market rate fluctuation will make future cash flow fluctuation. The Company has interest rate swap contract to avoid cash flow risk rising from interest rate fluctuation.



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22. Financial Risk Control and Hedging Strategy

(1) Financial risk control

As risk withstanding is the essence of financial operating activity, the Company adopts risk management to achieve the balance between profit and risk. In addition, the Company controls the possible loss in the attainable scope and maximizes risk adjusted return. The Company attempts to establish well-designed risk management system to rationalize risky assets disposition and to maximize the return on stockholders in the attainable risk scope.

The risks confronted by the Company include market risk, credit risk, liquidity risk, operating risk, legal risk and other risk etc. The Company expects to control the whole risk effectively and establish a risk management system to continuously monitor the risk. The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, legal department, finance department, settlement and clearing department and other business department. The Company also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Company set up a risk management information system to assist whole risk management execute effectively.

(2) Hedging strategies (financial hedging)

The Company's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Company sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Company also formulates principal to conduct over or under limitations with hedging position.

(a) Equity securities

As equity securities price fluctuate, the Company will suffer loss when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Company not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

(b) Fixed income instruments

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Company will suffer loss when unfavorable variation of market rate is incurred. The Company uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(c) Structured notes

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Company uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Company establishes related hedged position to hedge the stock price and the volatility risk.

**V RELATED PARTY TRANSACTIONS**

1. Names and relationship of related parties

<b><u>Names of related parties</u></b>	<b><u>Relationship with the Company</u></b>
Fubon Financial Holding Co., Ltd.	Parent company
Taipei Fubon Commercial Bank Co., Ltd.	The same parent company
Fubon Securities Co., Ltd.	The same parent company
Fubon Securities Investment Trust Co., Ltd.	The same parent company
Fubon Life Assurance Co., Ltd.	The same parent company
Fubon Direct Marketing Consulting Co., Ltd.	The same parent company
Fubon Assets Management Co., Ltd.	The same parent company
Fubon Financial Holding Venture Capital	The same parent company
Fubon Venture Capital Consulting	The same parent company
Fubon Bank (Hong Kong) Limited	The same parent company which held Fubon Bank (Hong Kong) Limited 75% shares
Fubon Multimedia Technology Co., Ltd.	The same parent company which held Fubon Multimedia Technology Co., Ltd. 67.89% shares
Taiwan Sports Lottery Co., Ltd.	The same parent company which held Taiwan Sports Lottery Co., Ltd. 51% shares
Fubon insurance (Vietnam) Co., Ltd.	The company which held 100% shares
Fubon brokerage (Thailand) Co., Ltd.	The company which held 25% shares
Fubon Venture Capital Co., Ltd.	Affiliates
Sinostar Venture Capital Co., Ltd.	Affiliates
China Technology Venture Capital Co., Ltd.	Affiliates
Fubon Insurance Agent Co., Ltd.	Affiliates
MasterLink Securities Corp.	Affiliates
Fulee Property Insurance Agent Co., Ltd.	Affiliates
Fubon Real Estate Management Co., Ltd.	Affiliates
Fubon Futures Co., Ltd.	The same parent company
Taiwan Cellular Co., Ltd.	Affiliates
Fusheng Life Insurance Agent Co., Ltd.	Affiliates
Fusheng Insurance Agent Co., Ltd.	Affiliates
Fubon Securities Investment Consulting Co., Ltd.	The same parent company
Fubon Land Co., Ltd.	Affiliates
Fulee Insurance Agent Co., Ltd.	Affiliates
Taipei Fubon Bank Life Agency Co., Ltd.	Affiliates
Tao Yin Co., Ltd.	Affiliates

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Ming Tong Co., Ltd.	Affiliates
Fubon Securities Finance Co., Ltd.	Affiliates
Chung Hsing Construction Co., Ltd.	Affiliates
Fubon Construction Management Co., Ltd.	Affiliates
Fubon Culture and Education Foundation	Affiliates
Fubon Art Foundation	Affiliates
Fubon Charity Foundation	Affiliates
Fubon Construction Co., Ltd	Affiliates
TECO Electric & Machinery Co., Ltd	Affiliates
Wua Wei Venture Capital Co., Ltd.	Affiliates
Kuo Chiao Venture Capital Investment Corp.	Affiliates
Phalanx Biotech Corp.	Affiliates
Yuan Jin Venture Capital Investment Corp.	Affiliates
Teng Feng Venture Capital Investment Corp.	Affiliates
Hon Fu Investment Co., Ltd.	Affiliates
Other related parties	Directors, supervisors, managers and their close relatives, etc.

