China Life Insurance Co., Ltd.
Financial Statements
For The Nine-month Periods Ended
30 September 2016 and 2015
With Independent Auditors' Review Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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Index to financial statements

Review Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors and Shareholders
China Life Insurance Co., Ltd.

We have reviewed the accompanying balance sheets of China Life Insurance Co., Ltd. (the "Company") as of 30 September 2016 and 30 September 2015, and the related statements of comprehensive income for the three-month and nine-month periods ended 30 June 2016 and 2015, changes in equity and cash flows for the nine-month periods ended 30 September 2016 and 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these statements based on our review.

We conducted our review in accordance with Statements of Auditing Standards No.36 "Review of Financial statements" of the Republic of China ("R.O.C."). A review consists principally of inquiries, comparison and analytical procedures. A review was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" and IAS 34 "Interim Financial Reporting" as recognized by Financial Supervisory Commission.

Ernst & Young

Ernst & Young
Certified Public Accountants
Taipei, Taiwan, R.O.C.
10 November 2016

Notice to Readers:

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Unaudited balance sheets

As at 30 September 2016, 31 December 2015, and 30 September 2015

(30 September 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in Thousands of New Taiwan Dollars)

		2016/9/30		2015/12/31		2015/9/30	
Assets	Notes	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	VI.1	$54,926,985	4	$52,426,711	4	$36,430,308	3
Receivables	VI.2	11,766,400	1	11,220,392	1	11,028,839	1
Current tax assets		1,235,429	0	1,975,975	0	1,850,915	0
Financial assets at fair value through profit or loss	VI.3	4,227,191	0	357,944	0	755,407	0
Available-for-sale financial assets	VI.4	379,887,828	29	439,274,726	37	437,152,943	37
Debt instrument investments for which no active market exists	VI.5	606,095,178	47	504,141,924	42	499,374,251	43
Held-to-maturity financial assets	VI.6	90,254,402	7	42,124,302	4	32,752,559	3
Investment property	VI.8	23,812,594	2	24,273,542	2	24,400,746	2
Loans	VI.7	30,636,215	2	30,933,445	3	30,733,419	3
Reinsurance assets	VI.9	298,661	0	340,209	0	258,828	0
Property and equipment	VI.10	7,624,821	1	6,988,198	1	6,920,553	1
Intangible assets		145,554	0	98,836	0	81,886	0
Deferred tax assets	VI.25	608,053	0	4,251,116	0	4,632,287	0
Other assets	VI.11	19,384,462	2	19,252,055	1	19,395,259	2
Separate account product assets	VI.27	65,486,494	5	64,962,278	5	64,040,001	5
Total assets		$1,296,390,267	100	$1,202,621,653	100	$1,169,808,201	100

The accompanying notes are an integral part of these unaudited financial statements.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Unaudited balance sheets - (continued)

As at 30 September 2016, 31 December 2015, and 30 September 2015

(30 September 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan Dollars)

		2016/9/30		2015/12/31		2015/9/30	
Liabilities and equity	Notes	Amount	%	Amount	%	Amount	%
Payables	VI.12	$8,910,701	1	$8,055,698	1	$8,661,588	1
Current tax liabilities		1,125,508	0	-	-	-	-
Financial liabilities at fair value through profit or loss	VI.13	438,238	0	3,984,347	0	7,486,872	1
Insurance liabilities	VI.14	1,113,848,471	86	1,025,712,952	85	999,000,375	85
Foreign exchange valuation reserve	VI.15	4,596,062	0	7,695,824	1	8,308,578	1
Provisions	VI.16	134,711	0	277,491	0	266,981	0
Deferred tax liabilities	VI.25	3,611,827	0	8,082,606	1	8,183,614	1
Other liabilities		1,892,918	0	1,266,589	0	1,727,360	0
Separate account product liabilities	VI.27	65,486,494	5	64,962,278	5	64,040,001	5
Total liabilities		1,200,044,930	92	1,120,037,785	93	1,097,675,369	94
Capital stock	VI.18						
Common stock		34,737,600	3	33,401,467	3	33,401,467	3
Capital surplus	VI.19	2,289,273	0	2,289,273	0	2,289,273	0
Retained earnings	VI.20						
Legal capital reserve		7,917,627	1	6,083,247	1	6,083,247	1
Special capital reserve		21,133,183	2	19,795,287	1	19,498,485	1
Unappropriated retained earnings		11,442,174	1	8,885,246	1	10,243,623	1
Other equity	VI.21	18,825,480	1	12,129,348	1	616,737	0
Total equity		96,345,337	8	82,583,868	7	72,132,832	6
Total liabilities and equity		$1,296,390,267	100	$1,202,621,653	100	$1,169,808,201	100

The accompanying notes are an integral part of these unaudited financial statements.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.
Unaudited statements of comprehensive income
For the three-month periods ended 30 September 2016 and 2015
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan Dollars, except Earnings per Share)

Item	Notes	1 July-30 September 2016 Amount	%	1 July-30 September 2015 Amount	%
Operating revenue					
Direct premium income		$47,682,965	76	$39,269,156	70
Reinsurance premium income		-	-	0	0
Premium income		47,682,965	76	39,269,156	70
Deduct: Premiums ceded to reinsurers		(287,294)	0	(268,624)	0
Net changes in unearned premium reserve	VI.14	11,936	0	40,652	0
Retained premium earned	VI.22	47,407,607	76	39,041,184	70
Reinsurance commission earned		63,973	0	46,139	0
Handling fees earned		225,845	0	249,120	0
Net investment profits and losses					
Interest income		9,668,161	15	8,099,502	14
Gains (losses) on financial assets and liabilities at fair value through profit or loss		12,347,121	20	(20,474,369)	(36)
Realized gains on available-for-sale financial assets		5,802,542	9	5,039,078	9
Realized gains on debt instrument investments for which no active market exists		832,066	1	102,383	0
Realized losses on held-to-maturity financial assets		-	-	-	-
Foreign exchange gains (losses)		(17,865,858)	(28)	26,955,285	48
Net changes in foreign exchange valuation reserve	VI.15	2,008,663	3	(3,569,686)	(6)
Gains on investment property		125,780	0	138,479	0
Impairment losses and gains on reversal of impairment losses		-	-	-	-
Other operating revenue		-	-	(10)	0
Separate account product revenue	VI.27	2,708,753	4	328,759	1
Subtotal		63,324,653	100	55,955,864	100
Operating costs					
Insurance claim payments		(19,327,852)	(31)	(21,650,269)	(38)
Deduct: Claims recovered from reinsures		139,239	0	133,721	0
Retained claim payments	VI.23	(19,188,613)	(31)	(21,516,548)	(38)
Net changes in insurance liabilities	VI.14	(34,459,800)	(54)	(23,407,815)	(42)
Brokerage expenses		(1,763)	0	(1,872)	0
Commission expenses		(3,065,086)	(5)	(4,516,872)	(8)
Finance costs		(11,004)	0	(2,266)	0
Other operating costs		(65,835)	0	(49,087)	0
Separate account product expenses	VI.27	(2,708,753)	(4)	(328,759)	(1)
Subtotal		(59,500,854)	(94)	(49,823,219)	(89)
Operating expenses	VI.24				
Business expenses		(657,555)	(1)	(632,136)	(1)
Administrative and general expenses		(312,353)	0	(342,096)	(1)
Employee training expenses		(6,319)	0	(7,409)	0
Subtotal		(976,227)	(1)	(981,641)	(2)
Operating income (loss)		2,847,572	5	5,151,004	9
Non-operating income and expenses		12,506	0	7,398	0
Income (loss) from continuing operations before income tax		2,860,078	5	5,158,402	9
Income tax benefit (expense)	VI.25	293,210	0	(644,672)	(1)
Net income (loss) from continuing operations		3,153,288	5	4,513,730	8
Net Income (Loss)		3,153,288	5	4,513,730	8
Other comprehensive income, net of tax	VI.21				
Items that will not be reclassified subsequently to profit or loss					
Gains on revaluation		9,999	0	100,310	0
Income taxes relating to items that are not be reclassified		(4,353)	0	(8,386)	0
Items that are or may be reclassified subsequently to profit or loss					
Unrealized valuation gains (losses) on available-for-sale financial assets		438,174	1	(11,515,788)	(21)
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		100,716	0	839,711	2
Other comprehensive income, net of tax		544,536	1	(10,584,153)	(19)
Total comprehensive income		$3,697,824	6	$(6,070,423)	(11)
Earnings per share (In New Taiwan Dollars)	VI.26				
Basic earnings per share		$0.91		$1.30	

The accompanying notes are an integral part of these unaudited financial statements.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.
Unaudited statements of comprehensive income
For the nine-month periods ended 30 September 2016 and 2015
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan Dollars, except Earnings per Share)

Item	Notes	1 January-30 September 2016 Amount	%	1 January-30 September 2015 Amount	%
Operating revenue					
Direct premium income		$138,782,391	77	$104,599,527	71
Reinsurance premium income		-	-	0	0
Premium income		138,782,391	77	104,599,527	71
Deduct: Premiums ceded to reinsurers		(846,722)	0	(784,498)	(1)
Net changes in unearned premium reserve	VI.14	89,500	0	139,614	0
Retained premium earned	VI.22	138,025,169	77	103,954,643	70
Reinsurance commission earned		222,193	0	109,979	0
Handling fees earned		671,826	0	732,103	0
Net investment profits and losses					
Interest income		27,703,096	15	23,265,178	16
Gains (losses) on financial assets and liabilities at fair value through profit or loss		22,126,343	12	(12,680,681)	(8)
Realized gains on available-for-sale financial assets		11,965,539	7	12,227,676	8
Realized gains on debt instrument investments for which no active market exists		2,096,386	1	1,464,477	1
Realized losses on held-to-maturity financial assets		(40,912)	0	-	-
Foreign exchange gains (losses)		(31,584,082)	(17)	16,845,333	12
Net changes in foreign exchange valuation reserve	VI.15	3,099,762	2	(3,045,033)	(2)
Gains on investment property		321,270	0	408,993	0
Impairment losses and gains on reversal of impairment losses		(2,955)	0	1,675	0
Other operating revenue		-	-	22	0
Separate account product revenue	VI.27	5,933,386	3	3,526,591	3
Subtotal		180,537,021	100	146,810,956	100
Operating costs					
Insurance claim payments		(58,812,229)	(33)	(57,941,774)	(39)
Deduct: Claims recovered from reinsures		423,857	0	414,920	0
Retained claim payments	VI.23	(58,388,372)	(33)	(57,526,854)	(39)
Net changes in insurance liabilities	VI.14	(94,080,326)	(52)	(61,259,322)	(42)
Brokerage expenses		(4,748)	0	(4,896)	0
Commission expenses		(9,023,570)	(5)	(9,517,867)	(6)
Finance costs		(14,717)	0	(5,286)	0
Other operating costs		(179,734)	0	(129,443)	0
Separate account product expenses	VI.27	(5,933,386)	(3)	(3,526,591)	(3)
Subtotal		(167,624,853)	(93)	(131,970,259)	(90)
Operating expenses	VI.24				
Business expenses		(1,886,797)	(1)	(1,776,064)	(1)
Administrative and general expenses		(1,059,017)	(1)	(1,023,446)	(1)
Employee training expenses		(16,877)	0	(15,860)	0
Subtotal		(2,962,691)	(2)	(2,815,370)	(2)
Operating income (loss)		9,949,477	5	12,025,327	8
Non-operating income and expenses		49,174	0	32,400	0
Income (loss) from continuing operations before income tax		9,998,651	5	12,057,727	8
Income tax benefit (expense)	VI.25	(929,226)	0	(1,832,098)	(1)
Net income (loss) from continuing operations		9,069,425	5	10,225,629	7
Net income (loss)		9,069,425	5	10,225,629	7
Other comprehensive income, net of tax	VI.21				
Items that will not be reclassified subsequently to profit or loss					
Gains on revaluation		9,999	0	142,089	0
Income taxes relating to items that are not be reclassified		(4,353)	0	(12,639)	0
Items that are or may be reclassified subsequently to profit or loss					
Unrealized valuation gains (losses) on available-for-sale financial assets		6,588,173	4	(13,019,942)	(9)
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		102,313	0	1,687,801	1
Other comprehensive income, net of tax		6,696,132	4	(11,202,691)	(8)
Total comprehensive income		$15,765,557	9	$(977,062)	1
Earnings per share (In New Taiwan Dollars)	VI.26				
Basic earnings per share		$2.61		$2.94	

The accompanying notes are an integral part of these unaudited financial statements.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Unaudited statements of changes in equity

For the nine-month periods ended 30 September 2016 and 2015

(Reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings			Other equity		
Summary	Notes	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated retained earnings	Unrealized valuation gains (losses) on available-for-sale financial assets	Revaluation surplus	Total
Balance on 1 January 2015		$30,364,970	$4,414,821	$4,780,855	$16,777,327	$6,167,092	$11,774,078	$45,350	$74,324,493
Appropriation and distribution of earnings for the year of 2014	VI.20								
Legal capital reserve				1,302,392		(1,302,392)			-
Special capital reserve					2,721,158	(2,721,158)			-
Cash dividends						(1,214,599)			(1,214,599)
Stock dividends		910,949				(910,949)			-
Changes in other capital surplus									
Capital surplus used to distribute stock dividends		2,125,548	(2,125,548)						-
Net income for the nine-month ended 30 September 2015						10,225,629			10,225,629
Other comprehensive income for the nine-month ended 30 September 2015	VI.21						(11,332,141)	129,450	(11,202,691)
Total comprehensive income for the nine-month ended 30September 2015		-	-	-	-	10,225,629	(11,332,141)	129,450	(977,062)
Balance on 30 September 2015		$33,401,467	$2,289,273	$6,083,247	$19,498,485	$10,243,623	$441,937	$174,800	$72,132,832
Balance on 1 January 2016		$33,401,467	$2,289,273	$6,083,247	$19,795,287	$8,885,246	$11,954,548	$174,800	$82,583,868
Appropriation and distribution of earnings for the year of 2015	VI.20								
Legal capital reserve				1,834,380		(1,834,380)			-
Special capital reserve					1,337,896	(1,337,896)			-
Cash dividends						(2,004,088)			(2,004,088)
Stock dividends		1,336,133				(1,336,133)			-
Net income for the nine-month ended 30 September 2016						9,069,425			9,069,425
Other comprehensive income for the nine-month ended 30 September 2016	VI.21						6,690,486	5,646	6,696,132
Total comprehensive income for the nine-month ended 30 September 2016		-	-	-	-	9,069,425	6,690,486	5,646	15,765,557
Balance on 30 September 2016		$34,737,600	$2,289,273	$7,917,627	$21,133,183	$11,442,174	$18,645,034	$180,446	$96,345,337

The accompanying notes are an integral part of these unaudited financial statements.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.
Unaudited statements of cash flows
For the nine-month periods ended 30 September 2016 and 2015
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan Dollars)

	1 January-30 Septmebr 2016	1 January-30 September 2015
Cash flows from operating activities		
Net income (loss) before tax	$9,998,651	$12,057,727
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	85,253	70,743
Amortization expense	37,861	18,995
Provision (reversal of provision) for bad debt expense	8,427	6,457
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(22,126,343)	12,680,681
Net losses (gains) on available-for-sale financial assets	(8,120,066)	(7,363,773)
Net losses (gains) on debt instrument investments for which no active market exists	(2,096,386)	(1,464,477)
Net losses (gains) on held to maturity financial assets investments	40,912	-
Interest expenses	14,717	5,286
Interest income	(27,703,096)	(23,265,178)
Dividend income	(3,845,473)	(4,863,904)
Net changes in insurance liabilities	88,150,112	64,794,956
Net changes in foreign exchange volatility reserve	(3,099,762)	3,045,033
Net changes in provisions	(1,025)	(4,216)
(Gains) losses on disposal or scrapping of property and equipment	237	650
(Gains) losses on disposal of investment property	(1,507)	(10,967)
Impairment losses on financial assets	2,955	14,629
Reversal of impairment losses on non-financial assets	-	(16,304)
Unrealized foreign exchange losses (gains)	26,792,388	(10,646,378)
(Gains) losses on valuation of investment property	55,716	(45,000)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	14,686,007	(10,202,781)
Decrease (increase) in notes receivable	189,012	203,099
Decrease (increase) in other receivables	(1,353,816)	3,383,170
Decrease (increase) in prepaid expenses and other prepayments	92,851	211,304
Decrease (increase) in refundable deposits	58	1,840
Decrease (increase) in reinsurance assets	26,956	20,076
Decrease (increase) in other assets	(3,255)	(971)
Increase (decrease) in notes payable	(16,616)	(73,627)
Increase (decrease) in life insurance proceeds payable	(4,770)	(15,382)
Increase (decrease) in other payables	1,211,835	(1,284,591)
Increase (decrease) in due to reinsurers and ceding companies	23,855	(16,040)
Increase (decrease) in commissions payable	(364,637)	(1,291)
Increase (decrease) in accounts collected in advance	(106,684)	586,598
Increase (decrease) in guarantee deposits received	(1,674)	5,051
Increase (decrease) in other liabilities	734,686	(329,074)
Increase (decrease) in provision for employee benefits	(141,756)	4,545
Cash generated from operations activities	73,165,623	37,506,886
Interest received	26,335,895	16,392,077
Dividends received	3,636,615	4,386,199
Interest paid	(14,717)	(5,286)
Income taxes refunded (paid)	213,215	(577,239)
Net cash provided by (used in) operating activities	103,336,631	57,702,637
Cash flows from investing activities		
Acquisition of available-for-sale financial assets	(120,792,968)	(108,936,803)
Disposal of available-for-sale financial assets	188,003,497	102,955,684
Return of capital from available-for-sale financial assets	67,633	6,846
Acquisition of debt instrument investments for which no active market exists	(213,614,342)	(139,951,926)
Disposal of debt instrument investment for which no active market exists	84,132,553	96,757,472
Maturity principal from debt instrument investments for which no active market exists	13,726,384	1,000,000
Acquisition of held-to-maturity financial assets	(50,902,422)	(32,754,861)
Disposal of held-to-maturity financial assets	649,371	-
Acquisition of property and equipment	(505,817)	(301,316)
Acquisition of intangible assets	(47,980)	(45,996)
Decrease (increase) in loans	288,785	343,366
Acqusition of investment property	-	(458,606)
Disposal of investment property	163,037	104,898
Net cash provided by (used in) investing activities	(98,832,269)	(81,281,242)
Cash flows from financing activities		
Cash dividend paid	(2,004,088)	(1,214,599)
Net cash provided by (used in) financing activities	(2,004,088)	(1,214,599)
Increase (decrease) in cash and cash equivalents	2,500,274	(24,793,204)
Cash and cash equivalents at the beginning of the period	52,426,711	61,223,512
Cash and cash equivalents at the end of the period	$54,926,985	$36,430,308

The accompanying notes are an integral part of these unaudited financial statements.

