China Life Insurance Co., Ltd.
Financial Statements
For The Years Ended
31 December 2015 and 2014
With Independent Auditors' 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

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Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying balance sheets of China Life Insurance Co., Ltd. (the "Company") as of 31 December 2015, 31 December 2014 and 1 January 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2015, 31 December 2014 and 1 January 2014, and the results of its operations and its cash flows for the years ended in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Ernst & Young

Ernst & Young
Certified Public Accountants
Taipei, Taiwan, R.O.C.
26 February 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 audit 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.

Audited balance sheets

As at 31 December 2015, 31 December 2014 and 1 January 2014

(Expressed in Thousands of New Taiwan Dollars)

		2015/12/31		2014/12/31		2014/1/1	
Assets	Notes	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	VI、1	$52,426,711	4	$61,223,512	6	$112,702,457	11
Receivables	VI、2	11,220,392	1	14,384,897	1	11,169,076	1
Current tax assets		1,975,975	0	1,326,043	0	936,683	0
Financial assets at fair value through profit or loss	VI、3	357,944	0	1,605,826	0	1,935,591	0
Available-for-sale financial assets	VI、4	439,274,726	37	435,292,552	39	427,706,046	44
Debt instrument investments for which no active market exists	VI、5	504,141,924	42	440,007,443	40	290,884,414	30
Held-to-maturity financial assets	VI、6	42,124,302	4	-	-	-	-
Investment property	VI、8	24,273,542	2	23,553,058	2	22,873,268	2
Loans	VI、7	30,933,445	3	31,083,479	3	32,139,338	3
Reinsurance assets	VI、9	340,209	0	264,209	0	296,817	0
Property and equipment	VI、10	6,988,198	1	6,973,988	1	5,663,139	1
Intangible assets		98,836	0	53,806	0	42,350	0
Deferred tax assets	VI、27	4,251,116	0	3,235,637	0	859,868	0
Other assets	VI、11	19,252,055	1	19,091,114	2	5,592,005	1
Separate account product assets	VI、29	64,962,278	5	69,172,331	6	64,800,681	7
Total assets		$1,202,621,653	100	$1,107,267,895	100	$977,601,733	100

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Audited balance sheets - (continued)

As at 31 December 2015, 31 December 2014 and 1 January 2014

(Expressed in Thousands of New Taiwan Dollars)

		2015/12/31		2014/12/31		2014/1/1	
Liabilities and equity	Notes	Amount	%	Amount	%	Amount	%
Payables	VI、12	$8,055,698	1	$9,999,089	1	$5,628,375	1
Financial liabilities at fair value through profit or loss	VI、13	3,984,347	0	5,847,792	1	3,008,375	0
Other financial liabilities	VI、14	-	-	-	-	11,104	0
Insurance liabilities	VI、15	1,025,712,952	85	934,190,724	84	831,031,223	85
Reserve for insurance contracts with feature of financial instruments	VI、16	-	-	-	-	446,490	0
Foreign exchange valuation reserve	VI、17	7,695,824	1	5,263,545	0	2,773,740	0
Provisions	VI、18	277,491	0	266,651	0	237,795	0
Deferred tax liabilities	VI、27	8,082,606	1	6,738,484	1	1,487,544	0
Other liabilities		1,266,589	0	1,464,786	0	5,686,893	1
Separate account product liabilities	VI、29	64,962,278	5	69,172,331	6	64,800,681	7
Total liabilities		1,120,037,785	93	1,032,943,402	93	915,112,220	94
Capital stock	VI、20						
Common stock		33,401,467	3	30,364,970	3	27,221,478	3
Capital surplus	VI、21	2,289,273	0	4,414,821	0	6,454,129	1
Retained earnings	VI、22						
Legal capital reserve		6,083,247	1	4,780,855	0	3,835,906	0
Special capital reserve		19,795,287	1	16,777,327	2	6,807,982	1
Unappropriated retained earnings		8,885,246	1	6,167,092	1	12,736,664	1
Other equity	VI、23	12,129,348	1	11,819,428	1	5,433,354	0
Total equity		82,583,868	7	74,324,493	7	62,489,513	6
Total liabilities and equity		$1,202,621,653	100	$1,107,267,895	100	$977,601,733	100

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Audited statements of comprehensive income