2. Significant transactions with related parties are as follows:

(1) Premium revenue and premium receivable

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2010</u>			
	<u>Premium Revenue</u>	<u>%</u>	<u>Premium Receivable</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 37,459	0.32	410	0.01
Fubon Life Assurance Co., Ltd.	13,413	0.11	1,853	0.05
Taiwan Cellular Co., Ltd.	10,133	0.09	18	0.05
Others (accounts with balances of less than \$10,000 thousands)	20,483	0.10	11,342	0.27
	<u>\$ 81,488</u>		<u>13,623</u>	

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2009</u>			
	<u>Premium Revenue</u>	<u>%</u>	<u>Premium Receivable</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 43,572	0.37	1,106	0.03
Taiwan Cellular Co., Ltd.	10,680	0.09	28	-
Others (accounts with balances of less than \$10,000 thousands)	21,778	0.18	6,533	0.17
	<u>\$ 76,030</u>		<u>7,667</u>	

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

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(2) Rental revenue and guarantee deposit received

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2010</u>			
	<u>Rental Revenue</u>	<u>%</u>	<u>Guarantee Deposit Received</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	63,665	36.29	15,241	24.30
Fubon Life Assurance Co., Ltd.	23,205	13.23	9,025	14.39
Fubon Securities Co., Ltd.	14,752	8.41	4,979	7.94
Fubon Direct Marketing Consulting Co.,Ltd	14,152	8.07	4,483	7.15
Others (accounts with balances of less than \$10,000 thousands)	18,454	10.52	7,336	11.69
	<u><u>\$ 134,228</u></u>		<u><u>41,064</u></u>	

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2009</u>			
	<u>Rental Revenue</u>	<u>%</u>	<u>Guarantee Deposit Received</u>	<u>%</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 66,072	37.95	14,530	24.12
Fubon Direct Marketing Consulting Co.,Ltd	12,622	7.25	3,869	6.42
Fubon Securities Co., Ltd.	17,529	10.07	5,746	9.54
Fubon Life Assurance Co., Ltd.	19,612	11.27	7,442	12.45
Others (accounts with balances of less than \$10,000 thousands)	14,394	8.27	5,978	9.93
	<u><u>\$ 130,229</u></u>		<u><u>37,565</u></u>	

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

(3) Commission expenses:

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2010</u>	<u>For the six-month period ended June 30, 2009</u>
Fusheng Insurance Agent Co., Ltd.	\$ 39,506	33,808
Others (accounts with balances of less than \$10,000 thousands)	9,975	8,962
	<u><u>\$ 49,481</u></u>	<u><u>42,770</u></u>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(4) Marketing expense

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2010</u>	<u>For the six-month period ended June 30, 2009</u>
Fubon Direct Marketing Consulting Co., Ltd.	\$ 121,760	101,869
Fubon Life Assurance Co., Ltd	18,821	13,719
Others (accounts with balances of less than \$10,000 thousands)	15,550	16,170
	<u>\$ 156,131</u>	<u>131,758</u>

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

<u>Items</u>	<u>For the six-month period ended June 30, 2010</u>	<u>For the six-month period ended June 30, 2009</u>
Reinsurance expenses	\$ 506	-
Consulting service expenses	2,067	2,500
Education fee	790	1,761
Discretionary investment service expense	-	1,699
Donation	9,902	6,140
Telecommunication service	3,805	3,029
Business commission expense	13,255	9,650
Management service expense	9,574	8,314
Rent expense	2,269	2,248
Insurance claims expense	-	129
Investment custody expense	200	340
Joint marketing revenue	2,788	105
Guarantee deposits paid	749	749
Interest revenue	1,385	418
Prepaid consulting fee	2,000	-
	<u>\$ 49,290</u>	<u>37,082</u>

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

<u>Names of funds</u>	<u>2010.6.30</u>	<u>2009.6.30</u>
Jing Zhun	\$ -	24,983
Fubon Fund	172,522	156,293
Fubon No.1 REITs	625,031	606,848
Fubon No.2 REITs	577,500	558,250
	<u>\$ 1,375,053</u>	<u>1,346,374</u>

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(7) Insurance expenses

<u>Names of related parties</u>	<u>For the six-month period ended June 30, 2010</u>	<u>For the six-month period ended June 30, 2009</u>
Fubon Life Assurance Co., Ltd.	<u>\$ 11,138</u>	<u>14,832</u>

(8) (a) Other accounts receivable:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fubon Financial Holding Co., Ltd.	\$ 96,181	60.06	\$ 96,074	51.81
Fubon Futures Co., Ltd.	-	-	55,033	29.67
Others (accounts with balances of less than \$10,000 thousands)	1,000	0.62	5,591	3.01
	<u>\$ 97,181</u>	<u>60.68</u>	<u>156,698</u>	<u>84.49</u>

(b) Other accounts payable

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fubon Financial Holding Co., Ltd.	\$ 270,236	15.08	\$ 875,524	46.69
Fubon Direct Marketing Consulting Co., Ltd.	45,073	2.52	21,935	1.17
Others (account with balance of less than \$10,000 thousands)	416	0.02	1,116	0.06
	<u>\$ 315,725</u>	<u>17.62</u>	<u>898,575</u>	<u>47.92</u>

The Company's income tax return has been combined with those of Fubon Financial Holding Co., Ltd. since 2002. The income tax payables to Fubon Financial Holding Co., Ltd. were \$265,406 thousands and \$672,255 thousands (recorded under other payable) for June 30, 2010 and 2009, respectively, and the income tax receivables from Fubon Financial Holding Co., Ltd. were \$96,074 thousands (recorded under other receivable) for the tax return of 2002.