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

China Life Insurance Co., Ltd.

Notes to financial statements

For the nine-month periods ended 30 September 2016 and 2015

(30 September 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

I. <u>Organizations and business scope</u>

China Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on 25 April 1963, previously known as Overseas Life Corp. The Company was renamed China Life Insurance Co., Ltd. and authorized by Ministry of Finance, R.O.C. and Ministry of Economic Affairs, R.O.C. in January 1981. The registered office address of the Company is 5F., No.122, Dunhua N. Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.). The Company's shares were listed on the Taiwan Stock Exchange. The Company mainly engages in the business of life insurance. The Company is headquartered in Taipei City, and has branches in Taoyuan City, Taichung City, Chiayi City, Tainan City, Kaohsiung City, Pintung County, Hualien County and Penghu County.

To enhance operation synergy, the Company accomplished the acquisition of major assets and liabilities from Prudential Corporation Asia Life Taiwan on 19 June 2009. The deal was approved by Financial Supervisory Commission ("FSC") under Order No. Financial-Supervisory -Securities-Corporate-09802552211 on 16 June 2009.

The Company established an offshore insurance unit (OIU) on 14 September 2015 following resolution of the board of directors and receiving approval from FSC.

II. <u>Date and procedures of authorization of financial statements for issue</u>

The financial statements of the Company for the nine-month periods ended 30 September 2016 and 2015 were authorized to issue in accordance with a resolution of the Company's board of directors on 10 November 2016.

III. <u>Newly issued or revised standards and interpretations</u>

1. Standards or interpretations issued, revised or amended, which are recognized by FSC, but not yet adopted by the Company at the date of issuance of the Company's financial statements are listed below:

Contents of Standards or interpretations	Adoption Date (Note1)
(1) IAS 36 *"Impairment of Assets" (Amendment)*	1 January 2014
(2) IFRIC 21 *"Levies"*	1 January 2014
(3) IAS 39 *"Novation of Derivatives and Continuation of Hedge Accounting"*	1 January 2014
(4) IAS 19 *"Employee Benefits" (Defined benefit plans: employee contributions)*	1 July 2014

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Contents of Standards or interpretations	Adoption Date (Note1)
(5) *Improvements to International Financial Reporting Standards (2010-2012 cycle):*	
IFRS 2 *"Share-based Payment"*	Note2
IFRS 3 *"Business Combinations"*	Note3
IFRS 8 *"Operating Segments"*	1 July 2014
IFRS 13 *"Fair Value Measurement"*	Note4
IAS 16 *"Property, Plant and Equipment"*	1 July 2014
IAS 24 *"Related Party Disclosures"*	1 July 2014
IAS 38 *"Intangible Assets"*	1 July 2014
(6) *Improvements to International Financial Reporting Standards (2011-2013 cycle):*	
IFRS 1 *"First-time Adoption of International Financial Reporting Standards"*	1 July 2014
IFRS 3 *"Business Combinations"*	1 July 2014
IFRS 13 *"Fair Value Measurement"*	1 July 2014
IAS 40 *"Investment Property"*	1 July 2014
(7) IFRS 14 *"Regulatory Deferral Accounts"*	1 January 2016
(8) IFRS 11 *"Joint Arrangements" (Accounting for Acquisitions of Interests in Joint Operations)*	1 January 2016
(9) IAS 16 *"Property, Plant and Equipment" and* IAS 38 *"Intangible Assets" — Clarification of Acceptable Methods of Depreciation and Amortization*	1 January 2016
(10) IAS 16 *"Property, Plant and Equipment* and IAS 41 *"Agriculture" — Agriculture: Bearer Plants*	1 January 2016
(11) IAS 27 *"Separate Financial Statements" — Equity Method in Separate Financial Statements*	1 January 2016
(12) *Improvements to International Financial Reporting Standards (2012-2014 cycle):*	
IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"*	1 January 2016
IFRS 7 *"Financial Instruments: Disclosures"*	1 January 2016
IAS 19 *"Employee Benefits"*	1 January 2016
IAS 34 *"Interim Financial Reporting"*	1 January 2016
(13) IAS 1 *"Presentation of Financial Statements" (Amendment)*	1 January 2016
(14) IFRS 10 *"Consolidated Financial Statements"*, IFRS 12 *"Disclosure of Interests in Other Entities"*, and IAS 28 *"Investments in Associates and Joint Ventures" — Investment Entities: Applying the Consolidation Exception*	1 January 2016

Note1: Except otherwise noted, the newly issued standards and interpretations above are effective for annual periods subsequent to the date of issue.

Note2: Apply to share-based payments whose vesting dates take place after 1 July 2014.

Note3: Apply to business combinations whose acquisition dates take place after 1 July 2014.

Note4: Effective immediately following amendment.

The abovementioned standards and interpretations issued by IASB and recognized by FSC so that they are applicable for annual periods beginning on or after 1 January 2017. As the Company is still currently determining the potential impact of the standards and interpretations listed below, it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

IAS 36 *"Impairment of Assets" (Amendment)*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

IFRIC 21 *"Levies"*

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain).

IAS 39 *"Novation of Derivatives and Continuation of Hedge Accounting"*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

IAS 19 *"Employee Benefits" (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Improvements to International Financial Reporting Standards (2010-2012 cycle)

IFRS 13 *"Fair Value Measurement"*

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 *"Property, Plant and Equipment"*

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

IAS 38 *"Intangible Assets"*

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

Improvements to International Financial Reporting Standards (2011-2013 cycle)

IFRS 13 *"Fair Value Measurement"*

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

IAS 40 *"Investment Property"*

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required.

Improvements to International Financial Reporting Standards (2012-2014 cycle)

IFRS 7 *"Financial Instruments: Disclosures"*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting*.

IAS 19 *"Employee Benefits"*

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

IAS 34 *"Interim Financial Reporting"*

The amendment clarifies what is meant by "elsewhere in the interim financial report" under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Disclosure Initiative — Amendment to IAS 1 *"Presentation of Financial Statements"*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

2. Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Company's financial statements are listed below.

	Contents of Standards or interpretations	Adoption Date (Note1)
(1)	IFRS 15 *"Revenue from Contracts with Customers"*	1 January 2018
(2)	IFRS 9 *"Financial Instruments"*	1 January 2018
(3)	IFRS 10 *"Consolidated Financial Statements" and* IAS 28 *"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*	Note2
(4)	IFRS 16 *"Leases"*	1 January 2019
(5)	IAS 12 *"Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*	1 January 2017
(6)	Disclosure Initiative — Amendment to IAS 7 *"Statement of Cash Flows"*	1 January 2017
(7)	IFRS 15 *"Revenue from Contracts with Customers"* — Clarifications to IFRS 15	1 January 2018
(8)	IFRS 2 "*Share-Based Payment*" — Amendments to IFRS 2	1 January 2018
(9)	Applying IFRS 9 "*Financial Instruments"* with IFRS 4 *"Insurance Contracts"* — Amendments to IFRS 4	1 January 2018

Note1: Except otherwise noted, the newly issued standards and interpretations above are effective for annual periods subsequent to the date of issue.

Note2: The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed below, it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

IFRS 9 "Financial Instruments"

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

IFRS 16 *"Leases"*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

IAS 12 *"Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendment clarifies how to account for deferred tax assets for unrealized losses.

Disclosure Initiative — Amendment to IAS 7 *"Statement of Cash Flows"*

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period.

IFRS 15 *"Revenue from Contracts with Customers"* — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time.

IFRS 2 "*Share-Based Payment*" — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, such transacitons will be classified in their entirety as equity-settled share-based payment transacitons if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

Applying IFRS 9 *"Financial Instruments"* with IFRS 4 *"Insurance Contracts"* — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 *"Financial Instruments"* (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 *"Financial Instruments"* before the IASB's new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

IV. Summary of significant accounting policies

1. Statement of compliance

The financial statements of the Company for the nine-month periods ended 30 September 2016 and 2015 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises ("the Regulations") and IAS 34 Interim Financial Reporting as recognized by the FSC.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments and investment property that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

3. Foreign currency transactions

The Company's financial statements are presented in functional currency, NT$. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated using the closing rate of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is measured. Non-monetary items measured at historical cost in foreign currencies are translated using the exchange rates at the date of initial transactions.

Apart from the items mentioned below, the exchange differences due to settlement or translation are recognized in profit or loss for the period.

(1) The foreign currency items which are applicable to IAS 39 *Financial Instruments: Recognition and Measurements* should be dealt with the accounting policy of financial instruments.

(2) Exchange differences of monetary items arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When the investment is disposed of or sold, exchange differences are reclassified from other comprehensive income into profit or loss.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. If a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

4. Product categories

Insurance contract means the insurer accepts the transfer of significant insurance risk from insurance policyholder, and agrees to compensate the policyholder for any damages when a particular uncertain event (insured event) occurs in the future. The definition of a significant insurance risk means any insured event occurs and causes the Company to pay additional significant fees.

Insurance contract with features of financial instruments is the contract that transfers the significant financial risk. The definition of the financial risk refers to one or more specific interest rates, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables related to risks of possible changes in the future. If the above variables are non-financial variables, then the variables exist in both sides under the contract.

When the original judgment meets the criteria of the policy under the insurance contract, before the right of ownership and obligations expires or extinguishes, the policy will still be considered as an insurance contract; even if the exposure to insurance risk during the policy period has been significantly reduced. However, if insurance risk following the renewal of an insurance contract with features of financial instruments is transferred to the Company, the Company will reclassify the contract as an insurance contract.

Insurance contracts and insurance contracts with feature of financial instruments can be further broken down into separate categories depending on whether the contracts have discretionary participation feature or not. To have discretionary participation feature means a guaranteed payment from the contract plus contractual rights to receive additional payments.

These contractual rights have the following characteristics:

(1) Additional payments as a percentage of total contractual payments may be more significant and take up a bigger portion.
(2) In accordance with the contract, the amount and date of additional payments are at the Company's discretion.
(3) In accordance with the contract, additional payments are handed out based on one of the following matters:

a. Performance of a specific combination of contracts or specific type of contract
b. The investment return of a specific asset portfolio the Company holds
c. Profit and loss from the Company, funds, or other entities

When embedded derivative products' economic characteristics and risks are no longer closely related to the economic characteristics and risks of the primary contracts, it should be listed separately from the primary contracts and use fair value method to determine its fair value. Also the profit or loss determined by the fair value method should be recognized in the current period. However, if the embedded derivative product meets the definition of an insurance contract or the whole contract is measured by the fair value method and the profit or loss is recognized in the current period, the Company will not need to separately list the embedded derivative product and the insurance contract.

5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies time deposits as cash equivalents when they have maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

6. Financial assets and liabilities

(1) Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of financial instrument.

Pursuant to IAS 39 *Financial Instruments: Recognition and Measurement*, financial assets are categorized as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "held-to-maturity financial assets", and "loans and receivables". Financial liabilities are categorized as "financial liabilities at fair value through profit or loss", and "financial liabilities measured at amortized cost".
Financial assets designated as at fair value are recognized and derecognized using trade date accounting, and financial assets designated as at amortized cost are recognized and derecognized using settlement date accounting on a regular way purchase or sale basis.

Subsequent measurement of each category of financial assets and liabilities is listed below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Such assets are subsequently measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss.

Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling them in the near term, and the following requirements are met:

- Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

k Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable. Any gain or loss already recognized in profit or loss shall not be reversed. Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in equity, except for impairment losses and gains or losses arising from the translation of monetary financial assets. When the financial assets are derecognized, the cumulative gains or losses previously recorded in equity are recognized in profit or loss. The interest income calculated by effective interest method of available-for-sale financial assets and dividends on available-for-sale equity instruments are recognized in profit or loss.

Available-for-sale financial assets meeting the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Upon reclassification, the fair value on the date of reclassification becomes its new cost or amortized cost, as applicable. Any previous gain or loss on the asset that has been recognized in equity shall be amortized to current profit or loss over the remaining life of the asset.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company has both the positive intention and ability to hold the financial assets to maturity. Such investments are subsequently measured at amortized cost. Gains or losses on changes in fair value are recognized in profit or loss when the investments are derecognized or impaired. The amortized cost is computed as the cost amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate arising from the difference between the cost and the maturity amount, and minus impairment. Contracts related to the financial instruments, transactions costs, fees and premiums/discounts are taken into consideration when calculating the effective interest rate.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition classified as at fair value through profit or loss, designates as available-for-sale, and those for which the holder may not recover substantially all of its initial investment because of credit deterioration.

Loans and receivables are separately presented on the balance sheet as receivables, debt instrument investments for which no active market exists or loans. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Financial liabilities

Financial liabilities at fair value subsequently measured at fair value with changes recognized in profit or loss which includes all interest payments the financial liabilities disburse.

Such liabilities measured at cost on the end of the reporting period are reported as financial liabilities measured at cost on the balance sheet if there are no fixed or determinable payments quoted in an active market.

(2) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes all or part of the financial assets when the contractual rights to the cash flows from the assets expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset or when it loses its controls to the assets.

When the Company transfers all or part of the financial assets and abandons its controls to the assets, it is regarded as sale within the scope of charging in exchange.

Financial liabilities

The Company derecognizes all or part of the financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instrument investments with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the liability extinguished and the liability recognized is recognized in profit or loss.

(3) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(4) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired when, and only when, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset. The carrying amount of the financial asset impaired, other than receivables and loans impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events may include:

j significant financial difficulty of the issuer or obligor ; or
k a breach of contract, such as a default or delinquency in interest or principal payments; or
l it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
m the disappearance of an active market for that financial asset because of financial difficulties of the issuer.

Impairment methods of financial assets the Company adopts in accordance with different measurements as below:

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

In addition, in accordance with the regulation of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”, the Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

1. Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated .

2. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

3. Total unsecured portion of loans overdue and receivable on demand.

4. If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts.

To strengthen the ability to bear the loss of specific loan assets, the authority may, if necessary, require the Company to raise loan loss provision for specific loan assets in specified criteria and deadlines.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instrument investments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(5) Derivative financial instruments and hedging transactions

The Company engages in derivative financial instrument transactions, such as forward foreign exchange contracts, interest rate swaps, cross currency swaps, options and futures, to hedge its risks associated with foreign currency and interest rate fluctuations. These derivative financial instruments are initially recognized at fair value on the day a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

7. Loans

Loans include automatic premium loans, policy loans and secured loans. Among them, automatic premium loans are premiums paid on behalf of the insured in accordance with the insurance contract, policy loans are secured by policies issued by the Company, and secured loans are secured by stocks, chattel, real estate and other loans and overdue receivables approved by the authority.

Loan principal or interest arrears more than three months after the settlement period, or less than three months but has executed recourse to the primary and secondary debtor or disposed the collateral, listing under overdue loans.

Collateral received from the overdue loans by actively dunning is recorded at the fair value listed in the related account depending on the nature of the collateral, and measured in the applicable method of that account.

8. Fair value measurement

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

(1) in the principal market for the asset or liability, or
(2) in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible for the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item, restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets separately with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, Plant and Equipment.* When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and construction	15～60 years
Computer equipment	3~15 years
Communication and transportation equipment	5~10 years
Other equipment	3~5 years
Leased assets	Depend on the age or the durable life of lease, whichever is shorter

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively as a change in accounting estimate, if appropriate.

10. <u>Investment property</u>

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

The Company's investment properties are measured at fair value, and gains or losses are recognized in profit or loss in accordance with the requirements of IAS 40 *Investment Property*, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and paragraph 53 of IAS 40 *Investment Property*.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

11. Leases

The Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental incomes incurred from the operating leases are recognized over the lease term under straight-line method. Contingent rents are recognized as revenue in the period in which they are earned.

12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through merger, is its fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Other intangible assets are computer software and are amortized on a straight-line basis over the estimated useful life (3 to 5 years).

13. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The cash generating unit or group which belongs to goodwill should periodically make an impairment test whether it has a sign of impairment. If the impairment test result suggests recognizing an impairment loss, then first deducting goodwill and the remaining deficiencies should be amortized to other assets depending on the relative proportions of the carrying amount of the asset. Impairment losses relating to goodwill cannot be reversed in the future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

14. Investment-linked insurance products

The Company sells investment-linked insurance products, of which the applicant pays the premium according to the agreed amount less the expenses incurred by the insurer. In addition, the investment distribution is approved by the applicant and then transferred to specific accounts as requested by the applicant. The value of these specific accounts is determined based on their fair value on the applicable date and the net worth is computed in accordance with the relevant regulations and the IFRSs.

In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities representing the rights and obligations of the applicants, whether arising from an insurance contract or insurance policy with features of financial instruments, are recognized separately as “separate account product assets” and “separate account product liabilities”. The revenues and expenses of separate account insurance products in accordance with IFRS 4 *Insurance Contracts,* separately recognized as “separate account product revenues” and “separate account product expenses.”

15. Post-employment benefits

The Company set up a pension plan and an independently administered pension fund committee according to Labor Standards Act. The Company deposits retirement reserve according to a certain percentage of wages to the specific account of Bank of Taiwan every month. As the retirement reserves are deposited under the committee’s name in the specific bank account, the reserves are not associated with the Company. Therefore, retirement reserve is not included in the Company’s financial statements.

After the Labor Pension Act became effective, employees can choose to be subject to the pension mechanism under Labor Standards Act or Labor Pension Act. The seniority prior to the enforcement of Labor Pension Act shall be maintained and the Company deposits 6% of the monthly allocated wage based on the monthly wage allocation classification schedule to employees' personal pension accounts in Bureau of Labor Insurance if employees choose to be subject to the pension mechanism under Labor Pension Act.

In case that an employee's monthly wage exceeds the upper limit of monthly wage allocation classification schedule, the Company may deposit monthly 6% of the excess portion as retirement reserve to the Company's pension account. Upon meeting the requirements of the pension plan, the employees are entitled to receive this kind of the retirement reserve.

For the defined contribution plan, the Company recognizes expenses in the period in which the contribution becomes due. For the defined benefit plan, expenses are recognized based on actuarial assumptions at the end of reporting period. Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset), is recognized as other comprehensive income with a corresponding debit or credit to retained earnings when it occurs. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, and recognized as an expense at the earlier of the following dates:

(1) the date of the plan amendment or curtailment occurs, and
(2) the date that the Company recognizes related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

16. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, which probably leads to an outflow of resources embodying economic benefits that is required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

17. Insurance liabilities and reserve for insurance contracts with feature of financial instruments

The Company's reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." Furthermore, they have been validated by the certified actuarial professionals approved by Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the regulations established by the authorities. Reserved amount for the rest of other provisions is addressed below:

Moreover, an insurance contract with discretionary participation feature is classified as liability.