For the years ended 31 December 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Item	Notes	2015 Amount	2015 %	2014 Amount	2014 %	Percentage change(%)
Operating revenue						
Direct premium income		$151,225,046	74	$144,674,089	75	5
Reinsurance premium income		(0)	0	(34)	0	(100)
Premium income		151,225,046	74	144,674,055	75	5
Deduct: Premiums ceded to reinsurers		(1,052,610)	(1)	(1,027,796)	(1)	2
Net changes in unearned premium reserve	VI、15	(219,676)	0	(272,173)	0	(19)
Retained premium earned	VI、24	149,952,760	73	143,374,086	74	5
Reinsurance commission earned		155,521	0	206,524	0	(25)
Handling fees earned		981,941	0	1,000,458	0	(2)
Net investment profits and losses						
Interest income		31,759,072	16	27,652,402	14	15
Gains (losses) on financial assets and liabilities at fair value through profit or loss		(12,469,945)	(6)	(17,686,010)	(9)	(29)
Realized gains on available-for-sale financial assets		13,437,577	7	9,763,657	5	38
Realized gains on debt instrument investments for which no active market exists		1,704,328	1	2,107,244	1	19
Realized gains from held-to-maturity financial assets		19,944	0	-	-	-
Foreign exchange gains (losses)		14,722,831	7	18,681,389	10	(21)
Net changes in foreign exchange valuation reserve	VI、17	(2,432,279)	(1)	(2,489,805)	(1)	(2)
Gains on investment property		532,476	0	1,097,790	1	(51)
Impairment losses and gains on reversal of impairment losses		(126,247)	0	(192,329)	0	(34)
Other operating revenue		46	0	48	0	(5)
Separate account product revenue	VI、29	5,687,483	3	10,115,736	5	(44)
Subtotal		203,925,508	100	193,631,190	100	5
Operating costs						
Insurance claim payments		(83,090,765)	(41)	(64,445,890)	(33)	29
Deduct: Claims recovered from reinsures		589,774	0	536,724	0	10
Retained claim payments	VI、25	(82,500,991)	(41)	(63,909,166)	(33)	29
Net changes in insurance liabilities	VI、15	(87,630,055)	(43)	(99,554,389)	(52)	(12)
Net changes in reserve for insurance contracts with feature of financial instruments	VI、16	-	-	(606)	0	(100)
Brokerage expenses		(7,758)	0	(8,384)	0	(7)
Commission expenses		(13,587,394)	(7)	(9,503,709)	(5)	43
Finance costs		(8,656)	0	(18,301)	0	(53)
Other operating costs		(187,725)	0	(161,265)	0	16
Separate account product expenses	VI、29	(5,687,483)	(3)	(10,115,736)	(5)	(44)
Subtotal		(189,610,062)	(94)	(183,271,556)	(95)	3
Operating expenses	VI、26					
Business expenses		(2,458,016)	(1)	(2,294,923)	(1)	7
Administrative and general expenses		(1,222,466)	(1)	(1,203,578)	(1)	2
Employee training expenses		(25,253)	0	(22,707)	0	11
Subtotal		(3,705,735)	(2)	(3,521,208)	(2)	5
Operating income (loss)		10,609,711	4	6,838,426	3	55
Non-operating income and expenses		70,753	0	185,507	0	(62)
Income (loss) from continuing operations before income tax		10,680,464	4	7,023,933	3	52
Income tax benefit (expense)	VI、27	(1,508,562)	(1)	(511,127)	0	195
Net income (loss) from continuing operations		9,171,902	3	6,512,806	3	41
Net income (loss)		9,171,902	3	6,512,806	3	41
Other comprehensive income, net of tax	VI、27					
Items that will not be reclassified subsequently to profit or loss						
Remeasurements of the net defined benefit liability or asset		(9,455)	0	6,396	0	(248)
Gains on revaluation		142,089	0	48,136	0	195
Income taxes relating to items that are not be reclassified		(11,032)	0	(4,016)	0	175
Items that are or may be reclassified subsequently to profit or loss						
Unrealized valuation gains (losses) on available-for-sale financial assets		(903,906)	0	8,732,844	5	(110)
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		1,084,376	1	(2,357,005)	(1)	(146)
Other comprehensive income, net of tax		302,072	1	6,426,355	4	(95)
Total comprehensive income		$9,473,974	4	$12,939,161	7	(27)
Earnings per share (In New Taiwan Dollars)	VI、28					
Basic earnings per share		$2.75		$1.96		
Diluted earnings per share		$2.75		$1.95		

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

China Life Insurance Co., Ltd.