(9) Deposits with related parties:

<u>Names of related parties</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Taipei Fubon Commercial Bank Co., Ltd.	<u>\$ 1,099,840</u>	<u>574,580</u>

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(10) Bonds transactions with related parties:

(a) Bonds sold under agreement to repurchase

<u>Names of related parties</u>	<u>Interest expenses for the period ended June 30, 2010</u>	<u>Bonds sold under repurchase agreement as of June 30, 2009</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 30	585,030
Taipei Fubon Commercial Bank Co., Ltd. (Fully Frduciary Discretionary)	14	-
Masterlink Securities Corp.	2,965	1,956,669
Fubon Securities Co., Ltd.(Fully Frduciary Discretionary)	30	-
	<u>\$ 3,039</u>	<u>2,541,699</u>

(b) Bonds purchased under agreement to resell (recognized as cash and cash equivalents)

No transactions with related parties for the period ended June 30, 2010.

<u>Names of related parties</u>	<u>Interest income for the period ended June 30, 2009</u>	<u>Bonds purchased under resale agreement as of June 30, 2009</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 14	-
Fubon Securities Investment Trust Co., Ltd.	30	-
	<u>\$ 44</u>	<u>-</u>

(c) Bonds transactions

Sale of Bonds

<u>Names of related parties</u>	<u>2010.6.30</u>	<u>2009.6.30</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ 155,235	-

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Purchase of Bonds

<u>Names of related parties</u>	<u>2010.6.30</u>	<u>2009.6.30</u>
Taipei Fubon Commercial Bank Co., Ltd.	\$ <b>19,983</b>	-

- (11) Derivative financial instruments- Forward contract recognized as financial assets (liabilities) measured at fair value through profit and loss:

<u>Names of related parties</u>	<u>Item</u>	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
		<u>Revaluation gains/losses</u>	<u>Book Value</u>	<u>Revaluation gains/losses</u>	<u>Book Value</u>
Taipei Fubon Commercial Bank Co., Ltd.	Foreign exchange forward contracts	\$ <u>(60,423)</u>	<u>(33,133)</u>	<u>(3,909)</u>	<u>(2,930)</u>

- (12) Deposits for futures transactions

<u>Names of related parties</u>	<u>2010.6.30</u>	<u>2009.6.30</u>
Fubon Futures Co., Ltd.	\$ -	<b>55,033</b>

## VI ASSETS PLEDGED OR MORTGAGED

1. As of June 30, 2010 and 2009, the assets pledged or mortgaged were as follows:

<u>Assets</u>	<u>June 30,2010</u>	<u>June 30,2009</u>
Government bonds	\$ 1,270,433	1,333,173
Time deposit	28,604	43,003
	<b>\$ 1,299,037</b>	<b>1,376,176</b>

2. Pursuant to the requirements of Articles #141 and 142 of the Insurance Law, government bonds with book value of \$1,238,393 thousands and \$1,235,072 thousands as of June 30, 2010 and 2009, respectively, were deposited with the Central Bank of the Republic China as guarantee for the insurance business.

## VII SIGNIFICANT COMMITMENTS AND CONTINGENCIES

1. The Company had several insurance disputes and was required to pay indemnities of approximately \$517,170 thousands, of which approximately \$243,801 were reinsured. The claim had been accrued. These cases have not been resolved with District Court of Appeal as of June 30, 2010.



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2. The Tainan city government claims that the quit employee of the Company make them losing \$223,500 thousands by using insurance contract without “sample” sign. The Company also has joint and several liabilities for damage compensation. The Tainan District Court had been rejecting the Tainan city government’s accusation. But the Tainan city government appealed to a higher court, and the Company lost the lawsuit in March, 2009. The Company appealed to the Supreme Court. The Supreme Court remanded the case to the Taiwan High court Tainan branch on September 17, 2009. The case is still on trial now, but the Company has been accrued the related liability.

**VIIISIGNIFICANT DISASTER LOSS**

None.

**IX SIGNIFICANT SUBSEQUENT EVENT**

None.