(1) Unearned premium reserve

For the insurance policy whose term is within one year and has not met the due date or for the injury insurance policy whose term is over one year, the amount of reserve required is based upon the unexpired risk calculation.

(2) Reserve for claims

It is a reserve mainly for the reported but not paid claims and unreported claims. The reported but not paid claims reserve is assessed based on relevant information of each case and the amount deposited is further classified by the type of insurance. Unreported claims reserve is calculated and deposited based on the past experiences and expenses occurred and in accordance with the actuarial principles.

(3) Reserve for life insurance liabilities

Based on the life table and projected interest rates in the manual provided by the authority for each type of insurance, the dollar amount of life insurance reserve is calculated and deposited according to the calculation method listing on Article 12 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and the manual published by each authority of insurance products.

Starting from policy year of 2003, for valid insurance contract whose dividend calculation is stipulated by the regulations established by the authorities, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

When an insurer that opts to measure investment property at fair value, the value of its insurance liabilities at the same time must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds book value, the life insurer must set aside the difference to reserve for life insurance liabilities. The Company changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with rules issued by the FSC on 21 March 2014. The results of the measurements indicate that the fair value of the insurance liabilities doesn't exceed book value, therefore insurance liabilities does not have to be increased.

(4) Special reserve

j For the retained businesses with policy period within 1 year, the special reserve is classified into 2 categories, "Special Capital Reserve－Special Reserve for Major Incidents" and "Special Capital Reserve－Special Reserve for Fluctuation of Risks." The dollar amount of reserve required is addressed as follows:

A. Special capital reserve－Special reserve for major incidents

All types of insurance should follow the special catastrophe reserve rates set by authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of NT$30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, the Company could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference.

B. Special capital reserve—Special reserve for fluctuation of risks

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is less than the anticipated dollar amount need to be paid, the 15% of this difference should be reserved in special reserve for fluctuation of risks. When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the special reserve for fluctuation of risks for specified type of insurance is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purpose. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30% of self-retention earned premium within one year, the exceeded amount will be recovered.

For special reserves for major incidents and special reserve for fluctuation of risks addressed previously, the balance of the annual reserve net of tax, the post-tax amount of appropriated and written-down or recovery would be recorded in the special capital reserve under equity.

k The Company sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating / non-participating policy”, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks.

l The net impact from first adoption of fair value in subsequent measurement has been appropriated into dividend reserve for participating policy which relates to investment property. That reserve can only be used to recover the shortage of valid contract according to the fair value of the liability reserve assessment approved by the authority and replenish the liabilities under the stage two of IFRS 4 *"Insurance Contracts"* for the sustainable of financial structure. By the time the related assets dispose, the reserve which comes from the changes of fair value due to the cumulative net value-added benefits can be processed according to the related distribution provision of participating policy.

(5) Premium deficiency reserve

For the contracts over one year of life, health, or annuities insurance commencing on 1 January 2001, the following rules apply: When the gross premium is less than the valuation net premium, a deficiency reserve is required to be set aside with the value of an annuity, the amount of which shall equal the difference between such premiums and the term of which in years shall equal the number of future annual payments due on such insurance at the date of the valuation.

In addition, for the insurance policy which period is within one year and has not met the due date or accidental insurance policy over one year, the following rules apply: If the probable indemnities and expenses are greater than the aggregate of unearned premium reserves and collectable premiums in the future, the premium deficiency reserve is set aside based on the difference thereof.

(6) Liability adequacy reserve

This is the reserve that is set aside based on the adequacy test of liability required by IFRS 4 *Insurance Contracts*.

Liability adequacy test is based on integrated insurance contract and related regulations. This test compares net of reserve for insurance contract, deferred acquisition cost and related intangible assets with anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as liability adequacy reserve.

(7) Reserves for insurance contracts with feature of financial instruments

Financial products without discretionary participation features follows "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and Depository Accounting.

18. Foreign exchange valuation reserve

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets (do not include foreign currency non-investment-linked life insurance product assets) in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”. The beginning balance of foreign exchange valuation reserve is NT$1,745,679 thousand which has to recognize special reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve may be used to increase the share capital or offset deficit at least once in the following three years. According to “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises” Article 9, if the Insurance Company has annual net tax earning, then it should appropriate 10% of that earning to special reserve after shareholders' meeting.

19. Insurance premium income and expenses

For the Company’s insurance contract and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue after collection and underwriting procedures, and subsequent session of collection are completed, respectively. In terms of the acquisition cost such as commission expenses and brokerage expenses, the related expenses will be recognized in that period after commencement of the insurance contract.

For non-separate account insurance product that is also classified as financial products without discretionary participation features, the insurance revenue collected is recognized on the balance sheet as “reserves for insurance contracts with feature of financial instruments.” The related acquisition costs will be written-down in that period after commencement of the insurance contract under “reserves for insurance contracts with feature of financial instruments.”

20. Reinsurance

The Company limits exposure to some events that may cause a certain amount of loss and engages in reinsurance in accordance with business needs and the insurance laws and regulations. For reinsurance ceded, the Company may not refuse to fulfill its obligations to the insured because the reinsurer fails to fulfill their responsibility.

Premiums ceded to reinsurers and reinsurance commission income generated from ceded reinsurance business and due to reinsurers and ceding companies are recognized in the same period with income or expense of the related insurance contract. As the net right of holding reinsurance contract includes reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, they are recognized according to the method of signed reinsurance contract and related insurance contract liabilities. The assets, liabilities, income and expense of reinsurance contract cannot offset with the income and expense of related insurance liabilities and insurance contract.

The Company holds the right over re-insurer for reinsurance reserve assets, claims recoverable from reinsurers-net and due from reinsurers and ceding companies, and regularly assess if impairment has occurred to such rights or the rights can no longer be recovered. When objective evidences demonstrate that such rights after initial recognition may lead to the Company not recovering all contractual terms of the amount due; and the above events can be recovered from reinsurers at the impacted amount, then the Company can retrieve an amount that is less than the carrying value of the aforementioned rights, and recognize impairment losses.

For the classification of reinsurance contracts, the Company assesses whether the transfer of significant insurance risk to the re-insurer has occurred. If the transfer of significant insurance risk is not apparent, then the contract is recognized and evaluated with deposit accounting.

For reinsurance contracts that have their significant insurance risk transferred, if the Company can separate the individual elements and measure their savings, then the reinsurance contracts need to be recognized separately as the insurance's element and the saving's element. That is, the Company receives (or pays) the contract's value minus the insurance element, recognizing it as either financial liabilities (or assets), and not as incomes (or expenses). The financial liabilities (or assets) are recognized with the fair value method and uses the present value of future cash flow as the basis for the fair value method.

21. Income taxes

Income tax expense (benefit) is the aggregate amount in respect of current tax and deferred tax which included in profit or loss for the period.

Current income tax

Current income tax asset (liability) for the current and prior period is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax and the tax relating to items recognized in other comprehensive income or directly in equity shall be recognized in other comprehensive income or directly in equity rather than the profit and loss.

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the balance sheets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflect the tax consequences generated from expected recovery of assets or settlement of liabilities at the end of reporting date. Deferred tax is not recognized in the profit and loss if the related item is not recognized in the profit and loss. Rather, it is recognized in other comprehensive income or directly in equity according to their transaction. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income tax expenses for the interim period are accrued and disclosed at the tax rates that are expected to apply in expected total earnings for the year, which means estimated averaged effective tax rates for the year are used in the before-tax income for the interim period.

22. Unconsolidated structured entities

Securitization vehicles such as real estate investment trust and beneficiary certificates of financial asset securitization, asset-backed financings and some investment funds such as private funds are unconsolidated structured entities, and the related information should be disclosed in accordance with IFRS 12 *Disclosure of Interests in Other Entities.*

V. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

1. Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(1) Categories of financial assets

The Company classification of financial assets is based on the nature and purpose of the assets at the initial recognition. The management has to use its judgment to categorize financial assets. Different categories applied will affect measurements of the financial assets, which could have a significant impact on the Company's financial position and performance.

(2) Categories of insurance contracts

The Company identifies the composition of the issued insurance product contracts, decides whether it can be measured individually and determines whether the contract should be separately recognized. In addition, the Company examines whether the insurance contract has a significant insurance risk through review of the effective period of additional payment ratio, to decide the category of insurance products. If the additional payment ratio reach the pre-set significant standard at any policy period, such contract should be considered having a significant insurance risk. If a single contract provides payment of multiple different insurance events, additional payment will be calculated by the greatest difference between the payment of each insurance event if occurs and the payment of each insurance event if not occurs.

(3) Operating lease commitment－the Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on evaluation of the terms for the arrangements, that it retains all the significant risks and rewards of ownership for these properties and takes the contracts as operating leases.

(4) Judgment for interests in structured entities

The Company determines whether to disclose related information about unconsolidated structured entities in accordance with IFRS 12 *Disclosure of Interests in Other Entities* depending on purpose and design of each entity, including consideration of risks from design of unconsolidated structured entities, risks designed to pass to the parties of unconsolidated structured entities and the Company’s exposure to some or all risks.

2. Estimates and assumptions

The assumptions about the future and primary sources of uncertainty estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Fair value of financial instruments

Where the fair value of the financial instruments recognized in the balance sheet cannot be derived from an active market or a quoted price, it is determined using a valuation technique. In applying valuation techniques, the Company adopts pricing models in accordance with its procedure for valuation, and uses observable market data as possible. The changes in assumptions of these models will affect the fair value of reported financial instruments. Please refer to Note VIII.

(2) Fair value of investment property

The fair value of investment property is derived from valuation techniques, including the income approach (such as discounted cash flow model) and market method, etc., and assumptions used in applying valuation techniques will have influence on the fair value of investment property.

(3) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset’s performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(4) Pension benefits

The costs of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include determination of the discount rate, increase in future salaries, mortality rates and increase in future pension payment.

(5) Insurance contract liabilities (including investment contract liabilities with discretionary participation feature of financial instruments)

The liability for insurance contracts and investment contracts with discretionary participation feature of financial instruments is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, investment returns, and expenses and surrender rates. The Company bases its assumptions on the standards published by the Actuarial Institute of the Republic of China, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics and experiences from target markets.

The best estimates of future investment income from the assets are based on current market returns, as well as expectation about future economic development. Assumptions on future expense are based on current expense level, adjusted for expected expense inflation, if appropriate. Surrender rates are based on the Company's historical experience.

(6) Income taxes

Uncertainty of income taxes exists on interpretation of complex tax regulations and the amount and timing of future taxable income. The differences between the actual results and the assumptions, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded. The Company establishes provision, based on reasonable estimates, for possible consequence of audits by the tax authorities at the each county where it operates. The amount of provision is based on various factors, such as experience of previous tax audits and different interpretation of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for all carry-forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

VI. Description of significant accounting items

1. Cash and cash equivalents

Item	2016.9.30	2015.12.31	2015.9.30
Cash on hand	$880	$1,777	$707
Revolving funds	4,535	4,555	4,560
Cash in banks	15,224,968	11,124,260	14,578,823
Time deposits	13,351,300	18,718,877	8,909,876
Cash equivalents－bond with resale agreement	26,345,302	22,577,242	12,936,342
Total	$54,926,985	$52,426,711	$36,430,308

2. Receivables

Item	2016.9.30	2015.12.31	2015.9.30
Notes receivable - Net	$228,907	$417,919	$276,942
Other receivables - Net			
Interest receivable	8,422,765	9,082,009	8,340,271
Financial instruments settlement receivable	1,278,541	190,935	962,778
Separate accounts receivable	1,349,240	1,021,677	656,913
Other receivables	486,947	507,852	788,350
Overdue receivables	739	756	4,745
Less: Allowance for bad debts - Overdue receivables	(739)	(756)	(1,160)
Subtotal	11,537,493	10,802,473	10,751,897
Total	$11,766,400	$11,220,392	$11,028,839

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

3. Financial assets at fair value through profit or loss

Item	2016.9.30	2015.12.31	2015.9.30
Held for sale:			
Derivative financial assets			
Swaps and forward foreign exchange contracts	$3,805,173	$22,615	$393,854
Non-derivative financial assets			
Government bonds	148,759	-	-
Designated financial assets at fair value through profit or loss:			
Convertible bonds	273,259	335,329	361,553
Total	$4,227,191	$357,944	$755,407

4. Available-for-sale financial assets

Item	2016.9.30	2015.12.31	2015.9.30
Domestic listed stocks	$58,881,056	$72,807,607	$74,164,788
Domestic beneficiary certificates	1,377,255	-	1,500,071
Domestic real estate investment trust	1,539,331	1,555,087	1,529,440
Domestic government bonds	151,957,658	190,765,178	189,421,128
Domestic corporate bonds	3,286,678	3,282,833	5,242,388
Domestic financial debentures	1,031,048	1,232,730	2,439,557
Domestic preferred stocks	329,400	-	-
Domestic unlisted stocks	2,591,328	2,648,151	2,482,137
Overseas listed stocks	13,369,434	16,384,512	13,743,891
Overseas beneficiary certificates	7,336,593	8,467,305	9,567,906
Overseas government bonds	1,674,713	3,131,596	3,219,546
Overseas corporate bonds	60,385,376	37,379,636	26,968,009
Overseas financial debentures	54,655,630	75,608,268	82,716,659
Overseas preferred stocks	4,349,332	7,901,252	7,945,077
Overseas unlisted stocks	18,720,970	19,684,307	17,765,088
Less: Refundable deposits	(1,597,974)	(1,573,736)	(1,552,742)
Total	$379,887,828	$439,274,726	$437,152,943

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

5. Debt instrument investments for which no active market exists

Item	2016.9.30	2015.12.31	2015.9.30
Domestic government bonds	$9,466,830	$10,109,830	$10,127,610
Domestic corporate bonds	37,213,290	41,109,413	43,657,320
Domestic financial debentures	31,302,586	31,304,987	34,305,791
Overseas government bonds	16,139,553	12,792,773	12,048,985
Overseas corporate bonds	72,668,174	74,655,112	74,599,780
Overseas financial debentures	396,093,220	312,972,980	301,933,554
Overseas real estate mortgage bonds	47,164,233	24,951,715	26,460,538
Less: Refundable deposits	(3,952,708)	(3,754,886)	(3,759,327)
Total	$606,095,178	$504,141,924	$499,374,251

6. Held-to-maturity financial assets

Item	2016.9.30	2015.12.31	2015.9.30
Domestic government bonds	$2,473,085	$2,472,447	$2,472,235
Overseas government bonds	4,249,688	2,458,633	348,609
Overseas corporate bonds	57,699,143	24,418,565	22,004,236
Overseas financial debentures	25,832,486	12,774,657	7,927,479
Total	$90,254,402	$42,124,302	$32,752,559

7. Loans

Item	2016.9.30	2015.12.31	2015.9.30
Policy loans	$23,107,856	$23,118,699	$22,767,792
Automatic premium loans	5,140,295	4,929,303	4,720,841
Secured loans－net	2,403,808	2,914,591	3,186,810
Secured loans－non-related parties	2,440,444	2,929,378	3,203,006
Less: Allowance for bad debts	(36,636)	(14,787)	(16,196)
Overdue receivables－net	(15,744)	(29,148)	57,976
Overdue receivables	-	-	106,494
Less: Allowance for bad debts	(15,744)	(29,148)	(48,518)
Total	$30,636,215	$30,933,445	$30,733,419

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The movements in the provision for impairment of secured loans and overdue receivables are as follows:

	For the nine-month periods ended 30 September	
	2016	2015
Beginning balance	$43,935	$58,020
Charge (reversal) for the current period	8,445	6,694
Ending balance	$52,380	$64,714

The above impairment is assessed collectively.

8. Investment property

The reconciliations from the beginning book value balances to the ending book value balances for investment property measured at fair value model in subsequent period are as follows:

	For the nine-month period ended 30 September 2016			
	Land	Buildings	Prepayments for buildings	Total
Costs:				
Beginning balance	$15,764,935	$5,868,698	$-	$21,633,633
Gains (losses) generated from fair value adjustments	187,706	(243,422)	-	(55,716)
Disposals	(6,498)	(10,936)	-	(17,434)
Transfers from (to) property and equipment	(184,921)	(57,974)	-	(242,895)
Ending balance	$15,761,222	$5,556,366	$-	$21,317,588

	For the nine-month period ended 30 September 2015			
	Land	Buildings	Prepayments for buildings	Total
Costs:				
Beginning balance	$14,908,068	$5,894,607	$-	$20,802,675
Additions	384,227	74,379	-	458,606
Gains (losses) generated from fair value adjustments	61,480	(16,480)	-	45,000
Disposals	(35,119)	(45,631)	-	(80,750)
Transfers	(16,985)	-	-	(16,985)
Transfers from (to) property and equipment	320,080	104,290	-	424,370
Ending balance	$15,621,751	$6,011,165	$-	$21,632,916

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Development of the vacant land and prepayments for buildings without construction license is measured at cost because its fair value cannot be reliably determined. The reconciliations from the beginning book value balances to the ending book value balances are as follows:

	For the nine-month period ended 30 September 2016			
	Land	Buildings	Prepayment for buildings	Total
Costs:				
Beginning balance	$4,135,804	$-	$-	$4,135,804
Disposals	(481,629)	-	-	(481,629)
Ending balance	$3,654,175	$-	$-	$3,654,175
Accumulated impairment :				
Beginning balance	$1,495,895	$-	$-	$1,495,895
Disposals	(336,726)	-	-	(336,726)
Ending balance	$1,159,169	$-	$-	$1,159,169

	For the nine-month period ended 30 September 2015			
	Land	Buildings	Prepayment for buildings	Total
Costs :				
Beginning balance	$4,135,804	$-	$-	$4,135,804
Transfers	16,985	-	-	16,985
Disposals	(16,985)	-	-	(16,985)
Ending balance	$4,135,804	$-	$-	$4,135,804
Accumulated impairment :				
Beginning balance	$1,385,421	$-	$-	$1,385,421
Charge (reversal) for the current period	(16,304)	-	-	(16,304)
Disposals	(1,143)	-	-	(1,143)
Ending balance	$1,367,974	$-	$-	$1,367,974
Net carrying amount :				
2016.9.30	$18,256,228	$5,556,366	$-	$23,812,594
2015.12.31	$18,404,844	$5,868,698	$-	$24,273,542
2015.9.30	$18,389,581	$6,011,165	$-	$24,400,746

A major part of the Company’s buildings includes main plants, air conditioning, electrical and elevator equipment.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal. Valuation reports are issued every six months and evaluated the effectiveness of the fair value at the balance sheet date quarterly to determine whether to issue new valuation reports. The valuation dates of the valuation reports for the reporting period are 30 June 2016, 31 December 2015, and 30 June 2015, and review reports on 30 September 2016 and 2015 are also acquired. Please refer to original financial reports for detail information of the appraisers and agencies.