Audited statements of changes in equity

For the years ended 31 December 2015 and 2014

(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 2014		$27,221,478	$6,454,129	$3,835,906	$6,807,982	$12,736,664	$5,398,239	$35,115	$62,489,513
Special capital reserve recognized in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10402501001	XVII、3				8,394,443	(8,359,328)		(35,115)	-
Appropriation and distribution of earnings for the year 2013	VI、22								
Legal capital reserve				944,949		(944,949)			-
Special capital reserve					1,188,799	(1,188,799)			-
Cash dividends						(1,104,181)			(1,104,181)
Stock dividends		1,104,184				(1,104,184)			-
Changes in other capital surplus									
Capital surplus used to distribute stock dividends		1,656,271	(1,656,271)						-
Net income for the year ended 31 December 2014 (Adjusted)	XVII、3					6,512,806			6,512,806
Other comprehensive income for the year ended 31 December 2014 (Adjusted)	VI、23					5,166	6,375,839	45,350	6,426,355
Total comprehensive income for the year ended 31 December 2014 (Adjusted)		-	-	-	-	6,517,972	6,375,839	45,350	12,939,161
Conversion of convertible bonds	VI、21	383,037	(383,037)						-
Net changes in special reserve	VI、22				386,103	(386,103)			-
Balance on 31 December 2014		$30,364,970	$4,414,821	$4,780,855	$16,777,327	$6,167,092	$11,774,078	$45,350	$74,324,493
Balance on 1 January 2015	XVII、3	$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 2014	VI、22								
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 year ended 31 December 2015						9,171,902			9,171,902
Other comprehensive income for the year ended 31 December 2015	VI、23					(7,848)	180,470	129,450	302,072
Total comprehensive income for the year ended 31 December 2015		-	-	-	-	9,164,054	180,470	129,450	9,473,974
Net changes in special reserve					296,802	(296,802)			-
Balance on 31 December 2015		$33,401,467	$2,289,273	$6,083,247	$19,795,287	$8,885,246	$11,954,548	$174,800	$82,583,868