**X OTHERS**

1. Summary of personal expenses, depreciation, depletion and amortization:

	<b>For the six-month period ended June 30, 2010</b>			<b>For the six-month period ended June 30, 2009</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personal expenses:						
Salaries	\$ -	882,996	882,996	-	903,508	903,508
Insurance	-	76,590	76,590	-	75,351	75,351
Pension	-	52,163	52,163	-	51,100	51,100
Others	-	24,818	24,818	-	25,890	25,890
Depreciation	37,364	41,049	78,413	36,238	42,089	78,327
Depletion	-	-	-	-	-	-
Amortization	-	2,493	2,493	-	1,941	1,941

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2. Disclosure of earned retention premium by compulsory and non-compulsory insurance

For the six-month period ended June 30, 2010

Item	Type	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Premium ceded (3)	Retention premium (1)+(2)-(3)=(4)	Allot unearned premium reserve (5)	Recovery of unearned premium reserve (6)	Retention of earned premium (7)=(4)+(6)-(5)	Notes
Non-Compulsory insurance	Residential fire savings insurance	\$ 245,856	-	2	245,854	246,467	224,605	223,992	
	Long-term residential fire	(9,536)	-	(67)	(9,469)	1,578,907	1,690,415	102,039	
	Commercial fire insurance	1,081,031	38,938	560,804	559,165	570,070	592,536	581,631	
	Long-term commercial fire insurance	(676)	-	-	(676)	86,508	91,162	3,978	
	Inland marine insurance	113,290	1	56,312	56,979	53,424	39,745	43,300	
	Marine cargo insurance	596,448	3,558	408,595	191,411	100,003	94,518	185,926	
	Marine hull insurance	127,160	1,649	110,597	18,212	19,536	18,606	17,282	
	Fishing vessel insurance	44,305	3,025	32,600	14,730	15,097	17,392	17,025	
	Aviation insurance	119,488	1,054	121,012	(470)	(702)	(1,379)	(1,147)	
	Private passenger auto physical damage insurance	1,838,651	52,391	282,747	1,608,295	1,585,524	1,481,444	1,504,215	
	Commercial auto physical damage insurance	43,332	712	3,815	40,229	33,322	20,523	27,430	
	Private passenger auto insurance	1,215,770	25,107	117,832	1,123,045	1,089,750	964,652	997,947	
	Commercial passenger auto insurance	489,137	9,548	44,042	454,643	433,206	381,321	402,758	
	Personal liability insurance	687,704	5,451	108,674	584,481	567,701	507,735	524,515	
	Professional liability insurance	143,553	126	66,821	76,858	72,827	79,874	83,905	
	Engineering insurance	538,633	26,574	214,539	350,668	632,133	604,448	322,983	
	Nuclear insurance	-	13,509	7,336	6,173	8,693	10,506	7,986	
	Fidelity and surety insurance	60,691	402	29,157	31,936	30,623	31,771	33,084	
	Credit insurance	72,791	9	67,672	5,128	6,559	7,699	6,268	
	Other property insurance	84,893	7	53,453	31,447	28,381	25,790	28,856	
	Accident insurance	1,234,303	5,568	26,258	1,213,613	1,507,542	1,551,135	1,257,206	
	Commercial earthquake insurance	353,039	4,604	217,653	139,990	129,988	79,682	89,684	
	Personal multiple insurance	39,182	(20)	29,564	9,598	6,276	2,479	5,801	
	Commercial multiple insurance	70,930	46	10,791	60,185	94,036	77,603	43,752	
	Typhoon and flood fire insurance	309,515	76	190,400	119,191	111,721	56,855	64,325	
	Health insurance	37,354	-	10	37,344	36,946	22,064	22,462	
	Foreign reinsurance	-	99,840	19,807	80,033	69,759	65,118	75,392	
Sub-total		9,536,844	292,175	2,780,426	7,048,593	9,114,297	8,738,299	6,672,595	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended June 30, 2010

Item	Type	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Premium ceded (3)	Retention premium (1)+(2)-(3)=(4)	Allot unearned premium reserve (5)	Recovery of unearned premium reserve (6)	Retention of earned premium (7)=(4)+(6)-(5)	Notes
Compulsory third party liability insurance	Compulsory private passenger auto liability	\$ 691,161	85,874	206,973	570,062	361,637	374,536	582,961	
	Compulsory commercial auto liability	213,158	15,331	63,785	164,704	142,701	140,434	162,437	
	Compulsory motorcycle liability	733,208	72,159	200,767	604,600	743,458	734,661	595,803	
	Compulsory earthquake	182,104	32,025	183,347	30,782	30,424	29,689	30,047	
Sub-total		1,819,631	205,389	654,872	1,370,148	1,278,220	1,279,320	1,371,248	
<b>Total</b>		<b>\$ 11,356,475</b>	<b>497,564</b>	<b>3,435,298</b>	<b>8,418,741</b>	<b>10,392,517</b>	<b>10,017,619</b>	<b>8,043,843</b>	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended June 30, 2009