The decision of fair value is supported by observable evidence in the market. The appraisal approaches mainly used are the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings and residences are valued mainly by comparison approach and income approach because of the market liquidity and comparable sales and rental cases in neighboring areas. Income approach does not use discounted cash flow analysis, so no inputs of the discount rate.

The inputs mainly used are as follows:

	2016.9.30	2015.12.31	2015.9.30
	Mainly	Mainly	Mainly
Income capitalization rate	0.97%~4.47%	1.30%~4.46%	1.43%~4.44%

The Company recognized its investment property at fair value subsequent to initial recognition and fair value is categorized in Level 3 of fair value hierarchy. The fair value of investment property will decrease as the main input, income capitalization rate of direct capitalization method, increases. On the contrary, the fair value of investment property will increase if the main input decreases.

The investment properties are held mainly for lease business. All the lease agreements are operating leases. The primary terms of lease agreements are the same as general lease agreements. Rents from property investment are received annually, semi-annually, quarterly, monthly or in lump sum.

Rents from investment properties were NT$375,479 thousand and NT$353,026 thousand for the nine-month periods ended 30 September 2016 and 2015. Related direct operating expenses were NT$53,683 thousand and NT$50,292 thousand. The direct operating expenses of investment properties generating no rents were NT$1,855 thousand and NT$1,660 thousand.

As at 30 September 2016, 31 December 2015, and 30 September 2015, no investment properties were pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

9. Reinsurance assets

Item	2016.9.30	2015.12.31	2015.9.30
Claims recoverable from reinsurers	$181,940	$214,261	$151,907
Due from reinsurers and ceding companies	35,017	29,652	11,173
Reinsurance reserve assets			
Ceded unearned premium reserve	46,006	44,928	45,084
Ceded reserve for claims	35,698	51,368	50,664
Subtotal	81,704	96,296	95,748
Total	$298,661	$340,209	$258,828

The above reinsurance assets are not impaired.

10. Property and equipment

	For the nine-month period ended 30 September 2016							
	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leased assets	Prepayments for buildings and construction in progress	Total
Cost:								
1 January 2016	$5,590,835	$1,689,723	$352,633	$17,952	$322,940	$21,096	$637,686	$8,632,865
Additions	-	-	162,068	1,084	20,866	78	321,721	505,817
Disposals	-	-	(21,248)	(38)	(651)	-	-	(21,937)
Transfers from (to) investment property	198,919	52,965	-	-	-	-	-	251,884
Transfers	-	-	2,557	571	-	-	(39,726)	(36,598)
30 September 2016	$5,789,754	$1,742,688	$496,010	$19,569	$343,155	$21,174	$919,681	$9,332,031
Accumulated Depreciation:								
1 January 2016	$-	$384,117	$234,975	$12,064	$245,888	$20,890	$-	$897,934
Depreciation	-	30,291	41,635	1,239	11,935	153	-	85,253
Disposals	-	-	(21,011)	(38)	(651)	-	-	(21,700)
Transfers from (to) investment property	-	805	-	-	-	-	-	805
30 September 2016	$-	$415,213	$255,599	$13,265	$257,172	$21,043	$-	$962,292
Accumulated impairment:								
1 January 2016	$741,557	$5,176	$-	$-	$-	$-	$-	$746,733
Transfers from (to) investment property	(337)	(1,478)	-	-	-	-	-	(1,815)
30 September 2016	$741,220	$3,698	$-	$-	$-	$-	$-	$744,918

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the nine-month period ended 30 September 2015							
	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leased assets	Prepayments for buildings and construction in progress	Total
Cost:								
1 January 2015	$5,807,871	$1,754,400	$317,518	$14,819	$267,454	$20,987	$357,831	$8,540,880
Additions	-	-	34,586	1,618	46,385	109	218,618	301,316
Disposals	-	-	(16,521)	(525)	(582)	-	-	(17,628)
Transfers from (to)								
investment property	(217,036)	(64,677)	-	-	-	-	-	(281,713)
Transfers	-	-	7,477	1,436	-	-	(9,991)	(1,078)
30 September 2015	$5,590,835	$1,689,723	$343,060	$17,348	$313,257	$21,096	$566,458	$8,541,777
Accumulated Depreciation:								
1 January 2015	$-	$344,227	$214,133	$10,986	$230,244	$20,499	$-	$820,089
Depreciation	-	29,610	27,151	1,210	12,445	327	-	70,743
Disposals	-	-	(15,871)	(525)	(582)	-	-	(16,978)
Transfers from (to)								
investment property	-	567	-	-	-	-	-	567
30 September 2015	$-	$374,404	$225,413	$11,671	$242,107	$20,826	$-	$874,421
Accumulated impairment:								
1 January 2015	$741,560	$5,243	$-	$-	$-	$-	$-	$746,803
30 September 2015	$741,560	$5,243	$-	$-	$-	$-	$-	$746,803
Net book value:								
2016.9.30	$5,048,534	$1,323,777	$240,411	$6,304	$85,983	$131	$919,681	$7,624,821
2015.12.31	$4,849,278	$1,300,430	$117,658	$5,888	$77,052	$206	$637,686	$6,988,198
2015.9.30	$4,849,275	$1,310,076	$117,647	$5,677	$71,150	$270	$566,458	$6,920,553

Property and equipment held by the Company are not pledged.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

11. Other assets

Item	2016.9.30	2015.12.31	2015.9.30
Prepayments			
Prepayment－surface rights	$13,635,482	$13,787,436	$13,838,087
Other prepayments	163,188	104,085	213,696
Subtotal	13,798,670	13,891,521	14,051,783
Refundable deposits			
Insurance industry deposits	5,530,773	5,309,535	5,292,067
Lawsuit deposits	19,909	19,087	20,002
Other deposits	19,240	19,298	19,449
Subtotal	5,569,922	5,347,920	5,331,518
Other assets－others	15,870	12,614	11,958
Total	$19,384,462	$19,252,055	$19,395,259

Prepayment－the surface rights are land use rights for 13 government properties, including Taipei Academy and ZHONG-LUN Housing that were acquired on 28 November 2013. The execution date of the contract was 20 January 2014 for a term of 70 years. The expiration date is 19 January 2084.

12. Payables

Item	2016.9.30	2015.12.31	2015.9.30
Notes payable	$73,458	$90,075	$184,246
Life insurance proceeds payable	99,270	104,040	112,631
Commissions payable	1,042,670	1,407,307	1,269,109
Due to reinsurers and ceding companies	246,303	222,447	191,577
Other payables			
Salary payable	553,597	565,889	532,272
Accrued expenses	1,696,812	2,019,258	2,072,660
Tax payable	27,010	61,400	60,171
Collection payable	47,345	42,291	39,706
Payable on investments	1,256,370	499,913	974,075
Payable on insurance policies	3,701,942	2,888,525	3,081,906
Others	165,924	154,553	143,235
Subtotal	7,449,000	6,231,829	6,904,025
Total	$8,910,701	$8,055,698	$8,661,588

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

13. Financial liabilities at fair value through profit or loss

Item	2016.9.30	2015.12.31	2015.9.30
Held for trading:			
Derivative financial instruments			
Swaps and forward foreign exchange contracts	$438,238	$3,984,347	$7,486,872
Total	$438,238	$3,984,347	$7,486,872

14. Insurance contracts and provision for financial instruments with discretionary participation feature

As at 30 September 2016, 31 December 2015, and 30 September 2015, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

(1) Reserve for life insurance liabilities:

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$770,319,515	$69,122,531	$839,442,046
Health insurance	91,853,504	-	91,853,504
Annuity insurance	725,645	159,708,171	160,433,816
Investment-linked insurance	1,852,137	-	1,852,137
Total	$864,750,801	$228,830,702	$1,093,581,503

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$680,341,792	$80,876,923	$761,218,715
Health insurance	85,126,882	-	85,126,882
Annuity insurance	767,663	157,203,645	157,971,308
Investment-linked insurance	1,900,260	-	1,900,260
Total	$768,136,597	$238,080,568	$1,006,217,165

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$652,114,361	$88,865,215	$740,979,576
Health insurance	81,819,922	-	81,819,922
Annuity insurance	788,884	155,495,315	156,284,199
Investment-linked insurance	1,914,858	-	1,914,858
Total	$736,638,025	$244,360,530	$980,998,555

Note: There is no ceded liability reserve for the above insurance contracts.

Movement in reserve for life insurance liabilities is summarized below:

	For the nine-month period ended 30 September 2016		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$768,136,597	$238,080,568	$1,006,217,165
Reserve	127,235,633	16,382,248	143,617,881
Recover	(24,894,777)	(25,632,115)	(50,526,892)
Losses (gains) on foreign exchange	(5,726,651)	-	(5,726,651)
Ending balance	$864,750,802	$228,830,701	$1,093,581,503

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$675,660,879	$243,082,953	$918,743,832
Reserve	83,306,795	24,738,928	108,045,723
Recover	(25,915,559)	(23,461,351)	(49,376,910)
Losses (gains) on foreign exchange	3,585,910	-	3,585,910
Ending balance	$736,638,025	$244,360,530	$980,998,555

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) Unearned premium reserve:

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,332	$-	$1,332
Individual injury insurance	925,469	-	925,469
Individual health insurance	1,570,349	-	1,570,349
Group insurance	469,638	-	469,638
Investment-linked insurance	52,928	-	52,928
Annuity insurance	-	42	42
Total	$3,019,716	$42	$3,019,758
Less ceded unearned premium reserve:			
Individual life insurance	$14,698	$-	$14,698
Individual injury insurance	1,511	-	1,511
Individual health insurance	23,910	-	23,910
Group insurance	1,574	-	1,574
Investment-linked insurance	4,313	-	4,313
Total	$46,006	$-	$46,006
Net amount	$2,973,710	$42	$2,973,752

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,495	$-	$1,495
Individual injury insurance	906,739	-	906,739
Individual health insurance	1,759,903	-	1,759,903
Group insurance	388,842	-	388,842
Investment-linked insurance	51,142	-	51,142
Annuity insurance	-	60	60
Total	$3,108,121	$60	$3,108,181
Less ceded unearned premium reserve:			
Individual life insurance	$14,085	$-	$14,085
Individual injury insurance	1,157	-	1,157
Individual health insurance	23,369	-	23,369
Group insurance	1,372	-	1,372
Investment-linked insurance	4,945	-	4,945
Total	$44,928	$-	$44,928
Net amount	$3,063,193	$60	$3,063,253

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,372	$-	$1,372
Individual injury insurance	772,694	-	772,694
Individual health insurance	1,480,824	-	1,480,824
Group insurance	442,413	-	442,413
Investment-linked insurance	51,657	-	51,657
Annuity insurance	-	86	86
Total	$2,748,960	$86	$2,749,046
Less ceded unearned premium reserve:			
Individual life insurance	$14,218	$-	$14,218
Individual injury insurance	1,074	-	1,074
Individual health insurance	23,435	-	23,435
Group insurance	1,375	-	1,375
Investment-linked insurance	4,982	-	4,982
Total	$45,084	$-	$45,084
Net amount	$2,703,876	$86	$2,703,962

Movement in unearned premium reserve is summarized below:

	For the nine-month period ended 30 September 2016		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,108,121	$60	$3,108,181
Reserve	2,242,687	42	2,242,729
Recover	(2,331,091)	(60)	(2,331,151)
Losses (gains) on foreign exchange	(1)	-	(1)
Ending balance	$3,019,716	$42	$3,019,758
Less ceded unearned premium reserve:			
Beginning balance	$44,928	$-	$44,928
Increase	34,774	-	34,774
Decrease	(33,696)	-	(33,696)
Ending balance	$46,006	$-	$46,006
Net amount	$2,973,710	$42	$2,973,752

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,886,475	$74	$2,886,549
Reserve	2,027,341	86	2,027,427
Recover	(2,164,856)	(74)	(2,164,930)
Ending balance	$2,748,960	$86	$2,749,046
Less ceded unearned premium reserve:			
Beginning balance	$42,973	$-	$42,973
Increase	34,340	-	34,340
Decrease	(32,229)	-	(32,229)
Ending balance	$45,084	$-	$45,084
Net amount	$2,703,876	$86	$2,703,962

(3) Reserve for claims:

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$186,535	$7,604	$194,139
－Unreported claim	-	-	-
Individual injury insurance			
－Reported but not paid claim	72,311	-	72,311
－Unreported claim	126,133	-	126,133
Individual health insurance			
－Reported but not paid claim	122,142	-	122,142
－Unreported claim	388,938	-	388,938
Group insurance			
－Reported but not paid claim	62,035	-	62,035
－Unreported claim	238,432	-	238,432
Investment-linked insurance			
－Reported but not paid claim	27,459	-	27,459
－Unreported claim	-	-	-

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Annuity insurance			
—Reported but not paid claim	-	19,713	19,713
—Unreported claim	-	113	113
Total	$1,223,985	$27,430	$1,251,415
Less ceded reserve for claims:			
Individual life insurance	$-	$-	$-
Individual injury insurance	20,881	-	20,881
Individual health insurance	7,507	-	7,507
Group insurance	1,800	-	1,800
Investment-linked insurance	5,510	-	5,510
Total	$35,698	$-	$35,698
Net amount	$1,188,287	$27,430	$1,215,717

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
—Reported but not paid claim	$233,983	$12,283	$246,266
—Unreported claim	460	-	460
Individual injury insurance			
—Reported but not paid claim	103,326	-	103,326
—Unreported claim	82,480	-	82,480
Individual health insurance			
—Reported but not paid claim	148,018	-	148,018
—Unreported claim	347,858	-	347,858
Group insurance			
—Reported but not paid claim	78,501	-	78,501
—Unreported claim	214,119	-	214,119
Investment-linked insurance			
—Reported but not paid claim	21,917	-	21,917
—Unreported claim	-	-	-

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Annuity insurance			
－Reported but not paid claim	915	41,792	42,707
－Unreported claim	-	154	154
Total	$1,231,577	$54,229	$1,285,806
Less ceded reserve for claims:			
Individual life insurance	$9,139	$-	$9,139
Individual injury insurance	23,300	-	23,300
Individual health insurance	8,916	-	8,916
Group insurance	9,013	-	9,013
Investment-linked insurance	1,000	-	1,000
Total	$51,368	$-	$51,368
Net amount	$1,180,209	$54,229	$1,234,438

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$237,197	$7,276	$244,473
－Unreported claim	547	-	547
Individual injury insurance			
－Reported but not paid claim	95,630	-	95,630
－Unreported claim	95,999	-	95,999
Individual health insurance			
－Reported but not paid claim	156,931	-	156,931
－Unreported claim	338,111	-	338,111
Group insurance			
－Reported but not paid claim	73,630	-	73,630
－Unreported claim	212,750	-	212,750
Investment-linked insurance			
－Reported but not paid claim	42,290	-	42,290
－Unreported claim	-	-	-

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Annuity insurance			
－Reported but not paid claim	-	27,978	27,978
－Unreported claim	-	164	164
Total	$1,253,085	$35,418	$1,288,503
Less ceded reserve for claims:			
Individual life insurance	$3,657	$-	$3,657
Individual injury insurance	21,633	-	21,633
Individual health insurance	11,424	-	11,424
Group insurance	12,950	-	12,950
Investment-linked insurance	1000	-	1000
Total	$50,664	$-	$50,664
Net amount	$1,202,421	$35,418	$1,237,839

Movement in reserve for claims is summarized below:

	For the nine-month period ended 30 Septmeber 2016		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,231,577	$54,229	$1,285,806
Reserve	1,224,610	27,430	1,252,040
Recover	(1,231,577)	(54,229)	(1,285,806)
Losses (gains) on foreign exchange	(625)	-	(625)
Ending balance	$1,223,985	$27,430	$1,251,415
Less ceded unearned premium reserve:			
Beginning balance	$51,368	$-	$51,368
Increase	35,698	-	35,698
Decrease	(51,368)	-	(51,368)
Ending balance	$35,698	$-	$35,698
Net amount	$1,188,287	$27,430	$1,215,717

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,241,331	$23,387	$1,264,718
Reserve	1,252,068	35,418	1,287,486
Recover	(1,241,331)	(23,387)	(1,264,718)
Losses (gains) on foreign exchange	1,017	-	1,017
Ending balance	$1,253,085	$35,418	$1,288,503
Less ceded unearned premium reserve:			
Beginning balance	$38,079	$-	$38,079
Increase	50,664	-	50,664
Decrease	(38,079)	-	(38,079)
Ending balance	$50,664	$-	$50,664
Net amount	$1,202,421	$35,418	$1,237,839

Reported but not paid claims are reserved according to insurance type and claims department’s estimates based on each individual case’s related information without exceeding promised insurance amount for covered accidents. Those reported but not paid reserve is reasonably assessed, sufficient to reflect actual claims paid. In addition, some types of claims are not expected to close shortly because these claims usually depend on court judgments before the closure. The legal department tracks the development of these claims and reasonably estimates claims reserve. The actuarial department assesses final unreported claims based on past claims experience with consideration of claims development trends for past closed cases, and then develop the final claims based on homogeneous features of each insurance through Bornhuetter-Ferguson Method. Reserve for unreported and unclosed claims changes according to external environment. For example, actual loss rate will lead to fluctuations of claims. The actuarial department will evaluate periodically to make reasonable estimate of claims reserve.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(4) Special reserve:

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$5,167,136	$-	$5,167,136
Dividend risk reserve	345,255	-	345,255
Total	$5,512,391	$-	$5,512,391

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$5,251,212	$-	$5,251,212
Dividend risk reserve	345,255	-	345,255
Total	$5,596,467	$-	$5,596,467

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$5,139,843	$-	$5,139,843
Dividend risk reserve	345,255	-	345,255
Total	$5,485,098	$-	$5,485,098

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Movement in special reserve is summarized below:

	For the nine-month periods ended 30 September	
	2016	2015
	Insurance contract	Insurance contract
Beginning balance	$5,596,467	$5,059,991
Reserve for participating policy dividend reserve	1,657,689	2,541,911
Recover for participating policies dividends reserve	(1,741,765)	(2,116,804)
Ending balance	$5,512,391	$5,485,098

(5) Special capital reserve for major incidents and fluctuation of risks

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$2,692	$-	$2,692
Individual injury insurance	805,640	-	805,640
Individual health insurance	1,986,489	-	1,986,489
Group insurance	2,279,839	-	2,279,839
Annuity insurance	-	538	538
Total	$5,074,660	$538	$5,075,198

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$2,692	$-	$2,692
Individual injury insurance	805,640	-	805,640
Individual health insurance	1,986,489	-	1,986,489
Group insurance	2,279,839	-	2,279,839
Annuity insurance	-	538	538
Total	$5,074,660	$538	$5,075,198

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$2,674	$-	$2,674
Individual injury insurance	769,533	-	769,533
Individual health insurance	1,832,836	-	1,832,836
Group insurance	2,173,081	-	2,173,081
Annuity insurance	-	272	272
Total	$4,778,124	$272	$4,778,396

(6) Premium deficiency reserve:

	2016.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$10,377,531	$-	$10,377,531
Individual health insurance	105,873	-	105,873
Total	$10,483,404	$-	$10,483,404

	2015.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$9,410,410	$-	$9,410,410
Individual health insurance	94,923	-	94,923
Total	$9,505,333	$-	$9,505,333

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$8,390,656	$-	$8,390,656
Individual health insurance	88,517	-	88,517
Total	$8,479,173	$-	$8,479,173

Note : Premium deficiency reserve was not ceded in the above insurance contracts.