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

China Life Insurance Co., Ltd.
Audited statements of cash flows
For the years ended 31 December 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities		
Net income (loss) before tax	$10,680,464	$7,023,933
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	94,489	82,411
Amortization expense	27,790	17,276
Provision (reversal of provision) for bad debt expense	(14,726)	(64,404)
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	12,469,945	17,724,690
Net losses (gains) on available-for-sale financial assets	(8,272,681)	(6,035,027)
Net losses (gains) on debt instrument investments for which no active market exists	(1,704,328)	(2,107,244)
Net losses (gains) on held-to-maturity financial assets	(19,944)	-
Interest expenses	8,656	18,301
Interest income	(31,759,072)	(27,652,401)
Dividend income	(5,164,896)	(3,767,091)
Net changes in insurance liabilities	91,506,984	103,171,715
Net changes in reserve for insurance contracts with feature of financial instruments	-	(446,490)
Net changes in foreign exchange volatility reserve	2,432,279	2,489,805
Net changes in provisions	(3,632)	5,400
(Gains) losses on disposal or scrapping of property and equipment	653	299
(Gains) losses on disposal of investment property	(10,967)	(3,589)
Impairment losses on financial assets	14,629	-
Reversal of impairment losses on non-financial assets	111,547	176,196
Unrealized foreign exchange losses (gains)	(33,531,854)	(10,445,002)
Gains on valuation of investment property	(45,717)	(648,402)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	(13,100,878)	(14,577,820)
Decrease (increase) in notes receivable	62,122	32,513
Decrease (increase) in other receivables	4,209,766	(2,643,643)
Decrease (increase) in prepaid expenses and other prepayments	371,566	(14,169,621)
Decrease (increase) in refundable deposits	1,991	1,148,065
Decrease (increase) in reinsurance assets	(60,755)	20,393
Decrease (increase) in other assets	(1,628)	2,416
Increase (decrease) in notes payable	(167,798)	177,439
Increase (decrease) in life insurance proceeds payable	(23,973)	8,617
Increase (decrease) in other payables	(1,954,906)	4,289,092
Increase (decrease) in due to reinsurers and ceding companies	14,830	31,153
Increase (decrease) in commissions payable	136,907	(146,752)
Increase (decrease) in accounts collected in advance	93,845	(1,038,832)
Increase (decrease) in guarantee deposits received	7,675	7,632
Increase (decrease) in other liabilities	(299,717)	(3,190,906)
Increase (decrease) in provision for employee benefits	5,017	29,852
Cash generated from operations activities	26,113,683	49,519,974
Interest received	45,200,951	17,977,639
Dividends received	5,124,538	3,730,334
Interest paid	(8,656)	(18,301)
Income taxes refunded (paid)	(702,298)	(386,275)
Net cash provided by (used in) operating activities	75,728,218	70,823,371
Cash flows from investing activities		
Acquisition of available-for-sale financial assets	(132,677,941)	(210,915,464)
Disposal of available-for-sale financial assets	137,659,313	222,673,401
Return of capital from available-for-sale financial assets	25,682	52,849
Acquisition of debt instrument investments for which no active market exists	(167,366,057)	(225,807,454)
Disposal of debt instrument investment for which no active market exists	117,814,362	89,856,439
Maturity principal from debt instrument investments for which no active market exists	4,000,000	3,400,000
Acquisition of held-to-maturity financial assets	(42,793,703)	-
Disposal of held-to-maturity financial assets	681,895	-
Acquisition of property and equipment	(400,848)	(1,412,004)
Acquisition of intangible assets	(63,534)	(28,732)
Decrease (increase) in loans	164,119	1,120,244
Acquisition of investment property	(458,606)	(266,127)
Disposal of investment property	104,898	128,713
Net cash provided by (used in) investing activities	(83,310,420)	(121,198,135)
Cash flows from financing activities		
Cash dividends paid	(1,214,599)	(1,104,181)
Net cash provided by (used in) financing activities	(1,214,599)	(1,104,181)
Increase (decrease) in cash and cash equivalents	(8,796,801)	(51,478,945)
Cash and cash equivalents at the beginning of the year	61,223,512	112,702,457
Cash and cash equivalents at the end of the year	$52,426,711	$61,223,512

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Notes to financial statements

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)

I. Organizations and business scope

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. Date and procedures of authorization of financial statements for issue

The financial statements of the Company for the years ended 31 December 2015 and 2014 were authorized to issue in accordance with a resolution of the Company's board of directors on 26 February 2016.

III. Newly issued or revised standards and interpretations

1. Changes in accounting policies resulting from initial application of certain standards and amendments

   The Company initially applied for International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by FSC and become effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment that has a material effect on the Company are described below:

(1) IAS 19 "*Employee Benefits*"

The revised IAS 19 brought about the following changes to defined benefit plans which are summarized below:

(a) The interest cost and expected return on plan assets used in the previous version of IAS 19 are combined into a net-interest amount under the revised IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.

(b) In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the revised IAS 19, all past service costs are recognized at the earlier of when the amendment or curtailment occurs or when the related restructuring costs are recognized. Therefore unvested past service cost is no longer deferred over future vesting periods. Since the Company has no unallocated past service costs, the amendment has no impact on the Company.

(c) The revised IAS 19 required more disclosure. Please refer to Note VI.

(d) The Company applied the revised IAS 19 *Employee Benefits* retrospectively in the current period in accordance with the transitional provisions set out in the revised standard except that the carrying amount of assets was not adjusted for changes in employee benefit cost that were included in the carrying amount before 1 January 2014. The figures of the earliest comparative period presented and the comparative period have been accordingly restated. Since the Company has no retrospective issue, the amendment has no impact on the Company.

The Company determines the net interest by multiplying the net defined benefit liability (asset) by the discount rate, which replaces the interest cost and the expected rate of return on plan assets used in the previous version of IAS 19. The impact on the adjusted items and amounts during each period are as follows:

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

Impact on the statement of comprehensive income

	For the years ended 31 December	
	2015	2014
Decrease in operating expenses	$728	$847
Other comprehensive income		
Increase in Remeasurements of defined benefit plans	$(728)	$(847)

(2) IFRS 12 "*Disclosure of Interests in Other Entities*"

IFRS 12 *Disclosure of Interests in Other Entities* sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements. The Company discloses information about interests in unconsolidated structured entities in accordance with IFRS 12. Please refer to Note XVII for more details.