Item	Type	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Premium ceded (3)	Retention premium (1)+(2)-(3)=(4)	Unearned premium allot rate reserve (5)	Unearned premium Recovery reserve (6)	Earned retention premium (7)=(4)+(6)-(5)	Notes
Non-Compulsory insurance	Residential fire savings insurance	\$ 214,189	-	-	214,189	214,494	213,803	213,498	
	Long-term residential fire insurance	(8,591)	-	(48)	(8,543)	1,812,928	1,894,721	73,250	
	Commercial fire insurance	1,442,128	79,793	716,498	805,423	774,858	779,881	810,446	
	Long-term commercial fire insurance	(707)	-	-	(707)	100,323	108,441	7,411	
	Inland marine insurance	100,493	414	57,327	43,580	39,965	35,251	38,866	
	Marine cargo insurance	531,555	19,769	374,858	176,466	74,228	124,479	226,717	
	Marine hull insurance	113,770	38,106	136,744	15,132	13,183	10,038	11,987	
	Fishing vessel insurance	45,069	2,803	30,140	17,732	16,068	11,327	12,991	
	Aviation insurance	106,350	(1)	105,136	1,213	839	(230)	144	
	Private passenger auto physical damage insurance	1,745,762	77,182	395,144	1,427,800	1,402,400	1,401,669	1,427,069	
	Commercial auto physical damage insurance	40,419	508	6,951	33,976	28,289	27,999	33,686	
	Private passenger auto insurance	1,093,474	38,497	183,448	948,523	919,328	848,254	877,449	
	Commercial passenger auto insurance	443,722	13,720	75,847	381,595	373,055	372,009	380,549	
	Personal liability insurance	620,293	3,950	121,781	502,462	496,858	494,954	500,558	
	Professional liability insurance	166,623	1,176	90,980	76,819	67,477	57,707	67,049	
	Engineering insurance	620,417	19,785	330,888	309,314	635,319	677,452	351,447	
	Nuclear insurance	-	14,013	6,832	7,181	11,116	8,338	4,403	
	Fidelity and surety insurance	58,766	2,883	29,557	32,092	29,276	20,919	23,735	
	Credit insurance	137,657	(61)	130,327	7,269	5,318	4,200	6,151	
	Other property insurance	86,688	10,372	59,618	37,442	34,390	32,455	35,507	
	Accident insurance	1,031,337	6,267	26,010	1,011,594	1,365,566	1,220,158	866,186	
	Commercial earthquake insurance	356,977	6,477	272,265	91,189	78,168	85,384	98,405	
	Personal multiple insurance	20,684	341	14,967	6,058	2,441	1,479	5,096	
	Commercial multiple insurance	44,959	80	8,932	36,107	50,675	43,038	28,470	
	Typhoon and flood fire insurance	308,825	60	252,314	56,571	48,544	64,703	72,730	
	Health insurance	17,417	-	-	17,417	20,653	13,693	10,457	
	Foreign reinsurance	-	86,848	14,553	72,295	58,160	71,271	85,406	
Sub-total		9,338,276	422,982	3,441,069	6,320,189	8,673,919	8,623,393	6,269,663	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended, June 30, 2009

Item	Type	Premium Revenue (1)	Reinsurance Premium (2)	Reinsurance Premium ceded (3)	Retention premium (1)+(2)-(3)=(4)	Unearned premium allot rate reserve (5)	Unearned premium Recovery reserve (6)	Earned retention premium (7)=(4)+(6)-(5)	Notes
Compulsory third party liability insurance	Compulsory private passenger auto liability	\$ 721,846	93,769	221,661	593,954	380,029	388,303	602,228	
	Compulsory commercial auto liability	209,761	16,351	64,443	161,669	142,180	154,804	174,293	
	Compulsory motorcycle liability	704,832	71,038	189,122	586,748	737,985	780,611	629,374	
	Compulsory earthquake	175,460	29,550	174,778	30,232	22,358	-	7,874	
Sub-total		1,811,899	210,708	650,004	1,372,603	1,282,552	1,323,718	1,413,769	
<b>Total</b>		<b>\$ 11,150,175</b>	<b>633,690</b>	<b>4,091,073</b>	<b>7,692,792</b>	<b>9,956,471</b>	<b>9,947,111</b>	<b>7,683,432</b>	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