Movement in premium deficiency reserve is summarized below:

	For the nine-month period ended 30 September 2016		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$9,505,333	$-	$9,505,333
Reserve	2,838,767	-	2,838,767
Recover	(1,747,258)	-	(1,747,258)
Losses (gains) on foreign exchange	(113,438)	-	(113,438)
Ending balance	$10,483,404	$-	$10,483,404

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$6,235,634	$-	$6,235,634
Reserve	3,024,231	-	3,024,231
Recover	(869,012)	-	(869,012)
Losses (gains) on foreign exchange	88,320	-	88,320
Ending balance	$8,479,173	$-	$8,479,173

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(7) Liability adequacy reserve:

	Insurance contract and financial instruments with discretionary participation feature		
	2016.9.30	2015.12.31	2015.9.30
Reserve for life insurance liabilities	$1,093,581,503	$1,006,217,165	$980,998,555
Unearned premium reserve	3,019,758	3,108,181	2,749,046
Premium deficiency reserve	10,483,404	9,505,333	8,479,173
Special reserve	5,512,391	5,596,467	5,485,098
Book value of insurance liabilities	$1,112,597,056	$1,024,427,146	$997,711,872
Estimated present value of cash flows	$859,237,161	$831,682,675	$822,979,374
Balance of liability adequacy reserve	$-	$-	$-

Liability adequacy testing methodology is listed as follows:

	2016.9.30	2015.12.31 and 2015.9.30
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Assumptions	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2015), and discount rates were evaluated with consideration of current information.	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2014), and discount rates were evaluated with consideration of current information.

15. Foreign exchange valuation reserve

(1) The hedge strategy and risk exposure

The Company consistently adjusts the hedge ratios to establish an adequate risk exposure planning based on the new foreign exchange valuation exposure principle by integrating the exchange rate and interest rate trends of domestic and foreign financial markets.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

However, changes in the hedge and risk exposure ratios should follow the internal risk control to alert and adjust hedge strategy in advance to meet the optimal hedge considerations.

(2) Adjustment in foreign exchange valuation reserve:

	For the nine-month periods ended 30 September	
	2016	2015
Beginning balance	$7,695,824	$5,263,545
Reserve		
Compulsory reserve	717,062	605,417
Extra reserve	1,552,880	4,045,945
Subtotal	2,269,942	4,651,362
Recover	(5,369,704)	(1,606,329)
Ending balance	$4,596,062	$8,308,578

(3) Effects due to foreign exchange valuation reserve:

	For the nine-month period ended 30 September 2016		
Item	Inapplicable amount (1)	Applicable amount (2)	Effects (2) - (1)
Net income	$6,496,623	$9,069,425	$2,572,802
Earnings per share (dollar)	1.87	2.61	0.74
Foreign exchange valuation reserve	-	4,596,062	4,596,062
Equity	98,735,894	96,345,337	(2,390,557)

	For the nine-month period ended 30 September 2015		
Item	Inapplicable amount (1)	Applicable amount (2)	Effects (2) - (1)
Net income	12,753,007	10,225,629	(2,527,378)
Earnings per share (dollar)	3.67	2.94	(0.73)
Foreign exchange valuation reserve	-	8,308,578	8,308,578
Equity	77,604,777	72,132,832	(5,471,945)

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

16. Provisions

Item	2016.9.30	2015.12.31	2015.9.30
Provisions for employee benefits	$121,745	$263,501	$253,575
Litigation liabilities	12,966	13,990	13,406
Total	$134,711	$277,491	$266,981

The Company has an official policy to control and manage litigations. When a professional advice has been made and the loss can be reasonably estimated, the Company will make adjustments to recognize losses and any negative effects arising out of any financial claims. As at 30 September 2016, the Company has 91 unresolved legal suits.

17. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plans for the three-month periods ended 30 September 2016 and 2015 were NT$56,920 thousand and NT$52,477 thousand, respectively, and for the nine-month periods ended 30 September 2016 and 2015 were NT$162,720 thousand and NT$149,969 thousand, respectively.

Defined benefit plans

Expenses under the defined benefit plans for the three-month periods ended 30 September 2016 and 2015 were NT$14,265 thousand and NT$13,238 thousand, respectively, and for the nine-month periods ended 30 September 2016 and 2015 were NT$28,145 thousand and NT$28,273 thousand, respectively.

18. Common stock

(1) As of 30 September 2016, 31 December 2015, and 30 September 2015, the Company's authorized and issued capital were NT$34,737,600 thousand, NT$33,401,467 thousand, and NT$34,401,467 thousand, divided into 3,473,760,000, 3,340,146,700, and 3,340,146,700 common shares at NT$10 par value.

(2) On 26 June 2015, the Company decided to appropriate NT$910,949 thousand and NT$2,125,548 thousand from 2014 distributable earnings and additional paid-in capital respectively to increase capital in shareholders' meeting, issuing 91,094,910 and 212,554,790 common shares at NT$10 par value. The capital increase was documented by the authorities on 16 July 2015 and approved to set 9 August 2015 as subscription base date by board of directors.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(3) On 31 May 2016, the Company decided to appropriate NT$1,336,133 thousand from 2015 distributable earnings to increase capital in shareholders' meeting, issuing 133,613,300 common shares at NT$10 par value. The capital increase was documented by the authorities on 4 July 2016 and approved to set 27 July 2016 as subscription base date by board of directors.

19. Capital surplus

Item	2016.9.30	2015.12.31	2015.9.30
Additional paid-in capital	$2,254,442	$2,254,442	$2,254,442
Treasury stock transactions	34,831	34,831	34,831
Total	$2,289,273	$2,289,273	$2,289,273

Pursuant to the Company Act, the capital surplus shall not be used except for covering the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

On 26 June 2015, the Company decided to issue NT$2,125,548 thousand of new shares from additional paid-in capital in shareholders' meeting, issuing 212,554,790 common shares at NT$10 par value.

20. Retained earnings

(1) Legal capital reserve

Pursuant to the Insurance Act, 20% of the Company's after-tax net income in the current year must be appropriated as legal capital reserve until the total amount of the legal capital reserve equals the issued share capital. Legal capital reserve shall not be used except for making good the deficit of the company. When the Company incurs no loss, the Company's board of directors may distribute the portion of its legal capital reserve which exceeds 25% of the issued share capital by issuing new shares or by cash to its original shareholders.

(2) Special capital reserve

Pursuant to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" established by the R.O.C. Financial Supervisory Commission, the after-tax amount of released provision from the special reserves for contingency are appropriated as special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-0910074195, after obtaining approval at the stockholders' meeting in the following year. The after-tax amount of released provision from the special reserves for contingency appropriated as special capital reserve for the year ended in 2014 was NT$347,516 thousand, resolved in the stockholders' meeting in 2015. The after-tax amount of released provision from the special reserves for contingency appropriated as special capital reserve for the year ended in 2015 was NT$463,451 thousand, resolved in the stockholders' meeting in 2016.

The Company set aside special reserves for major incidents and fluctuation of risks for the retained businesses with policy period within 1 year in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". Please refer to Note IV.17 for the set-aside and release calculation. The after-tax amount of reserve and release for the special reserve is converted to special capital reserve at the end of current year. Special capital reserves for the year of 2015 were set aside NT$784,991 thousand and released NT$488,189 thousand. In addition, in accordance with the Order No. Financial-Supervisory-Insurance-Corporate-10302077080, in 2014 the Company released special reserves under liabilities in the amount of NT$1,306,408 thousand, of which the after-tax amount of NT$1,084,318 thousand was set aside as special capital reserve under equity with a resolution of the shareholders' meeting in 2015.

The Company adopts foreign exchange reserve mechanism and hence be required by law to provide special capital reserve. Please refer to Note IV.18. The Company set aside NT$319,910 thousand and NT$651,196 thousand of special capital reserve based on hedging costs saved and 10% of after-tax earnings for 2014, and recovered $182,189 thousand of special capital reserve based on hedging costs saved to increase the share capital in 2014. The Company set aside NT$917,190 thousand based on 10% of after-tax earnings for 2015. The abovementioned amounts were resolved in the shareholders' meeting in 2015 and 2016.

The Company changed its accounting policy for subsequent measurement of investment property from cost to fair value starting from 2014. In order to ensure the soundness and stability of the financial structure, the Order No. Financial-Supervisory-Securities -Corporate-10402501001 issued by the FSC on 23 January 2015 requires insurance companies to set aside special capital reserve equal to the amount of the increase in retained earnings net of the increase in reserve for life insurance liabilities resulting from valid contracts' fair value approved by the authority. Hence, the amount set aside by the Company as special capital reserve was NT$8,394,443 thousand. The special capital reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contracts' fair value approved by the authority and to set aside additional liabilities for the soundness of financial structure when complying with IFRS 4 *Insurance Contracts* second stage in the future. The Company set aside NT$500,406 thousand of the net gain from changes in fair value as special capital reserve for 2014.The net loss from changes in fair value for 2015 was NT$42,288 thousand and the reversal from sale was $456 thousand. The abovementioned amounts were resolved in the shareholders' meeting in 2015 and 2016.

(3) A resolution was passed at the shareholders' meeting of the Company held on 31 May 2016 to amend the Articles of Incorporation of the Company. The information about earnings distribution is as follows:

The Company adopts residual dividend policy in order to keep expanding the business scale, meet the demands capital and long-term financial plan of the Company, and pursue sustainable and stable development.

Where the Company has surplus earnings after the settlement of account at the end of fiscal year, it shall first cover the losses in the previous fiscal years and pay the taxes by laws. After setting aside legal reserve and special reserve as provided in laws or reversing special reserve, the balance, if applicable, shall be added to beginning retained earnings as the unappropriated retained earnings, thirty to one hundred percent of which shall be distributed. The proposal of surplus earnings distribution shall be submitted by the Board of Directors to the shareholders' meeting for approval. In case the unappropriated retained earnings is less than New Taiwan Dollar 0.5 each share, it may be reserved and not distributed on the basis of canon of economy.

According to the Company's business plans, the surplus earnings distribution shall be based on the capital required and retained for distributing stock dividends, but it may reserve a proportion for distribution in the form of cash dividends. Where cash dividends are distributed in that year, the total amount of cash dividends shall not be less than ten percent of the total amount of dividends. The proportion of the preceding stock dividends and cash dividends may be adjusted appropriately, depending on that year's actual profits and capital condition. The Board of Directors shall draw up the proposal and submit to the shareholders' meeting for deciding the most appropriate dividend policy.

The amended Articles of Incorporation for the Company's ratio of distributable earnings, was applied to earnings distribution in 2014.

(4) A resolution was passed at the shareholders' meeting of the Company held on 17 June 2014 to amend the Articles of Incorporation of the Company. The information about earnings distribution is as follows:

The Company adopts residual dividend policy in order to keep expanding the business scale, meet the demands capital and long-term financial plan of the Company, and pursue sustainable and stable development.

Where the Company has surplus earnings after the settlement of account at the end of fiscal year, it shall first cover the losses in the previous fiscal years and pay the taxes by laws. After setting aside legal reserve and special reserve as provided in laws or reversing special reserve, the balance, if applicable, shall be appropriated more than 1% as employees' bonus. Any remaining portion shall be added to beginning retained earnings as the unappropriated retained earnings, thirty to one hundred percent of which shall be distributed. The proposal of surplus earnings distribution shall be submitted by the Board of Directors to the shareholders' meeting for approval. In case the unappropriated retained earnings is less than New Taiwan Dollar 0.5 each share, it may be reserved and not distributed on the basis of canon of economy.

The board of directors is authorized to determine the independent directors' remuneration based on participation of the Company's operation, value of contribution and taking into account industry standards at home and abroad. The independent directors do not take apart in the earnings distribution.

According to the Company's business plans, the surplus earnings distribution shall be based on the capital required and retained for distributing stock dividends, but it may reserve a proportion for distribution in the form of cash dividends. Where cash dividends are distributed in that year, the total amount of cash dividends shall not be less than ten percent of the total amount of dividends. The proportion of the preceding stock dividends and cash dividends may be adjusted appropriately, depending on that year's actual profits and capital condition. The Board of Directors shall draw up the proposal and submit to the shareholders' meeting for deciding the most appropriate dividend policy.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(5) Pursuant to the Order No. Financial-Supervisory-Securities-Corporate-10202501992 issued by the FSC on 8 February 2013, if the life insurance industry appropriates earnings by distributing cash dividends (not including preferred stocks in liability type), it should report to the FSC and the FSC will review the plan based on the soundness of individual company's finance and business.

For related information about earnings appropriation approved and resolved by the Board of Directors' meeting and shareholders' meeting, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

(6) Earnings appropriation for the years of 2015 and 2014 is as follows:

	Appropriation of earnings		Dividends per share(NT$)	
	2015	2014	2015	2014
Legal capital reserve	$1,834,380	$1,302,392	$-	$-
Special capital reserve	1,634,699	11,501,703	-	-
Common stock -cash dividend	2,004,088	1,214,599	0.60	0.40
Common stock-stock dividend	1,336,133	910,949	0.40	0.30
Remuneration to directors	(Note)	42,000	-	-
Employees' compensation (cash bonus)	(Note)	42,000	-	-

Earnings appropriation for 2015 and 2014 were approved by shareholder's meeting on 31 May 2016 and 26 June 2015, respectively.

Note: According to the amendment of Article 235 and Article 235-1 of the Company Act announced on 20 May 2015, employees' compensation and remuneration to directors do not belong to items of earnings appropriation from the year of 2015. Please refer to Note VI.24.(2) for details on employees' compensation and remuneration to directors.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

21. Components of other comprehensive income

	For the three-month period ended 30 September 2016			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Gains on revaluation	$9,999	$-	$(4,353)	$5,646
Unrealized valuation gains (losses) from available-for-sale financial assets	3,425,699	(2,987,525)	100,716	538,890
Total	$3,435,698	$ (2,987,525)	$96,363	$544,536

	For the three-month period ended 30 September 2015			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Gains from revaluation	$100,310	$-	$(8,386)	$91,924
To be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) from available-for-sale financial assets	(10,284,076)	(1,231,712)	839,711	(10,676,077)
Total	$(10,183,766)	$(1,231,712)	$831,325	$(10,584,153)

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the nine-month period ended 30 September 2016			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Gains on revaluation	$9,999	$-	$(4,353)	$5,646
To be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) from available-for-sale financial assets	14,705,284	(8,117,111)	102,313	6,690,486
Total	$14,715,283	$(8,117,111)	$97,960	$6,696,132

	For the nine-month period ended 30 September 2015			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Gains from revaluation	$142,089	$-	$(12,639)	$129,450
To be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) from available-for-sale financial assets	(5,670,799)	(7,349,143)	1,687,801	(11,332,141)
Total	$(5,528,710)	$(7,349,143)	$1,675,162	$(11,202,691)

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

22. Retained earned premium

	For the three-month period ended 30 September 2016		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$43,489,762	$4,193,203	$47,682,965
Reinsurance premium income	-	-	-
Premium income	43,489,762	4,193,203	47,682,965
Less:			
Premiums ceded to reinsurers	287,294	-	287,294
Changes in unearned premium reserve	(11,940)	4	(11,936)
Subtotal	275,354	4	275,358
Retained earned premium	$43,214,408	$4,193,199	$47,407,607

	For the three-month period ended 30 September 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$33,565,578	$5,703,578	$39,269,156
Reinsurance premium income	-	-	-
Premium income	33,565,578	5,703,578	39,269,156
Less:			
Premiums ceded to reinsurers	268,624	-	268,624
Changes in unearned premium reserve	(40,653)	1	(40,652)
Subtotal	227,971	1	227,972
Retained earned premium	$33,337,607	$5,703,577	$39,041,184

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the nine-month period ended 30 September 2016		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$124,714,812	$14,067,579	$138,782,391
Reinsurance premium income	-	-	-
Premium income	124,714,812	14,067,579	138,782,391
Less:			
Premiums ceded to reinsurers	846,722	-	846,722
Changes in unearned premium reserve	(89,482)	(18)	(89,500)
Subtotal	757,240	(18)	757,222
Retained earned premium	$123,957,572	$14,067,597	$138,025,169

	For the nine-month period ended 30 September 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$84,553,717	$20,045,810	$104,599,527
Reinsurance premium income	-	-	-
Premium income	$84,553,717	$20,045,810	$104,599,527
Less:			
Premiums ceded to reinsurers	784,498	-	784,498
Changes in unearned premium reserve	(139,626)	12	(139,614)
Subtotal	644,872	12	644,884
Retained earned premium	$83,908,845	$20,045,798	$103,954,643

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

23. Retained claim payments

	For the three-month period ended 30 September 2016		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$9,421,128	$9,906,698	$19,327,826
Reinsurance claim payments	26	-	26
Insurance claim payments	9,421,154	9,906,698	19,327,852
Less:			
Claims recovered from reinsures	139,239	-	139,239
Retained claim payments	$9,281,915	$9,906,698	$19,188,613

	For the three-month period ended 30 September 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$11,025,383	$10,624,858	$21,650,241
Reinsurance claim payments	28	-	28
Insurance claim payments	11,025,411	10,624,858	21,650,269
Less:			
Claims recovered from reinsures	133,721	-	133,721
Retained claim payments	$10,891,690	$10,624,858	$21,516,548

	For the nine-month period ended 30 September 2016		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$33,156,254	$25,655,962	$58,812,216
Reinsurance claim payments	13	-	13
Insurance claim payments	33,156,267	25,655,962	58,812,229
Less:			
Claims recovered from reinsures	423,857	-	423,857
Retained claim payments	$32,732,410	$25,655,962	$58,388,372

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	For the nine-month period ended 30 September 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$34,480,398	$23,461,337	$57,941,735
Reinsurance claim payments	39	-	39
Insurance claim payments	34,480,437	23,461,337	57,941,774
Less:			
Claims recovered from reinsures	414,920	-	414,920
Retained claim payments	$34,065,517	$23,461,337	$57,526,854

24. Employee benefits, depreciation and amortization

(1) Summary statement of employee benefits, depreciation and amortization expenses breakdown:

	For the three-month period ended 30 September					
	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	$1,256,438	$606,260	$1,862,698	$1,203,377	$557,090	$1,760,467
Salaries	1,256,438	397,198	1,653,636	1,203,377	358,030	1,561,407
Labor and health insurance	-	100,139	100,139	-	98,512	98,512
Pension	-	71,185	71,185	-	65,715	65,715
Other employee benefits expense	-	37,738	37,738	-	34,833	34,833
Depreciation	-	30,250	30,250	-	23,724	23,724
Amortization	-	14,247	14,247	-	7,121	7,121

	For the nine-month period ended 30 September					
	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	$3,550,585	$1,916,275	$5,466,860	$3,495,961	$1,797,117	$5,293,078
Salaries	3,550,585	1,315,743	4,866,328	3,495,961	1,231,120	4,727,081
Labor and health insurance	-	300,735	300,735	-	292,164	292,164
Pension	-	190,865	190,865	-	178,242	178,242
Other employee benefits expense	-	108,932	108,932	-	95,591	95,591
Depreciation	-	85,253	85,253	-	70,743	70,743
Amortization	-	37,861	37,861	-	18,995	18,995

Note : Other employee benefits expenses consist of meals, group insurance, training and employee benefits.