(3) IFRS 13 "*Fair Value Measurements*"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value under IFRS. The Company re-assessed its policies for measuring fair values. Application of IFRS 13 has no materially impact on the fair value measurements of the Company.

Additional disclosures required under IFRS 13 are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note VIII. According to the transitional provisions of IFRS 13, IFRS 13 is applied prospectively as of 1 January 2015; the disclosure requirements of IFRS 13 need not be applied in comparative information before 1 January 2015.

(4) IAS 1 "*Presentation of Financial Statements – Presentation of items of other comprehensive income*"

Beginning on 1 January 2014, the Company presented its items of other comprehensive income that will be reclassified to profit or loss separately from items that will not be reclassified in accordance with the amendments to IAS 1. The amendments affect presentation of statement of comprehensive income only and have no impact on the Company's financial position or performance.

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

(5) <u>IAS 1 "*Presentation of Financial Statements – Clarification of the requirement for comparative information*"</u>

Beginning on 1 January 2014, according to the amendments to IAS 1, when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, the opening statement of financial position does not have to be accompanied by comparative information in the related notes. The amendments affect notes accompanying the financial statements only and have no impact on the Company's financial position or performance.

2. The impact of standards or interpretations issued by IASB but not yet endorsed by FSC.

Standards or interpretations issued by IASB but not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue 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
(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

(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)
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) IFRS 15 *"Revenue from Contracts with Customers"*	1 January 2018
(11) IAS 16 *"Property, Plant and Equipment* and IAS 41 *"Agriculture" — Agriculture: Bearer Plants*	1 January 2016
(12) IFRS 9 *"Financial Instruments"*	1 January 2018
(13) IAS 27 *"Separate Financial Statements" — Equity Method in Separate Financial Statements*	1 January 2016
(14) 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*	Note5
(15) *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
(16) IAS 1 *"Presentation of Financial Statements" (Amendment)*	1 January 2016
(17) 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
(18) IFRS 16 *"Leases"*	1 January 2019
(19) IAS 12 *"Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*	1 January 2017
(20) Disclosure Initiative — Amendment to IAS 7 *"Statement of Cash Flows"*	1 January 2017

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.

Note5: The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

The abovementioned standards and interpretations issued by IASB but 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.

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.

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.

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.

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.

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.

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.

IV. Summary of significant accounting policies

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2015 and 2014 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by 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:

j 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.

<u>Available-for-sale financial assets</u>

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.

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. <u>Loans</u>

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. Investment property

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.

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) when the plan amendment or curtailment occurs; and
(2) when the entity 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.

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.

- 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 undistributed 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.

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	2015.12.31	2014.12.31	2014.1.1
Cash on hand	$1,777	$1,386	$1,992
Revolving funds	4,555	4,390	4,420
Cash in banks	11,124,260	20,309,870	24,126,962
Time deposits	18,718,877	31,258,003	58,178,420
Cash equivalents－bond with resale agreement	22,577,242	9,649,863	30,390,663
Total	$52,426,711	$61,223,512	$112,702,457

2. Receivables

Item	2015.12.31	2014.12.31	2014.1.1
Notes receivable - Net	$417,919	$480,040	$512,554
Other receivables - Net			
Interest receivable	9,082,009	8,571,489	8,000,337
Rent receivable	-	3,900	6,794
Financial instruments settlement receivable	190,935	2,822,688	193,883
Separate accounts receivable	1,020,819	1,808,044	1,705,563
Other receivables	508,710	695,145	746,347
Less: Allowance for bad debts -Other receivables	-	-	(2)
Overdue receivables	756	7,427	7,454
Less: Allowance for bad debts - Overdue receivables	(756)	(3,836)	(3,854)
Subtotal	10,802,473	13,904,857	10,656,522
Total	$11,220,392	$14,384,897	$11,169,076