3. Disclosure of Self-claim by compulsory and non-compulsory insurance

For the six-month period ended June 30, 2010

Item	Type	Claims (included related expenses)	Claims Recovered	Reinsurance Claim	Reinsurance Claims Recovered	Net provision for claim reserve	Self-claim	Note
		(1)	(2)	(3)	(4)	(6)	(1)-(2)+(3)-(4)+(6)=(7)	
Non-Compulsory insurance	Residential fire savings insurance	\$ 11,862	26	-	-	56	11,892	
	Long-term residential fire insurance	6,582	-	-	119	164	6,627	
	Commercial fire insurance	305,952	13,020	58,979	(24,558)	(24,072)	352,397	
	Long-term commercial fire insurance	1,789	-	-	-	(46)	1,743	
	Inland marine insurance	38,430	1,149	135	30,319	16,530	23,627	
	Marine cargo insurance	208,822	16,190	(1,587)	130,335	24,980	85,690	
	Marine hull insurance	85,972	-	(2,259)	78,228	8,352	13,837	
	Fishing vessel insurance	30,925	2,500	1,424	22,106	1,452	9,195	
	Aviation insurance	5,182	-	2	1,551	(2,536)	1,097	
	Private passenger auto physical damage insurance	979,619	37,737	16,465	231,974	11,030	737,403	
	Commercial auto physical damage insurance	26,757	736	499	5,148	262	21,634	
	Private passenger auto insurance	762,927	312	11,287	158,937	15,218	630,183	
	Commercial passenger auto insurance	320,395	254	6,292	63,185	8,963	272,211	
	Personal liability insurance	240,037	540	11,485	24,615	49,190	275,557	
	Professional liability insurance	16,266	0	(1,896)	(2,221)	1,407	17,998	
	Engineering insurance	232,749	205	354	102,891	(3,781)	126,226	
	Nuclear insurance	-	-	(517)	-	13	(504)	
	Fidelity and surety insurance	7,813	255	(2,597)	(1,025)	151	6,137	
	Credit insurance	(34,489)	57,798	15	(64,784)	21,357	(6,131)	
	Other property insurance	4,045	40	2,574	3,236	(845)	2,498	
	Accident insurance	391,181	73	10,838	(1,451)	129,733	533,130	
	Commercial earthquake insurance	315,105	-	-	112,221	(2,477)	200,407	
	Personal multiple insurance	11,865	3	60	9,603	(78)	2,241	
	Commercial multiple insurance	19,467	3	(1)	890	2,587	21,160	
	Typhoon and flood fire insurance	(236)	594	(688)	(22,552)	(2,200)	18,834	
	Health insurance	6,265	-	-	-	107	6,372	
	Foreign reinsurance	-	-	(76,512)	(3,165)	(1,342)	(74,689)	
Su b-total		3,995,282	131,435	34,352	855,602	254,175	3,296,772	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended June 30, 2010

Item	Type	Claims (included related expenses)  (1)	Claims Recovered  (2)	Reinsurance Claim  (3)	Reinsurance Claims Recovered  (4)	Net provision for claim reserve  (6)	Self-claim   (1)-(2)+(3)- (4)+(6)=(7)	Note
Compulsory third party liability insurance	Compulsory private passenger auto liability	\$ 465,086	23,133	77,558	181,408	(25)	338,078	
	Compulsory commercial auto liability	207,202	14,485	14,375	77,448	(31)	129,613	
	Compulsory motorcycle liability	420,987	31,345	38,705	155,820	(310)	272,217	
	Government-oriented earthquake insurance	1,200	-	405	1,200	9	414	
Sub-total		1,094,475	68,963	131,043	415,876	(357)	740,322	
<b>Total</b>		<b>5,089,757</b>	<b>200,398</b>	<b>165,395</b>	<b>1,271,478</b>	<b>253,818</b>	<b>4,037,094</b>	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended June 30, 2009

Item	Type	Claims (included related expenses)	Claims Recovered	Reinsurance Claim	Reinsurance Claims Recovered	Net provision for claim reserve	Self-claim  (1)-(2)+(3)- (4)+(6)=(7)	Note
		(1)	(2)	(3)	(4)	(6)		
Non-Compulsory insurance	Residential fire savings insurance	\$ 4,340	100	-	-	(266)	3,974	
	Long-term residential fire insurance	6,667	-	-	(2)	(123)	6,546	
	Commercial fire insurance	167,374	7,567	110,410	(53,908)	(3,396)	320,729	
	Long-term commercial fire insurance	1,635	-	-	(13)	(9)	1,639	
	Inland marine insurance	36,665	2,496	1,009	41,580	18,243	11,841	
	Marine cargo insurance	425,154	62,231	2,926	370,605	173,510	168,754	
	Marine hull insurance	21,569	1,925	3,513	27,894	8,098	3,361	
	Fishing vessel insurance	5,364	-	1,641	5,184	(1,972)	(151)	
	Aviation insurance	3,995	-	-	1,055	(3,913)	(973)	
	Private passenger auto physical damage insurance	881,345	37,682	42,640	213,640	12,880	685,543	
	Commercial auto physical damage insurance	20,616	792	689	3,851	446	17,108	
	Private passenger auto insurance	708,751	263	52,094	172,892	27,309	614,999	
	Commercial passenger auto insurance	244,450	113	17,144	68,242	6,615	199,854	
	Personal liability insurance	260,076	858	7,237	55,569	68,999	279,885	
	Professional liability insurance	50,684	-	185	11,748	366	39,487	
	Engineering insurance	144,810	1,120	21,680	46,935	(4,937)	113,498	
	Nuclear insurance	-	-	(773)	-	(83)	(856)	
	Fidelity and surety insurance	(3,343)	503	802	(3,277)	(509)	(276)	
	Credit insurance	424,114	9,361	3,014	568,342	136,216	(14,359)	
	Other property insurance	14,033	60	(9,498)	10,126	(1,106)	(6,757)	
	Accident insurance	202,555	-	18,314	(47,359)	(81,407)	186,821	
	Commercial earthquake insurance	(2,754)	-	-	(1,404)	(1,169)	(2,519)	
	Personal multiple insurance	7,513	-	(833)	8,707	97	(1,930)	
	Commercial multiple insurance	23,664	-	-	36	(557)	23,071	
	Typhoon and flood fire insurance	24,448	62	(474)	(1,897)	(1,036)	24,773	
	Health insurance	2,524	-	-	-	174	2,698	
	Foreign reinsurance	-	-	160,641	4,962	(4,001)	151,678	
Su b-total		3,676,249	125,133	432,361	1,503,508	348,469	2,828,438	