The average number of employees for the nine-month periods ended 30 September 2016 and 2015 were 13,079 and 12,041, respectively.

(2) A resolution was passed at the shareholders' meeting of the Company held on 31 May 2016 to amend the Articles of Incorporation of the Company. The information about employees' compensation and remuneration to directors is as follows:

Where the Company makes profits, it shall allocate no less than 0.5 percent of the profits to be the remuneration of employees, and no more than 3 percent to be the remuneration of directors. But the Company shall reserve the amount of money to be used to cover its losses if it still has accumulated losses, and later it shall allocate the remuneration in proportion for employees and directors. The preceding remuneration of employees may be given in the form of share certificates or cash. The remuneration of directors shall only be given to non-independent directors.

For related information on employees' compensation and remuneration to directors approved by the Board of Directors meeting, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

Based on profit for the nine-month period ended 30 September 2016, the Company estimated the amounts of the employees' compensation and remuneration to directors to be NT$60,295 thousand and NT$0 thousand, respectively, recognized as operating expense. The difference between the estimation and the resolution of Board of Directors meeting will be recognized in profit or loss of the next year.

The estimated employee bonuses and remuneration to directors for the nine-month period ended 30 September 2015 were based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The Company estimated the amounts of the employee bonuses and remuneration to directors for the nine-month period ended 30 September 2015 to be NT$81,668 thousand and NT$84,000 thousand, respectively, recognized as operating expense. The difference between the estimation and the resolution of Board of Directors meeting will be recognized in profit or loss of the next year.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the years ended 31 December 2015 and 2014.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

25. Income taxes

(1) The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the three-month periods ended 30 September	
	2016	2015
Current income tax expense (benefit):		
Current income tax payable	$931,912	$-
Adjustments in respect of current income tax of prior periods	-	52,366
Deferred income tax expense (benefit):		
Deferred tax expense relating to origination and reversal of temporary differences	(2,966,770)	3,435,924
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	1,681,655	(2,582,201)
Additional income tax under the Alternative Minimum Tax Act	59,376	(279,315)
Others	617	17,898
Total income tax expense (benefit)	$(293,210)	$644,672

	For the nine-month periods ended 30 September	
	2016	2015
Current income tax expense (benefit):		
Current income tax payable	$1,167,387	$-
Adjustments in respect of current income tax of prior periods	(5,597)	52,366
Deferred income tax expense (benefit):		
Deferred tax expense relating to origination and reversal of temporary differences	(4,204,123)	2,745,817
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	3,434,923	(1,165,698)
Adjustment of tax loss, tax credit and temporary differences unrecognized for prior periods	-	18,353
Additional income tax under the Alternative Minimum Tax Act	491,049	-
Others	45,587	181,260
Total income tax expense	$929,226	$1,832,098

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Income tax expense recognized in other comprehensive income

	For the three-month periods ended 30 September	
	2016	2015
Deferred tax expense (benefit):		
Unrealized losses (gains) from available-for-sale financial assets	$(100,716)	$(839,711)
Unrealized gains from revaluation	4,353	8,386
Income tax expense relating to components of other comprehensive income	$(96,363)	$(831,325)

	For the nine-month periods ended 30 September	
	2016	2015
Deferred tax expense (benefit):		
Unrealized losses (gains) from available-for-sale financial assets	$(102,313)	$(1,687,801)
Unrealized gains from revaluation	4,353	12,639
Income tax expense relating to components of other comprehensive income	$(97,960)	$(1,675,162)

(2) Imputation credit information

	2016.9.30	2015.12.31	2015.9.30
Balance of the imputation credit amount	$238,433	$135,587	$102,800

The expected creditable ratio for 2015 and the actual creditable ratio for 2014 were 5.10% and 8.87%, respectively.

The Company’s earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated.

(3) The assessment of income tax returns

As of 30 September 2016, the income tax returns of the Company have been assessed and approved up to the year of 2012 and the year of 2014.

26. Earnings per share

Basic earnings per share are calculated by dividing net income for the year by the weighted average number of shares outstanding during the year.

As the Company has not issued any potential common shares with dilutive effect, the Company would no need to adjust to basic earnings per share.

	For the three-month periods ended 30 September	
	2016	2015
Basic earnings per share		
Net income available to common shareholders	$3,153,288	$4,513,730
Weighted average number of common shares outstanding for basic earnings per share (in thousands)	3,473,760	3,473,760
Basic earnings per share (in dollars)	$0.91	$1.30

	For the nine-month periods ended 30 September	
	2016	2015
Basic earnings per share		
Net income available to common shareholders	$9,069,425	$10,225,629
Weighted average number of common shares outstanding for basic earnings per share (in thousands)	3,473,760	3,473,760
Basic earnings per share (in dollars)	$2.61	$2.94

27. Separate account insurance products

(1) Separate account insurance products - assets and liabilities

	Assets		
Item	2016.9.30	2015.12.31	2015.9.30
Cash in bank	$499,310	$772,904	$1,697,177
Financial assets at fair value through profit or loss	64,902,173	64,108,288	62,232,669
Other receivables	85,011	81,086	110,155
Total	$65,486,494	$64,962,278	$64,040,001

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	Liabilities 2016.9.30	2015.12.31	2015.9.30
Reserve for separate account	$65,204,823	$64,678,147	$63,727,126
Other payables	281,671	284,131	312,875
Total	$65,486,494	$64,962,278	$64,040,001

(2) Separate account insurance products - revenues and expenses:

Item	Revenues For the three-month periods ended 30 September 2016	2015
Premium income	$1,514,081	$2,015,514
Gains (losses) from financial assets and liabilities at fair value through profit or loss	1,614,154	(2,761,364)
Interest income	12	131
Other revenues	46,249	43,354
Foreign exchange gains (losses)	(465,743)	1,031,124
Total	$2,708,753	$328,759

Item	Expenses For the three-month periods ended 30 September 2016	2015
Insurance claim payments	$1,398,233	$1,534,521
Net change in separate account reserve	838,664	(1,703,406)
Custodian fee	471,856	497,644
Total	$2,708,753	$328,759

Item	Revenues For the nine-month periods ended 30 September 2016	2015
Premium income	$4,403,411	$4,932,385
Gains (losses) from financial assets and liabilities at fair value through profit or loss	2,143,000	(2,059,085)
Interest income	65	195
Other revenues	138,671	132,149
Foreign exchange gains (losses)	(751,761)	520,947
Total	$5,933,386	$3,526,591

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Item	Expenses For the nine-month periods ended 30 September 2016	2015
Insurance claim payments	$3,837,757	$4,558,716
Net change in separate account reserve	685,388	(2,468,762)
Custodian fee	1,410,241	1,436,637
Total	$5,933,386	$3,526,591

(3) The rebate earned for engaging in investment-linked insurance business from counterparties for the three-month periods ended 30 September 2016 and 2015 were NT$77,575 thousand and NT$84,905 thousand, respectively, and for the nine-month periods ended 30 September 2016 and 2015 were NT$227,665 thousand and NT$251,077 thousand, respectively.

VII. Information of insurance contracts

1. Objectives, policies, procedures and methods of insurance contracts risk management

(1) Framework of risk management, organization structure and responsibilities:

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating the company's overall risk appetite and risk tolerance, review and approve the Company’s risk management objectives and strategies. “Risk Management Committee” is set under the board of directors and proposes risk management report at time of board of directors meeting. Various risk management report and related issues are first report to risk management committee and made the final approval by the board of directors. Besides the risk management committee, the Company set up an assets and liabilities management team to strengthen the risk management organization and structure.

In addition, the Company establishes the risk management department independent to the business units, which is responsible for the implementation of various risk management measures and the fulfillment of each risk management system, including monitoring the daily risks, measuring and evaluating related issues, assisting the board to develop Company's risk appetite, executing the risk management policies and regulations approved by risk management committee. Moreover, the business units should be responsible for the risks identification, report the risk exposure conditions, measure the impact of risks, review the various risks and limits regularly, and make sure that the internal control procedures of each unit are implemented effectively in accordance with related regulations and the Company's risk management policy.

(2) Risk management policies, procedures and methods:

The Company sets an effective system in its risk management policies to deal with identification, measurement, monitoring, reporting and response to risk, establishes clear objectives for risk management, controls approaches and attribution of responsibility to make sure that each operational risk is controlled under the tolerable range, making the largest surplus and profits for shareholders.

Pursuant to “China Life Insurance Company Limited Risk Management Policy”, approved by the board of directors, the Company follows the principle of centralized management and specialization, and assigns responsible risk management department to manage various risks, including market, credit, operation, liquidity, underwriting, claim resewe, insurance product development and pricing, asset-liability management, reinsurance and catastrophe risk based on the sources of risk. In addition, the Company develops management guidelines for various types of risk, standardizes measurement and evaluation methods, and regularly issues risk reports to monitor the various risks.

(3) Risk management policies, procedures and methods related to reserves:

Reserve-related risks refer to risks that various reserves are unable to deal with future obligations due to understatement of liability for premium business. The Company sets and implements the appropriate risk management system for the insurance business reserves and related risks.

(4) Risk management policies, procedures and methods related to matching assets and liabilities:

Risks related to matching assets and liabilities indicate risks arising from inconsistent movement of assets and liabilities. The Company sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows the Company to form, implement, monitor and correct related strategies within the tolerable range and achieves the Company's predetermined financial goals. The contents include the following items:

j Risk identification related to matching of assets and liabilities
k Risk measurement related to matching of assets and liabilities
l Risk responses related to matching of assets and liabilities

2. Information of insurance risks

(1) Sensitivity of insurance risks - Insurance contracts and financial instruments with discretionary participation features:

Insurance companies set aside various reserves according to the legal requirements and regularly conduct adequacy test of liability to assess the adequacy of insurance liabilities of the company as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by the Company, the main risks include mortality, morbidity, surrender, expense and investment returns rate. When doing the liability adequacy test, various actuarial assumptions are made based on available information at assessment point for all insurance contracts and financial instruments with discretionary participation feature, to assess whether the insurance liability of the Company is adequate. If the test result indicates the insurance liability is not adequate, then set aside the insufficient amount as liability adequacy reserve according to the provision. The reserve will affect current profit and loss.

As at 30 September 2016, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause the Company's insurance liability inadequate.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) Interpretation for concentration of insurance risks

j The Company's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. The Company had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note VI.14 for concentration of risk before and after the reinsurance for the Company.

k Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", the annual increased special capital reserve, excluding taxes, for major incidents and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

(3) Claim development trend

j Direct business loss development trend

Accident year	Development year									Reserve for claims
	1	2	3	4	5	6	7	8	9	
2008	$2,170,100	$2,736,556	$2,776,542	$2,781,989	$2,786,399	$2,792,187	$2,798,032	$2,798,807	2,799,348	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,183		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,221			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,349,765				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,047,860					
2013	2,267,213	2,964,954	3,028,400	3,038,797						
2014	3,448,229	4,203,186	4,265,271							
2015	3,518,471	4,290,986								
2016	2,613,757									$834,281

Note: This table does not include long term life insurance

Add :	Long term insurance claims	300,065
	Claim reserve for discount on no claim	117,069
Reserve for claims balance		$1,251,415

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

k Retained business loss development trend

Accident year	Development year									Reserve for claims
	1	2	3	4	5	6	7	8	9	
2008	$2,128,556	$2,682,784	$2,721,905	$2,719,002	$2,723,312	$2,728,970	$2,734,682	$2,735,440	2,735,969	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,615		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,033			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,273,924				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,978,854					
2013	2,227,515	2,908,429	2,966,622	2,969,996						
2014	3,387,852	4,123,055	4,178,261							
2015	3,456,864	4,209,180								
2016	2,567,991									$811,587

Note: This table does not include long term life insurance	Add : Long term insurance claims	287,061
	Claim reserve for discount on no claim	117,069
	Reserve for claims balance	1,215,717

The Company recognizes claim reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in claim reserves. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. The Company was not notified of some claims in time. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experience. Thus, it is uncertain that the estimated claim reserve on the balance sheet date will be equal to the final settled amount of claim payments. The claim reserve recorded on the book is estimated based on the current available information. However, the final amount probably will differ from the original estimates because of the follow-up development of the claim events.

The charts above show the development trend of claim payments (not including cases whose payment and time will be confirmed within a year). The accident year is the actual year for the occurrence of the insurance claim events; the x-axis is the year of the development for the settlement cases. Each slash represents the cumulative amount of compensation for each accident event at the end of the year. The occurred claims include decided and undecided claims which represent the accumulated estimated dollar amounts need to be paid for each accident year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for claim reserve in the current year will be different from those in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by the charts above.

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(4) Credit risk:

For insurance contracts undertaken by the Company, the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing the Company to be exposed to the risk of financial loss. If the Company disputes with the reinsurers, then it may lead to impairment of reinsurance assets. In addition, the account receivables of insurance brokers and agents also have credit risk.

The Company's highest risk exposure for the reinsurance contracts are the carrying amount of reinsurance assets. In order to manage that risk and avoid credit losses, the Company decides to deal with reinsurance companies that have good credits. The Company sets related selection standard, makes regular assessment and monitors the reinsurers' financial business condition, credit status and rating. Also, it will adjust the business scope and scale based on the circumstances to prevent from over concentration of credit risk.

(5) Liquidity risk:

As at 30 September 2016, 31 December 2015, and 30 September 2015, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

30 September 2016	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$3,269,623	$(4,136,448)	$66,267,103	$392,099,704	$2,868,767,213
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

31 December 2015	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$8,348,546	$25,870,176	$48,977,540	$399,432,352	$2,200,881,372
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

30 September 2015	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$12,996,749	$38,377,170	$53,475,955	$379,025,712	$2,131,190,375
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note:

1. This table estimates net cash flow of all related insurance liabilities at it starting point.
2. The actual maturity date will change according to the exercise of termination right by the policyholders.
3. The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.
4. In addition to the analysis of the above table, the Company uses both the estimated of the expected less and more than 12 months to analyze assets and liabilities. Please refer to Note X.

(6) Market risk:

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, when the Company measures insurance liabilities, it sets aside the reserve by using the discount rate required by the authorities. Since the discount rate assumption does not move in the same direction with the interest rate, changes in market risks have no significant influence on the Company’s profit or loss and equity for insurance contracts. However, changes in market risks may have influence on liability adequacy test evaluated based on available information. But, it has little influence on the adequacy of current recognized insurance liabilities.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

VIII. Financial instruments

1. Categories of financial instruments

Financial assets

	2016.9.30	2015.12.31	2015.9.30
Financial assets at fair value through profit or loss:			
Held for trading	$3,953,932	$22,615	$393,854
Designated at fair value through profit or loss at initial recognition	273,259	335,329	361,553
Subtotal	4,227,191	357,944	755,407
Available-for-sale financial assets	379,887,828	439,274,726	437,152,943
Held-to-maturity financial assets	90,254,402	42,124,302	32,752,559
Loans and receivables :			
Cash and cash equivalents (Exclude cash on hand and revolving funds)	54,921,570	52,420,379	36,425,041
Debt instrument investments for which no active market exists	606,095,178	504,141,924	499,374,251
Receivables	11,766,400	11,220,392	11,028,839
Loans	30,636,215	30,933,445	30,733,419
Refundable deposits	5,569,922	5,347,920	5,331,518
Subtotal	708,989,285	604,064,060	582,893,068
Total	$1,183,358,706	$1,085,821,032	$1,053,553,977

Financial liabilities

	2016.9.30	2015.12.31	2015.9.30
Financial liabilities at fair value through profit or loss :			
Held for trading	$438,238	$3,984,347	$7,486,872
Financial liabilities at amortized cost :			
Payables	8,910,701	8,055,698	8,661,588
Guarantee deposits received	135,696	137,370	134,745
Subtotal	9,046,397	8,193,068	8,796,333
Total	$9,484,635	$12,177,415	$16,283,205

2. Fair value of financial instruments

(1) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used by the Company to measure and disclose fair value of the financial assets and liabilities are as follows:

j Fair value of cash and cash equivalents, receivables, payables and other current liabilities are approximately equal to the carrying amount due to their short maturity.

k For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value are determined based on market quotation price. (including listed stocks and beneficiary certificates, etc.)

l Fair value of financial instruments with no active market is estimated based on the valuation methods. The estimates and assumptions used are consistent with those made by market participants during the pricing of financial instruments.

m The assessment bases for forward exchange are exchange rates on the Reuters, the NT as the closing price, and the purchase price of the other currency. Fair value of each forward exchange contract is calculated based on the exchange rate on each maturity date. Fair value of interest rate swap is the quoted price provided by traded parties.

n Fair value of other financial assets and liabilities are determined based on discounted cash flow analysis. The interest rates and discount rates assumptions mainly refer to related information of similar instruments and yield curve for the duration, etc.

o The adjustments of credit risk valuation for the derivative instrument contracts traded over-the-counter are classified as Credit value adjustments (CVA) and Debit value adjustments (DVA), to reflect the probability of default of the counterparty (CVA) and the Company (DVA).