(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	2015.12.31	2014.12.31	2014.1.1
Held for sale:			
Derivative financial assets			
Forward foreign exchange contracts	$22,615	$181,840	$183,037
IRS contracts	-	-	3,077
Subtotal	22,615	181,840	186,114
Non-derivative financial assets			
Government bonds	-	-	246,906
Domestic listed stocks	-	811,755	870,298
Subtotal	-	811,755	1,117,204
Designated financial assets at fair value through profit or loss:			
Convertible bonds	335,329	612,231	632,273
Total	$357,944	$1,605,826	$1,935,591

4. Available-for-sale financial assets

Item	2015.12.31	2014.12.31	2014.1.1
Domestic listed stocks	$72,807,607	$80,701,910	$62,823,080
Domestic beneficiary certificates	-	-	68,151
Domestic real estate investment trust	1,555,087	1,535,172	1,479,085
Domestic government bonds	190,765,178	190,355,494	203,133,361
Domestic corporate bonds	3,282,833	6,012,423	9,927,969
Domestic financial debentures	1,232,730	5,877,480	8,616,975
Domestic unlisted stocks	2,648,151	2,307,657	1,727,450
Overseas listed stocks	16,384,512	7,711,611	3,901,094
Overseas beneficiary certificates	8,467,305	6,209,172	10,515,180
Overseas government bonds	3,131,596	2,461,262	3,285,705
Overseas corporate bonds	37,379,636	19,792,198	10,664,364
Overseas financial debentures	75,608,268	88,992,639	102,024,070
Overseas preferred stocks	7,901,252	6,591,218	-
Overseas unlisted stocks	19,684,307	18,243,697	11,042,188
Less: Refundable deposits	(1,573,736)	(1,499,381)	(1,502,626)
Total	$439,274,726	$435,292,552	$427,706,046

(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	2015.12.31	2014.12.31	2014.1.1
Domestic government bonds	$10,109,830	$10,179,958	$10,358,909
Domestic corporate bonds	41,109,413	51,110,209	50,671,574
Domestic financial debentures	31,304,987	29,708,151	17,511,264
Domestic time deposits	-	1,500,000	1,500,000
Overseas government bonds	12,792,773	7,487,941	9,299,807
Overseas corporate bonds	74,655,112	55,596,390	46,108,884
Overseas financial debentures	312,972,980	264,544,894	150,937,827
Overseas real estate mortgage bonds	24,951,715	21,273,190	7,309,306
Overseas structured notes	-	1,903,080	-
Less: Refundable deposits	(3,754,886)	(3,296,370)	(2,813,157)
Total	$504,141,924	$440,007,443	$290,884,414

6. Held-to-maturity financial assets

Item	2015.12.31	2014.12.31	2014.1.1
Domestic government bonds	$2,472,447	$-	$-
Overseas government bonds	2,458,633	-	-
Overseas corporate bonds	24,418,565	-	-
Overseas financial debentures	12,774,657	-	-
Total	$42,124,302	$-	$-

7. Loans

Item	2015.12.31	2014.12.31	2014.1.1
Policy loans	$23,118,699	$22,783,741	$22,943,143
Automatic premium loans	4,929,303	4,462,868	4,097,988
Secured loans－net	2,914,591	3,769,521	4,856,292
Secured loans－non-related parties	2,929,378	3,788,966	4,881,656
Less: Allowance for bad debts	(14,787)	(19,445)	(25,364)
Overdue receivables－net	(29,148)	67,349	241,915
Overdue receivables	-	105,924	338,956
Less: Allowance for bad debts	(29,148)	(38,575)	(97,041)
Total	$30,933,445	$31,083,479	$32,139,338

(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 years ended 31 December	
	2015	2014
Beginning balance	$58,020	$122,405
Charge (reversal) for the current period	(14,085)	166,233
Write off	-	(230,618)
Ending balance	$43,935	$58,020

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 year ended 31 December 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	204,664	(158,947)	-	45,717
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	$15,764,935	$5,868,698	$-	$21,633,633

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

	For the year ended 31 December 2014			
	Land	Buildings	Prepayments for buildings	Total
Costs:				
Beginning balance	$13,977,456	$5,953,100	$-	$19,930,556
Additions	170,963	95,164	-	266,127
Gains (losses) generated from fair value adjustments	744,786	(96,384)	-	648,402
Disposals	(50,908)	(74,229)	-	(125,137)
Transfers	65,771	16,956	-	82,727
Ending balance	$14,908,068	$5,894,607	$-	$20,802,675