**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended, June 30, 2009

Item	Type	Claims (included related expenses)  (1)	Claims Recovered  (2)	Reinsurance Claim  (3)	Reinsurance Claims Recover ed  (4)	Net provision for claim reserve  (6)	Self-claim   (1)-(2)+(3)- (4)+(6)=(7)	Note
Compulsory third party liability insurance	Compulsory private passenger auto liability	\$ 384,316	15,704	83,557	155,771	(346)	296,052	
	Compulsory commercial auto liability	173,229	6,735	14,719	68,695	(51)	112,467	
	Compulsory motorcycle liability	379,584	15,316	39,534	163,843	281	240,240	
Sub-total		937,129	37,755	137,810	388,309	(116)	648,759	
Total		<b>4,613,378</b>	<b>162,888</b>	<b>570,171</b>	<b>1,891,817</b>	<b>348,353</b>	<b>3,477,197</b>	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

4. Disclosure of each dangerous unit's retention limit:

The details of each dangerous unit's retention limit were as follows:

- (1) Fire insurance: \$2.8 billion.
- (2) Marine insurance:
  - (a) Fishing vessels insurance: \$50 million.
  - (b) Marine physical damages insurance: USD \$2.5 million.
  - (c) Inventory insurance: USD \$20 million.
- (3) Aviation insurance:
  - (a) Physical insurance: USD \$3 million
  - (b) Liability insurance: USD \$5 million
- (4) New insurance:
  - (a) Personal liability insurance: \$2.8 billion.
  - (b) Professional liability insurance: \$2.8 billion.
  - (c) Other property insurance: \$2.8 billion.
  - (d) Fidelity and surety insurance: \$2.8 billion.
  - (e) Accident insurance: \$2.8 billion.
  - (f) Credit insurance: \$2.8 billion.
  - (g) Commercial multiple: \$2.8 billion.
  - (h) Personal multiple insurance: \$2.8 billion.
- (5) Engineer insurance:
  - (a) Engineer insurance: \$2.8 billion.
  - (b) Engineer bond insurance: \$2.8 billion.
  - (c) Nuclear insurance: \$2.8 billion.

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- (6) Motor insurance:
- (a) Physical loss insurance: \$6 million.
  - (b) Third party liability insurance: \$ 100 million
  - (c) Passenger liability insurance: \$ 135 million.
5. Reserves accrued and recovered for compulsory motor and motorcycle insurance:

For the six-month period ended June 30, 2010

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory auto liability insurance	\$ 514,970	504,338	(514,970)	504,338	
Compulsory motorcycle liability insurance	734,661	743,458	(734,661)	743,458	
<b>Special reserve</b>					
Compulsory auto liability insurance	1,988,918	60,464	-	2,049,382	
Compulsory motorcycle liability insurance	1,136,664	126,676	-	1,263,340	
<b>Claim reserve</b>					
Compulsory auto liability insurance	183,592	206,879	(183,592)	206,879	
Compulsory motorcycle liability insurance	93,324	99,210	(93,324)	99,210	
<b>Total</b>	<b>4,652,129</b>	<b>1,741,025</b>	<b>(1,526,547)</b>	<b>4,866,607</b>	

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the six-month period ended June 30, 2009

Type	Beginning	Provision	Recovered	Ending	Note
<b>Unearned premium reserve</b>					
Compulsory auto liability insurance	\$ 543,107	522,208	(543,107)	522,208	
Compulsory motorcycle liability insurance	780,611	737,985	(780,611)	737,985	
<b>Special reserve</b>					
Compulsory auto liability insurance	1,763,429	150,326	-	1,913,755	
Compulsory motorcycle liability insurance	774,865	178,733	-	953,598	
<b>Claim reserve</b>					
Compulsory auto liability insurance	194,222	176,126	(194,222)	176,126	
Compulsory motorcycle liability insurance	106,821	88,876	(106,821)	88,876	
<b>Total</b>	<b>4,163,055</b>	<b>1,854,254</b>	<b>(1,624,761)</b>	<b>4,392,548</b>	

6. Reclassification:

Certain accounts of the financial statements for the year ended June 30, 2009 were reclassified to conform the presentation adopted for the year ended June 30, 2010, and the reclassification has non significant influence on the financial statement.