Under the assumption that the Company will not default, the Company determines its credit value adjustment (CVA) by multiplying three factors, probability of default (PD), loss given default (LGD), and exposure at default (EAD) of the counterparty.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

On the other hand, under the assumption that the counterparty will not default, the Company calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default of the Company. The Company estimates probability of default through internal rating, estimates loss given default at 60% by considering suggestions by scholars and foreign financial institutions, and estimates exposure at default through market approach for derivative instruments, to reflect credit risk of the counterparty and the credit quality of the Company.

(2) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivable, accounts payable and other current liabilities whose carrying amount approximates their fair value, the fair value of financial assets and financial liabilities measured at amortized cost is as follows:

	Carrying amount		
	2016.9.30	2015.12.31	2015.9.30
Financial assets:			
Held-to-maturity financial assets	$90,254,402	$42,124,302	$32,752,559
Debt instrument investments for which no active market exists	606,095,178	504,141,924	499,374,251
Refundable deposits - Bonds	3,952,708	3,754,886	3,759,327

	Fair value		
	2016.9.30	2015.12.31	2015.9.30
Financial assets:			
Held-to-maturity financial assets	$94,035,743	$41,331,369	$31,429,673
Debt instrument investments for which no active market exists	623,898,249	502,622,477	497,435,877
Refundable deposits - Bonds	4,322,732	4,039,495	3,990,211

3. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3 – Unobservable inputs for assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value hierarchy of the Company’s assets and liabilities measured on a recurring basis is as follows:

	2016.9.30			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$422,018	$148,759	$-	$273,259
Swaps and forward foreign exchange contracts	3,805,173	-	3,805,173	-
Available-for-sale financial assets				
Stocks	98,241,520	76,929,222	-	21,312,298
Bonds	271,393,129	106,229,503	165,163,626	-
Others	10,253,179	9,279,269	-	973,910
Investment property	21,317,588	-	-	21,317,588
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Swaps and forward foreign exchange contracts	(438,238)	-	(438,238)	-

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$335,329	$-	$-	$335,329
Swaps and forward foreign exchange contracts	22,615	-	22,615	-
Available-for-sale financial assets				
Stocks	119,425,829	97,093,371	-	22,332,458
Bonds	309,826,505	97,333,719	212,492,786	-
Others	10,022,392	9,469,076	-	553,316
Investment property	21,633,633	-	-	21,633,633
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Swaps and forward foreign exchange contracts	(3,984,347)	-	(3,984,347)	-

	2015.9.30			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$361,553	$-	$-	$361,553
Swaps and forward foreign exchange contracts	393,854	-	393,854	-
Available-for-sale financial assets				
Stocks	116,100,981	95,853,756	-	20,247,225
Bonds	308,454,545	83,647,641	224,806,904	-
Others	12,597,417	12,013,739	-	583,678
Investment property	21,632,916	-	-	21,632,916
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Swaps and forward foreign exchange contracts	(7,486,872)	-	(7,486,872)	-

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

A. Transfers between Level 1 and Level 2 during the period

During the nine-month period ended 30 September 2016, the Company's bonds of available-for-sale financial assets measured on a recurring basis, amounted to $231,838 thousand, transferred from Level 1 to Level 2 because the Company can not asses quoted market prices. During the nine-month period ended 30 September 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

B. Reconciliation for Level 3 of the fair value hierarchy

Reconciliation for recurring fair value measurements categorized within Level 3 of the fair value hierarchy for movements during the period is as follows:

For the nine-month period ended 30 September 2016:

		Total gains and losses recognized					
	Beginning balance	Recognized in profit or loss (Note 1)	Recognized in OCI (Note 2)	Acquisition or issue	Disposal or settlement	Transfer in (out) of Level 3 (Note 3)	Ending balance
Assets							
Financial assets at fair value through profit or loss							
Convertible bonds	$335,329	$(62,070)	$-	$-	$-	$-	$273,259
Available-for-sale financial assets							
Stock	22,332,458	(73,827)	(951,112)	13,200	(8,421)	-	21,312,298
Others	553,316	-	63,754	356,840	-	-	973,910
Investment property	21,633,633	(55,716)	9,999	-	(17,434)	(252,894)	21,317,588

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

For the nine-month period ended 30 September 2015:

	Beginning balance	Total gains and losses recognized: Recognized in profit or loss (Note 1)	Total gains and losses recognized: Recognized in OCI (Note 2)	Acquisition or issue	Disposal or settlement	Transfer in (out) of Level 3 (Note 3)	Ending balance
Assets							
Financial assets at fair value through profit or loss							
Convertible bonds	$612,231	$(250,678)	$-	$-	$-	$-	$361,553
Available-for-sale financial assets							
Stock	20,551,354	-	(797,985)	539,665	(4,694)	(41,115)	20,247,225
Others	-	-	(5,965)	589,643	-	-	583,678
Investment property	20,802,675	45,000	142,089	458,606	(80,750)	265,296	21,632,916

Note1: presented in “Financial assets and liabilities at fair value through profit or loss / Rrealized gains (losses) from available-for-sale financial assets / Gains (losses) on investment property” in the comprehensive income statement.

Note2: presented in “Unrealized gains (losses) from available-for-sale financial assets / Gains (losses) on revaluation” in the comprehensive income statement.

Note3: The amount of investment property is related to transfer between property and equipment, no transfer in (out) for fair value level.

Total gains (losses) recognized in profit or loss above contains gains (losses) related to assets on hand as of 30 Sepember 2016 and 2015 is as follows:

	For the nine-month periods ended 30 September 2016	For the nine-month periods ended 30 September 2015
Total gains and losses		
Recognize in profit or loss	$(191,613)	$(205,678)
Recognized in other comprehensive income	(877,359)	(661,861)

C. Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2016.9.30			
	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets				
Financial assets at fair value through profit or loss				
Private Convertible bonds	Option	Volatility in stock price for the three-month period	21.354%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
Available-for-sale				
Stock	Market approach	Discount for lack of liquidity	10%~30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stock	Discounted cash flow approach	Long-term operating profit, long-term average cost of capital	6.00%	The higher the long-term average cost of capital, the lower the estimated fair value
Stock	Net asset value approach	N/A	N/A	N/A
Private Equity Fund	Net asset value approach	N/A	N/A	N/A
Investment property	Please refer to Note VI.8			

	2015.12.31			
	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets				
Financial assets at fair value through profit or loss				
Private Convertible bonds	Option	Volatility in stock price for the three-month period	34.61%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
Available-for-sale				
Stock	Market approach	Discount for lack of liquidity	10%~30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stock	Discounted cash flow approach	Long-term operating profit, long-term average cost of capital	6.00%	The higher the long-term average cost of capital, the lower the estimated fair value
Stock	Net asset value approach	N/A	N/A	N/A
Private Equity Fund	Net asset value approach	N/A	N/A	N/A
Investment property	Please refer to Note VI.8			

	2015.9.30			
	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets				
Financial assets at fair value through profit or loss				
Private convertible bonds	Option	Volatility in stock price for the three-month period	46.56%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
Available-for-sale				
Stocks	Market approach	Discount for lack of liquidity	10%~30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stocks	Discounted cash flow approach	Long-term operating profit, long-term average cost of capital	6.00%	The higher the long-term average cost of capital, the lower the estimated fair value
Stocks	Net asset value approach	N/A	N/A	N/A
Private Equity Fund	Net asset value approach	N/A	N/A	N/A
Investment property	Please refer to Note VI.8			

D. Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions and the sources are independent, reliable, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the Company's accounting policies at each reporting date. Also, assessment of fair value for investment property are outsourced to appraisers from professional agencies every half year and they evaluates the effectiveness of fair value on the balance sheet date quarterly and decides whether to re-issue reports or issue review report. The Company's real estate department will review the legality, the rationality and correctness of valuation parameters important to results from external reports case-by-case.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(3) Fair value hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed

	2016.9.30			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Held-to-maturity financial assets				
Bonds	$91,052,647	$2,983,096	$-	$94,035,743
Debt instrument investments for which no active market exists				
Bonds	382,893,154	241,005,095	-	623,898,249
Refundable deposits				
Bonds	-	4,322,732	-	4,332,732

	2015.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Held-to-maturity financial assets				
Bonds	$38,533,570	$2,797,799	$-	$41,331,369
Debt instrument investments for which no active market exists				
Bonds	320,450,238	182,172,239	-	502,622,477
Refundable deposits				
Bonds	-	4,039,495	-	4,039,495

	2015.9.30			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Held-to-maturity financial assets				
Bonds	$28,827,259	$2,602,414	$-	$31,429,673
Debt instrument investments for which no active market exists				
Bonds	196,837,252	300,598,625	-	497,435,877
Refundable deposits				
Bonds	-	3,990,211	-	3,990,211

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

4. Offsetting financial assets and financial liabilities

The Company holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

The Company may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

	2016.9.30					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)
Derivative financial instrument	$3,805,173	$-	$3,805,173	$(421,322)	$-	$3,383,851

	2016.9.30					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)
Derivative financial instrument	$438,238	$-	$438,238	$(421,322)	$-	$16,916

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.12.31					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral received	
Derivative financial instrument	$22,615	$-	$22,615	$12,661	$-	$9,954

	2015.12.31					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral pledged	
Derivative financial instrument	$3,984,347	$-	$3,984,347	$12,661	$-	$3,971,686

	2015.9.30					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral received	
Derivative financial instrument	$393,854	$-	$393,854	$315,889	$-	$77,965

	2015.9.30					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral pledged	
Derivative financial instrument	$7,486,872	$-	$7,486,872	$315,889	$-	$7,170,983

IX. Financial risk management

The Company's financial risk management objectives are primarily managing risks arising from holding financial assets. According to the Company's risk management policies, the main financial risks is market risk, credit risk and liquidity risk. The Company has established guidelines related to the management of the financial risk. The following is the definition, source, management procedures of the risk and methods used to measure the risk:

1. Credit risk analysis

   (1) Credit risk refers to the result of the issuer, the contract transaction counterpart and the debtor fail to fulfill responsibilities (obligations), or because of changes in credit quality, resulting in financial assets held by the Company's contractual default or the risk of loss of value. Credit risks from financial instruments transactions include issuer credit risk and counterparty risk.

   Issuer credit risk represents that bond issuer, debtor and the guarantor does not pay its debts or declares bankruptcy, commit a crime or changes of tax law and accounting standards that lead to make credit deterioration hence unable to fulfill obligations of the repayment or comply with the terms of the issue of default risk of loss.

   Counterparty credit risk refers to the risk of the counterparty, custodian banks, brokers, reinsurers and other participants in the transaction, for the present or the future cash flows, are unable or fail to fulfill the contract delivery responsibilities (obligations).

   The Company prepares reports periodically to determine the credit conditions of counterparty and issuer. The Company also identifies internal rating indicators to comprehensively assess the credit risk of existing bond positions. The indicators are based on financial position and operational management performance. The company manages the usage of different level of credit limit by internal rating.

   The Company's credit risk limit includes counterparty credit risk limit and issuer credit risk limit. Counterparty credit risk limit can be divided into pre-settlement risk limit and settlement risk limit. Issuer credit risk limit can be determined according to long or short transaction terms.

   With respect to credit risk assessment, the Company has established credit VaR model. The model is to calculate credit VaR, which includes estimated expected and unexpected credit loss, in order to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, the Company also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

(2) Financial assets credit risk concentration analysis

A. The largest credit risk exposure of the financial debt instrument investments held by the Company or deposit in the bank is listed in accordance with the regional distribution as follows:

Date: 30 September 2016

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$33,342,070	$17,420,197	$4,159,303	$-	$-	$54,921,570
Financial assets at fair value through profit or loss	422,018	-	-	-	-	422,018
Available-for-sale financial assets	154,677,410	47,124,238	23,997,150	43,796,515	1,797,816	271,393,129
Debt instrument investments for which no active market exists	105,185,320	112,858,118	148,120,490	224,317,208	15,614,042	606,095,178
Held-to-maturity financial assets	2,473,086	12,042,943	21,645,058	54,093,315	-	90,254,402
Refundable deposits - Bonds	5,550,682	-	-	-	-	5,550,682
Total	$301,650,586	$189,445,496	$197,922,001	$322,207,038	$17,411,858	$1,028,636,979
Proportion	29.33%	18.42%	19.24%	31.32%	1.69%	100.00%

Date: 31 December 2015

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$45,858,938	$5,836,036	$725,405	$-	$-	$52,420,379
Financial assets at fair value through profit or loss	335,329	-	-	-	-	335,329
Available-for-sale financial assets	193,707,005	45,637,178	22,013,112	45,413,529	3,055,681	309,826,505
Debt instrument investments for which no active market exists	107,501,183	109,821,244	119,153,541	167,562,780	103,176	504,141,924
Held-to-maturity financial assets	2,472,447	8,124,035	9,303,692	22,224,128	-	42,124,302
Refundable deposits - Bonds	5,328,622	-	-	-	-	5,328,622
Total	$355,203,524	$169,418,493	$151,195,750	$235,200,437	$3,158,857	$914,177,061
Proportion	38.85%	18.53%	16.54%	25.73%	0.35%	100.00%

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Date: 30 September 2015

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$27,719,339	$1,989,536	$6,716,166	$-	$-	$36,425,041
Financial assets at fair value through profit or loss	361,553	-	-	-	-	361,553
Available-for-sale financial assets	195,550,331	46,861,735	27,040,718	35,934,569	3,067,192	308,454,545
Debt instrument investments for which no active market exists	110,884,516	110,501,751	118,401,909	159,478,973	107,102	499,374,251
Held-to-maturity financial assets	2,472,235	4,860,273	7,755,997	17,664,054	-	32,752,559
Refundable deposits - Bonds	5,312,069	-	-	-	-	5,312,069
Total	$342,300,043	$164,213,295	$159,914,790	$213,077,596	$3,174,294	$882,680,018
Proportion	38.78%	18.60%	18.12%	24.14%	0.36%	100.00%

B. Regional distribution of credit risk exposure for secured loans and overdue receivables is as follows:

Date: 30 September 2016

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$1,205,353	$616,941	$565,770	$2,388,064
Overdue receivables	-	-	-	-
Total	$1,205,353	$616,941	$565,770	$2,388,064
Proportion	50.47%	25.84%	23.69%	100.00%

Date: 31 December 2015

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$1,469,801	$741,349	$674,293	$2,885,443
Overdue receivables	-	-	-	-
Total	$1,469,801	$741,349	$674,293	$2,885,443
Proportion	50.94%	25.69%	23.37%	100.00%

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Date: 30 September 2015

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$1,639,583	$793,309	$753,918	$3,186,810
Overdue receivables	57,418	-	558	57,976
Total	$1,697,001	$793,309	$754,476	$3,244,786
Proportion	52.30%	24.45%	23.25%	100.00%

(3) Financial asset credit quality and overdue impairment analysis

A. Grading of financial instrument credit risk quality

The Company's internal credit risk is classified into investment grade and non-investment grade mainly based on rating of the credit rating agencies:

a. Investment grade means credit rating reaches at least BBB- granted by a credit rating agency.
b. Non-investment grade means no credit rating or credit rating lower than BBB- granted by a credit rating agency.
c. Impaired means the company or the object fails to perform its obligations. The Company estimates the impairment criteria in accordance with potential losses.

The Company’s financial instruments are classified into normal assets, past due but not impaired, impaired according to credit quality, listed as follows:

Date: 30 September 2016

	Normal assets				
Financial assets	Investment grade	Non-investment grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents	$54,921,570	$-	$-	$-	$54,921,570
Financial assets at fair value through profit or loss	422,018	-	-	-	422,018
Available-for-sale financial assets	271,393,129	-	-	-	271,393,129
Debt instrument investments for which no active market exists	606,095,178	-	-	-	606,095,178
Held-to-maturity financial assets	90,254,402	-	-	-	90,254,402
Refundable deposits	5,550,682	-	-	-	5,550,682
Total	$1,028,636,979	$-	$-	$-	$1,028,636,979
Proportion	100%	-	-	-	100%

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Date: 31 December 2015

	Normal assets		Past due		
Financial assets	Investment grade	Non-investment grade	but not impaired	Impaired	Total
Cash and cash equivalents	$52,420,379	$-	$-	$-	$52,420,379
Financial assets at fair value through profit or loss	335,329	-	-	-	335,329
Available-for-sale financial assets	309,826,505	-	-	-	309,826,505
Debt instrument investments for which no active market exists	504,141,924	-	-	-	504,141,924
Held-to-maturity financial assets	42,124,302	-	-	-	42,124,302
Refundable deposits	5,328,622	-	-	-	5,328,622
Total	$914,177,061	$-	$-	$-	$914,177,061
Proportion	100.00%	-	-	-	100.00%

Date: 30 September 2015

	Normal assets		Past due		
Financial assets	Investment grade	Non-investment grade	but not impaired	Impaired	Total
Cash and cash equivalents	$36,425,041	$-	$-	$-	$36,425,041
Financial assets at fair value through profit or loss	361,553	-	-	-	361,553
Available-for-sale financial assets	308,454,545	-	-	-	308,454,545
Debt instrument investments for which no active market exists	499,374,251	-	-	-	499,374,251
Held-to-maturity financial assets	32,752,559	-	-	-	32,752,559
Refundable deposits	5,312,069		-	-	5,312,069
Total	$882,680,018	$-	$-	$-	882,680,018
Proportion	100.00%	-	-	-	100.00%

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

B. The Company classifies the risk of secured loans to evaluate whether there is objective evidence indicating impairment and whether there is observable information indicating credit deterioration of the borrower. The credit classification is defined as follows:

a. Normal users: the borrower makes monthly payment within 30 days after the due date. There is no sign of credit deterioration, so the borrower can make payments continuously.

b. Worsening solvency: there is no objective evidence indicating impairment. However, the borrower has financial difficulty and credit deterioration. The borrower enters in financial reorganization such as conducting a repayment agreement, preceding compromise, liquidation or debt settlement proceedings, indicating the borrower's capacity to make payment worsens.

c. Delayed users: the borrower makes monthly payment in 31 to 90 days after the due date. The borrower is lack of contractual capacity since the borrower fails to make payment on time under the terms of the loan contract.

d. Past due but not impaired: the borrower makes monthly payment over 91 days after the due date. There is objective evidence indicating impairment and the Company should evaluate the asset for impairment. The present value of estimated future cash flows (including disposal of collateral) is higher than the book value of the loan, indicating the asset is not impaired.

e. Past due and impaired: the overdue day meets the standard of overdue loans. There is objective evidence indicating impairment and the Company should evaluate the asset for impairment. The present value of estimated future cash flows (including disposal of collateral) is lower than the book value of the loan, indicating the asset is impaired.