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 year ended 31 December 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	111,617	-	-	111,617
Disposals	(1,143)	-	-	(1,143)
Ending balance	$1,495,895	$-	$-	$1,495,895

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

	For the year ended 31 December 2014			
	Land	Buildings	Prepayment for buildings	Total
Costs :				
Beginning balance	$4,135,804	$-	$-	$4,135,804
Ending balance	$4,135,804	$-	$-	$4,135,804
Accumulated impairment :				
Beginning balance	$1,193,092	$-	$-	$1,193,092
Charge (reversal) for the current period	192,329	-	-	192,329
Ending balance	$1,385,421	$-	$-	$1,385,421
Net carrying amount :				
2015.12.31	$18,404,844	$5,868,698	$-	$24,273,542
2014.12.31	$17,658,451	$5,894,607	$-	$23,553,058
2014.1.1	$16,920,168	$5,953,100	$-	$22,873,268

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

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 31 December 2015, 31 December 2014, and 1 January 2014. 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.

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

The inputs mainly used are as follows:

	2015.12.31	2014.12.31	2014.1.1
	Mainly	Mainly	Mainly
Income capitalization rate	1.30%~4.46%	1.30%~4.51%	1.43%~4.62%

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$475,792 thousand and NT$445,799 thousand for the years ended 31 December 2015 and 2014. Related direct operating expenses were NT$63,264 thousand and NT$69,924 thousand. The direct operating expenses of investment properties generating no rents were NT$2,146 thousand and NT$4,293 thousand.

As at 31 December 2015, 31 December 2014, and 1 January 2014, no investment properties were pledged as collateral.

9. Reinsurance assets

Item	2015.12.31	2014.12.31	2014.1.1
Claims recoverable from reinsurers	$214,261	$113,874	$127,625
Due from reinsurers and ceding companies	29,652	69,283	75,925
Reinsurance reserve assets			
Ceded unearned premium reserve	44,928	42,973	40,494
Ceded reserve for claims	51,368	38,079	52,773
Subtotal	96,296	81,052	93,267
Total	$340,209	$264,209	$296,817

The above reinsurance assets are not impaired.

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

10. Property and equipment

	For the year ended 31 December 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	-	-	44,196	2,222	56,267	109	298,054	400,848
Disposals	-	-	(16,558)	(525)	(781)	-	-	(17,864)
Transfers from (to) investment property	(217,036)	(64,677)	-	-	-	-	-	(281,713)
Transfers	-	-	7,477	1,436	-	-	(18,199)	(9,286)
31 December 2015	$5,590,835	$1,689,723	$352,633	$17,952	$322,940	$21,096	$637,686	$8,632,865
Accumulated Depreciation:								
1 January 2015	$-	$344,227	$214,133	$10,986	$230,244	$20,499	$-	$820,089
Depreciation	-	39,323	36,747	1,603	16,425	391	-	94,489
Disposals	-	-	(15,905)	(525)	(781)	-	-	(17,211)
Transfers from (to) investment property	-	567	-	-	-	-	-	567
31 December 2015	$-	$384,117	$234,975	$12,064	$245,888	$20,890	$-	$897,934
Accumulated impairment:								
1 January 2015	$741,560	$5,243	$-	$-	$-	$-	$-	$746,803
Reversal of impairment loss	(3)	(67)	-	-	-	-	-	(70)
31 December 2015	$741,557	$5,176	$-	$-	$-	$-	$-	$746,733