**XI NOTES TO DISCLOSURE EVENTS**

1. Information on significant transactions

- (1) Acquisition of property and equipment over \$100,000 thousands or 20% of capital: None.
- (2) Disposal of property and equipment over \$100,000 thousands or 20% of capital: None.
- (3) Sales and purchase with related party over \$100,000 thousands or 20% of capital : None
- (4) Account receivable with related party over \$100,000 thousands or 20% of capital : None
- (5) Information on derivative transactions: Please refer to Note IV. 21

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

2. Disclosure on investment business

(1) The significant influence on invested company:

Investee Company	Address	Major Business	Original Investment		Held by the Company			Income or (loss) of investee company	Income (loss) recognized from investee company	Notes
			2010.6.30	2009.6.30	Shares	Percentage (%)	Book Value			
Fubon Venture Capital Co., Ltd	3 F No.108, Sec. 1, Tun Hua S. Road, Taipei, Taiwan	Investing in foreign and domestic technology industries	40,000	40,000	4,000	20.00	15,353	-	-	Liquidated
Sino Star Venture Capital Co., Ltd	3 F No.108, Sec. 1, Tun Hua S. Road, Taipei, Taiwan	Investing in foreign and domestic technology industries	100,000	100,000	10,000	20.83	22,084	-	-	Liquidated
Fubon Brokerage (Thailand) Co., Ltd	Thailand	Insurance broker	412	412	625	25.00	817	-	266	
Fubon Insurance (Vietnam) Co., Ltd	Vietnam	Insurance business	576,658	576,658	-	100.00	581,941	(29,599)	(29,599)	
China Technology Venture Capital Co., Ltd.	8 F No.214, Tun Hua N. Road, Songshan District, Taipei, Taiwan	Investing in foreign and domestic technology industries	10,625	10,625	1,063	3.73	8,417	-	-	

(2) Funds lent to others: None

(3) Checks endorsed for others: None

(4) The position of holding securities: None

(5) Accumulation of buying and selling same securities over \$100,000 thousands or 20% of capital: None

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

(7) Disposal of property and equipment over \$100,000 thousands or 20% of capital: None

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

(9) Account receivable with related party over \$100,000 thousands or 20% of capital: None

(10) Information on derivative transactions: None

**(English Translation)**  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

3. Disclosure on investment in Mainland China: Form 1

The Company planned to invest RMB \$400 million (the Company and Fubon Life Assurance Co., Ltd. each funded RMB \$200 million) to set up Fubon Property and Casualty Insurance Co., Ltd. in Mainland China for insurance business. The investment project has been approved by the Financial Supervisory Commission, Executive Yuan, Jin Guan Bao San No.09602175710 on December 24, 2007. The investment project has been approved by the China Insurance Regulatory Commission, Bao Jin Guo Jian No. 1352 on December 24, 2009. The investment project has been adopted by the Investment Commission, Ministry of Economics Affairs on January 27, 2010, and approved by the Jing Shen Er No.09800482270 on February 3, 2010. The approved investment amount is RMB 250 million. The company had transferred NTD 942,057 thousands until the report date but the investment project has not yet been accomplished.

**XII SEGMENT FINANCIAL INFORMATION DISCLOSURE:**

In accordance with Tai Tsai (83)(6) No.35882 issued by the Ministry of Finance, Securities and Futures Commission, segment financial information is not required to disclose in interim financial reports.

(English Translation)  
**FUBON INSURANCE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 AND 2009**  
(Expressed in thousands of New Taiwan Dollars)

Form 3:

Investee Company	Major Business	Paid-in Capital	investment approach	Accumulated export investment amounts	export amounts	take back amounts	Accumulated export investment amounts	holding percentage	Income (losses) recognized from investee company	investment book value	transferred back investment revenue
Fubon Property Insurance Co., Ltd.	Property Insurance	-	direct invest	-	942,057	-	942,057	-%	-	942,057	-

June 30, 2010 Accumulated investments amount		Investment amounts approved by Investment Commission (MOEA)		Limited investment amounts set by Investment Commission (MOEA)
NTD	942,057	NTD	1,162,867	11,972,541
USD	29,485	USD	36,765	-