Secured loans listed according to the above levels are as follows:

Date: 30 September 2016

	Low risk	Potential risk					
Secured loans and Overdue receivables	Normal users	Worsening solvency	Delayed users	Past due but not impaired	Past due and impaired	Provision for impairment	Total
Consumer finance	$2,407,187	$27,310	$5,947	$-	$-	$52,380	$2,388,064
Corporate finance	-	-	-	-	-	-	-
Total	$2,407,187	$27,310	$5,947	$-	$-	$52,380	$2,388,064

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Date: 31 December 2015

	Low risk	Potential risk					
Secured loans and Overdue receivables	Normal users	Worsening solvency	Delayed users	Past due but not impaired	Past due and impaired	Provision for impairment	Total
Consumer finance	$2,886,347	$33,661	$9,370	$-	$-	$43,935	$2,885,443
Corporate finance	-	-	-	-	-	-	-
Total	$2,886,347	$33,661	$9,370	$-	$-	$43,935	$2,885,443

Date :30 September 2015

	Low risk	Potential risk					
Secured loans and Overdue receivables	Normal users	Worsening solvency	Delayed users	Past due but not impaired	Past due and impaired	Provision for impairment	Total
Consumer finance	$3,154,057	$36,878	$11,265	$1,376	$-	$16,207	$3,187,369
Corporate finance	-	-	-	105,924	-	48,507	57,417
Total	$3,154,057	$36,878	$11,265	$107,300	$-	$64,714	$3,244,786

Aging analysis for net amount of secured loans is as follows:

	Neither delayed nor impaired	Delayed but not impaired	Past due or impaired		
	Within 30 days	31-90 days	91-180 days	Over 181 days	Total
2016.9.30	$2,382,236	$5,828	$-	$-	$2,388,064
2015.12.31	2,876,260	9,183	-	-	2,885,443
2015.9.30	3,174,981	11,598	790	57,417	3,244,786

As of 30 September 2016, 31 December 2015, and 30 September 2015, the fair value of the collateral for discounted and loan’s financial assets of past due but not impaired were NT$0 thousand, NT$0 thousand, and NT$374,247 thousand, respectively.

2. Liquidity risk analysis

(1) Liquidity risks are classified to “funding liquidity risk” and “market liquidity risk.” “Funding liquidity risk” represents that the Company is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. “Market liquidity risk” represents the risk that the Company sells at loss to meet the demand for cash.

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how the Company in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

The Company regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To quarterly prepare duration reports of assets and liabilities, the quarterly end of effective contracts estimate future liabilities side of cash expenditures time and the size of the amount. The Company early response to possible liquidity risk assort in order to assort full term insurance money management of again sales or assets combination adjustment measures, etc. Also, for abnormal and urgent financing needs, the Company makes an emergency management operating procedure to deal with significant liquidity risks.

(2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities

A. Financial assets held for managing liquidity risk

The Company holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and debt instrument investments for which no active market exists, etc.

B. Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to the Company is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Non-derivative financial instruments

	In 1 year	Over 1 year	Total
2016.9.30			
Payables	$8,910,701	$-	$8,910,701
2015.12.31			
Payables	$8,055,698	$-	$8,055,698
2015.9.30			
Payables	$8,661,588	$-	$8,661,588

C. Maturity analysis of derivative financial liabilities

The Company operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward) and interest rate derivative instruments (such as cross currency swaps, interest rate swaps).

The Company has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. The Company enters into forward contracts, cross currency swaps and interest rate swaps derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and cross currency swaps will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

Maturity structure of derivative financial liabilities is as follows:

	2016.9.30				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$437,318	$920	$-	$-	$438,238

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.12.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$3,547,249	$342,014	$95,084	$-	$3,984,347

	2015.6.30				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$7,429,136	$10,934	$46,802	$-	$7,486,872

3. Market risk analysis

(1) Market risk refers to financial assets and liabilities due to market risk factors volatility (refer to interest rate, exchange rate, stock prices and other variables), making the change of the value to cause the risk of loss.

The Company has built value at risk model. All financial assets involve market risks regularly monitor by risk management system and calculate the risk value. Over control index are notional amount, price sensitivity and risk value. It will issue risk management reports and execute routine control and process when over limit. We also report each asset risk value, the use of various types of credit limits and the results of backtesting regularly to the board of directors or risk management committee.

(2) Exchange rate risk

The Company continues to exercise swaps and forward exchange derivative transactions to hedge the value change risk of holding foreign currencies because of changes in exchange rates in accordance with relevant laws and internal control requirements to use the correlation model and control mechanism to effectively control this risk.

The Company’s exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of the Company).

Some of the Company’s accounts receivable and accounts payable are denoted in the same foreign currency. Under such circumstances, the similar positions will naturally generate the hedging effect. Some foreign currency positions use forward exchange contracts to manage foreign exchange risk. As the foregoing natural hedge and foreign exchange forward do not meet the requirements of hedge accounting in terms of managing exchange rate risk, hedge accounting is not adopted.

(3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. The Company manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.

(4) Equity price risk

The Company holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. The equity securities of listed and OTC-listed companies held by the Company fall into held-for-trading and available-for-sale categories, respectively. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. The Company diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of the Company. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

(5) Value at Risk

Value-at-Risk (“VaR”) is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. The Company uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model used to manage risk must perform model validation and back testing to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

(6) Stress testing

The Company measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

The Company performs position stress testing regularly by using "Simple Sensitivity" and "Scenario Analysis" methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

A. Simple Sensitivity

Simple Sensitivity measures the dollar amount change for the portfolio value from the movement of specific risk factors.

B. Scenario Analysis

Scenario Analysis measures the dollar amount changes for the total value of investment positions if stress scenarios occur. The types of scenario include:

a. Historical scenario:

Adding fluctuating risk factors to a specific historical event, the Company simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

b. Hypothetical scenario:

The Company makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. The Company's risk analysis, early warning, and business management are in accordance with the stress testing report.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

Summarization of Simple Sensitivity

For the nine-month period ended 30 September 2016

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	-	716,777
Interest rate risk (Yield curve)	+1BP	(213)	(357,970)
Exchange risk (Foreign exchange rate)	+1%(USD for each currency appreciates 1%)	1,311,073	86,652

For the year ended 31 December 2015

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	-	879,335
Interest rate risk (Yield curve)	+1BP	(108)	(367,189)
Exchange risk (Foreign exchange rate)	+1%(USD for each currency appreciates 1%)	934,426	79,437

For the nine-month period ended 30 September 2015

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	-	872,642
Interest rate risk (Yield curve)	+1BP	(125)	(349,831)
Exchange risk (Foreign exchange rate)	+1%(USD for each currency appreciates 1%)	784,900	62,957

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

X. Assets and liabilities are classified based on expected recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date:

	2016.9.30		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$54,926,985	$-	$54,926,985
Receivables	11,766,400	-	11,766,400
Current tax assets	1,235,429	-	1,235,429
Financial assets at fair value through profit or loss	3,805,173	422,018	4,227,191
Available-for-sale financial assets	89,573,536	290,314,292	379,887,828
Debt instrument investments for which no active market exists	4,440,699	601,654,479	606,095,178
Held-to-maturity financial assets	18,595	90,235,807	90,254,402
Investment property	-	23,812,594	23,812,594
Loans	-	30,636,215	30,636,215
Reinsurance assets	298,661	-	298,661
Property and equipment	-	7,624,821	7,624,821
Intangible assets	-	145,554	145,554
Deferred tax assets	608,053	-	608,053
Other assets	365,792	19,018,670	19,384,462
Separate account product assets			65,486,494
Total assets	$167,039,323	$1,063,864,450	$1,296,390,267
Liabilities			
Payables	$8,910,701	$-	$8,910,701
Current tax liabilities	1,125,508	-	1,125,508
Financial liabilities at fair value through profit or loss	438,238	-	438,238
Insurance liabilities	18,541,722	1,095,306,749	1,113,848,471
Foreign exchange valuation reserve	-	4,596,062	4,596,062
Provision	-	134,711	134,711
Deferred tax liabilities	-	3,611,827	3,611,827
Other liabilities	389,828	1,503,090	1,892,918
Separate account product liabilities			65,486,494
Total liabilities	$29,405,997	$1,105,152,439	$1,200,044,930

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.12.31		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$52,426,711	$-	$52,426,711
Receivables	11,220,392	-	11,220,392
Current tax assets	1,975,975	-	1,975,975
Financial assets at fair value through profit or loss	22,615	335,329	357,944
Available-for-sale financial assets	103,215,426	336,059,300	439,274,726
Debt instrument investments for which no active market exists	4,708,323	499,433,601	504,141,924
Held-to-maturity financial assets	-	42,124,302	42,124,302
Investment property	-	24,273,542	24,273,542
Loans	-	30,933,445	30,933,445
Reinsurance assets	340,209	-	340,209
Property and equipment	-	6,988,198	6,988,198
Intangible assets	-	98,836	98,836
Deferred tax assets	4,251,116	-	4,251,116
Other assets	306,690	18,945,365	19,252,055
Separate account product assets			64,962,278
Total assets	$178,467,457	$959,191,918	$1,202,621,653
Liabilities			
Payables	$8,055,698	$-	$8,055,698
Financial liabilities at fair value through profit or loss	3,984,347	-	3,984,347
Insurance liabilities	27,451,875	998,261,077	1,025,712,952
Foreign exchange valuation reserve	-	7,695,824	7,695,824
Provision	-	277,491	277,491
Deferred tax liabilities	-	8,082,606	8,082,606
Other liabilities	496,511	770,078	1,266,589
Separate account product liabilities			64,962,278
Total liabilities	$39,988,431	$1,015,087,076	$1,120,037,785

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.9.30		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$36,430,308	$-	$36,430,308
Receivables	11,028,839	-	11,028,839
Current tax assets	1,850,915	-	1,850,915
Financial assets at fair value through profit or loss	393,854	361,553	755,407
Available-for-sale financial assets	106,128,866	331,024,077	437,152,943
Debt instrument investments for which no active market exists	3,753,781	495,620,470	499,374,251
Held-to-maturity financial assets	-	32,752,559	32,752,559
Investment property	-	24,400,746	24,400,746
Loans	-	30,733,419	30,733,419
Reinsurance assets	258,828	-	258,828
Property and equipment	-	6,920,553	6,920,553
Intangible assets	-	81,886	81,886
Deferred tax assets	4,632,287	-	4,632,287
Other assets	416,300	18,978,959	19,395,259
Separate account product assets			64,040,001
Total assets	$164,893,978	$940,874,222	$1,169,808,201
Liabilities			
Payables	$8,661,588	-	$8,661,588
Financial liabilities at fair value through profit or loss	7,486,872	-	7,486,872
Insurance liabilities	32,700,746	966,299,629	999,000,375
Foreign exchange valuation reserve	-	8,308,578	8,308,578
Provision	-	266,981	266,981
Deferred tax liabilities	-	8,183,614	8,183,614
Other liabilities	989,264	738,096	1,727,360
Separate account product liabilities			64,040,001
Total liabilities	$49,838,470	$983,796,898	$1,097,675,369

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

XI. Capital management

The Company's main objective of capital management is to make sure the risk-based capital (RBC) ratio calculated in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" meets the ratio provided by the Insurance Act, to maintain a sound capital structure to protect rights and interests of customers and shareholders.

The Company implements capital management mainly by monitoring the results of RBC report to ensure its solvency.

XII. Related party transaction

Significant transactions with related party are as follows:

1. Key management personnel remuneration

	For the three-month periods ended 30 September	
	2016	2015
Short-term employee benefits	$27,265	$25,432
Post-employment benefits	492	546
Total	$27,757	$25,978

	For the nine-month periods ended 30 September	
	2016	2015
Short-term employee benefits	$223,777	$196,772
Post-employment benefits	1,459	1,531
Total	$225,236	$198,303

For more information about the key management personnel remuneration, please refer to the shareholders' meeting annual report.

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

XIII. Pledged assets

1. As of 30 September 2016, 31 December 2015, and 30 Septemebr 2015, details of pledged and guaranteed assets are as follows:

Item	2016.9.30	2015.12.31	2015.9.30
Available-for-sale financial assets	$1,597,974	$1,573,736	$1,552,742
Debt instrument investments for which no active market exists	3,952,708	3,754,886	3,759,327
Total	$5,550,682	$5,328,622	$5,312,069

2. Refundable deposits from above government bonds are as follows:

Item	2016.9.30	2015.12.31	2015.9.30
Insurance deposits	$5,530,773	$5,309,535	$5,292,067
Litigation deposits	19,909	19,087	20,002
Total	$5,550,682	$5,328,622	$5,312,069

XIV. Commitment and Contingencies

1. Operating lease commitment－the Company as the lessee

The commercial lease contracts for offices, vehicles and equipment signed by the Company are within one to three years on average without renewal option. There is no restriction on the Company in these contracts. Furthermore, the Company leases the land for 70 years by creating surface right and the agreement is a non-cancellable operating lease.

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at 30 September 2016, 31 December 2015, 30 September 2015 are as follows:

	2016.9.30	2015.12.31	2015.9.30
Less than one year	$122,303	$116,357	$81,311
More than one year but less than five years	482,451	463,858	312,756
More than five years	7,749,327	7,045,202	6,933,612
Total	$8,354,081	$7,625,417	$7,327,679

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The minimum lease payments of operating lease for the three-month periods ended 30 September 2016 and 2015 amounted to NT$17,319 thousand and NT$14,707 thousand, respectively; and NT$$50,688 thousand and NT$45,744 thousand for the nine-month periods ended 30 September 2016 and 2015, respectively.

2. Operating lease commitment－the Company as the lessor

The remaining period of commercial property lease contracts the Company signed are within one year to eleven years, and most of these lease contracts contain terms about adjusting rents according to market environment annually.

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at 30 September 2016, 31 December 2015, 30 September 2015 are as follows:

	2016.9.30	2015.12.31	2015.9.30
Less than one year	$406,527	$436,567	$427,062
More than one year but less than five years	992,026	1,066,373	1,015,616
More than five years	256,046	361,128	375,681
Total	$1,654,599	$1,864,068	$1,818,359

3. Finance lease commitment－the Company as the lessee

The Company has entered into a finance lease contract on certain equipment. The execution date of the contract was 1 November 2015 for a term of 5 years. As of 31 October 2020 of the expiration date, the Company can acquire the equipment with no payment.

In accordance with the non-cancellable finance lease, the total amount of the minimum lease payment as at 30 September 2016 is as follows:

	Less than one year	More than one year but less than five years	Total
2016.9.30	$55,807	$150,328	$206,135

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

XV. Significant disaster damages

None.

XVI. Significant subsequent events

None.

XVII. Other matters

1. Foreign currency financial assets and liabilities with significant influence as of 30 September 2016, 31 December 2015, 30 September 2015 are as follows:

	2016.9.30		
	Foreign currency	Exchange rate (dollar)	NTD
Financial assets			
Monetary items			
USD	$22,409,981	$31.3660	$702,911,477
CNH	8,307,535	4.6953	39,006,367
CNY	2,421,979	4.7025	11,389,357
Non-monetary items			
USD	214,442	31.3660	6,726,203
CNH	926,316	4.6953	4,349,332
CNY	6,040,343	4.7025	28,404,715
Financial Liabilities			
Payables			
USD	12,281	31.3300	384,774
CNY	5,693	4.7104	26,818
HKD	9,779	4.0513	39,619

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

	2015.12.31		
	Foreign currency	Exchange rate (dollar)	NTD
Financial assets			
Monetary items			
USD	$16,062,025	$33.0660	$531,106,909
CNH	8,293,310	5.0334	41,743,546
CNY	1,892,348	5.0921	9,635,936
Non-monetary items			
USD	352,656	33.0660	11,660,923
CNH	902,907	5.0334	4,544,692
CNY	6,281,166	5.0921	31,984,323
Financial Liabilities			
Payables			
USD	1,033	32.8920	33,990
CNY	29,984	5.0788	152,284

	2015.9.30		
	Foreign currency	Exchange rate (dollar)	NTD
Financial assets			
Monetary items			
USD	$15,267,559	$33.1280	$505,783,691
CNH	8,687,528	5.2187	45,337,602
CNY	1,903,631	5.2112	9,920,200
Non-monetary items			
USD	349,532	33.1280	11,579,275
CNH	892,800	5.2187	4,659,255
CNY	5,558,027	5.2112	28,963,992
Financial Liabilities			
Payables			
USD	5,304	33.1137	175,621
CNY	34,279	5.1936	178,031
AUD	22,000	23.1873	510,120

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to the functional currency.

2. Participation of unconsolidated structured entities

As of 30 September 2016, interests in unconsolidated entities the Company holds are as follows. The Company does not provide any financial or other support for these structured entities. The estimated maximum exposure amount is the interests the Company holds.

	Private Equity Fund	Real estate investment trust	Real estate beneficiary certificate	Total
Assets held by the Company				
Available-for-sale financial assets	$973,910	$1,539,332	$-	$2,513,242
Debt instrument investments for which no active market exists	-	-	47,164,233	47,164,233
The maximum exposure amount	973,910	1,539,332	47,164,233	49,677,475
Financial or other support provided	None	None	None	

XVIII. Information regarding investment in Mainland China

1. The Company set up China Life Insurance Co., Ltd. (Taiwan) Beijing Representative Office in Mainland China, which was approved by FSC on November 2004 and was approved by the China Insurance Regulatory Commission in July 2005. The Beijing representative office was officially established in August 2005.

2. The Company participated in the equity investment of Pacific-Antna Life Insurance Company Ltd. in Mainland China authorized by FSC on 30 December 2010, and by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) on 28 January 2011, and by the China Insurance Regulatory Commission on 6 April 2011.

   The Company remitted US$ 58,775 thousand on 24 June 2011, completed settlement on 29 June 2011 and obtained 19.9% ownership. The Company shared 100% equity of Pacific-Antna Life Insurance Company Ltd. with China Construction Bank and other financial investors and used the channel and customer resources of China Construction Bank to develop bank insurance business which is to ensure the Company successfully enters the mainland market and increases the Company's long-term value and shareholders' interests. Pacific-Antna Life Insurance Company Ltd. was renamed to CCB Life Insurance Company Ltd. authorized by the China Insurance Regulatory Commission on 7 June 2011.

The Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to increase capital of CCB Life Insurance Company Ltd. on 29 August 2011 and to remit US$11,844 thousand on 30 August 2011. The increased share capital case was approved by China Insurance Regulatory Commission on 28 September 2011 and by Shanghai Administration for Industry and Commerce on 13 December 2011. Moreover, the Company remitted US$179,070 thousand to increase share capital in June 2012, and this increased share capital case was approved by China Insurance Regulatory Commission on 27 July 2012 and by Shanghai Administration for Industry and Commerce on 5 November 2012.