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

	For the year ended 31 December 2014							
	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leased assets	Prepayments for buildings and construction in progress	Total
Cost:								
1 January 2014	$5,187,963	$1,392,860	$301,146	$12,676	$243,322	$20,987	$12,371	$7,171,325
Additions	643,247	376,674	20,026	2,192	24,405	-	345,460	1,412,004
Disposals	-	-	(3,654)	(49)	(273)	-	-	(3,976)
Transfers from (to) investment property	(23,339)	(15,134)	-	-	-	-	-	(38,473)
31 December 2014	$5,807,871	$1,754,400	$317,518	$14,819	$267,454	$20,987	$357,831	$8,540,880
Accumulated Depreciation:								
1 January 2014	$-	$316,517	$183,412	$10,280	$215,108	$19,933	$-	$745,250
Depreciation	-	31,605	34,077	754	15,409	566	-	82,411
Disposals	-	-	(3,356)	(48)	(273)	-	-	(3,677)
Transfers from (to) investment property	-	(3,895)	-	-	-	-	-	(3,895)
31 December 2014	$-	$344,227	$214,133	$10,986	$230,244	$20,499	$-	$820,089
Accumulated impairment:								
1 January 2014	$744,753	$18,183	$-	$-	$-	$-	$-	$762,936
Reversal of impairment loss	(3,193)	(12,940)	-	-	-	-	-	(16,133)
31 December 2014	$741,560	$5,243	$-	$-	$-	$-	$-	$746,803
Net book value:								
2015.12.31	$4,849,278	$1,300,430	$117,658	$5,888	$77,052	$206	$637,686	$6,988,198
2014.12.31	$5,066,311	$1,404,930	$103,385	$3,833	$37,210	$488	$357,831	$6,973,988
2014.1.1	$4,443,210	$1,058,160	$117,734	$2,396	$28,214	$1,054	$12,371	$5,663,139

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	2015.12.31	2014.12.31	2014.1.1
Prepayments			
Prepayment－surface rights	$13,787,436	$13,990,040	$-
Other prepayments	104,085	273,047	93,465
Subtotal	13,891,521	14,263,087	93,465
Refundable deposits			
Insurance industry deposits	5,309,535	4,774,240	4,295,982
Lawsuit deposits	19,087	21,511	19,801
Other deposits	19,298	21,289	1,169,354
Subtotal	5,347,920	4,817,040	5,485,137
Other assets－others	12,614	10,987	13,403
Total	$19,252,055	$19,091,114	$5,592,005

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	2015.12.31	2014.12.31	2014.1.1
Notes payable	$90,075	$257,872	$80,434
Life insurance proceeds payable	104,040	128,013	119,396
Commissions payable	1,407,307	1,270,400	1,417,152
Due to reinsurers and ceding companies	222,447	207,617	176,464
Other payables			
Salary payable	565,889	523,434	380,523
Accrued expenses	2,019,258	1,260,495	1,003,457
Tax payable	61,400	-	-
Collection payable	42,291	37,755	40,114
Payable on investments	499,913	3,999,315	707,901
Payable on insurance policies	2,888,525	2,213,899	1,621,897
Others	154,553	100,289	81,037
Subtotal	6,231,829	8,135,187	3,834,929
Total	$8,055,698	$9,999,089	$5,628,375

(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	2015.12.31	2014.12.31	2014.1.1
Held for trading:			
Derivative financial instruments			
Forward foreign exchange contracts	$3,984,347	$5,847,792	$3,008,375
Total	$3,984,347	$5,847,792	$3,008,375

14. Other financial liabilities

Item	2015.12.31	2014.12.31	2014.1.1
First unsecured subordinated mandatory convertible bonds for 2009	$-	$-	$11,104

(1) In order to strengthen the capital structure, the Company was approved to place and issue domestic first unsecured convertible bonds by the FSC on 23 March 2009 with Order No. Financial-Supervisory-Securities-Corporate-09802044820. The convertible bonds were issued privately, amounting to NT$1.3 billion and 4% of coupon rate. The issuing period is five years, from 27 March 2009 to 27 March 2014.

(2) The Company separated the conversion option from liabilities in accordance with IAS 39. As at 1 January 2014, the Company recognized NT$230,140 thousand of paid-in capital－stock option. Because the convertible bonds expired on 27 March 2014 were fully converted to common shares, paid-in capital－stock option were completely written off.

Convertible bond liabilities consist of:

Item	2015.12.31	2014.12.31	2014.1.1
Primary debt instrument			
First unsecured subordinated mandatory convertible bonds for 2009	$-	$-	$-
Add: Premium on convertible bonds	-	-	11,104
Total	$-	$-	$11,104

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

(3) The convertible bonds are unsecured, subordinated, and have no agreement to buy or sell back. Upon maturity, all outstanding bonds are mandatorily converted to common shares of the Company at current conversion price.

(4) The conversion price of the convertible bonds is adjusted in accordance with the method set in conversion arrangement. As at 1 January 2014, the total amount of bonds converted to common shares was NT$1.02 billion, and all bonds were converted to 118,881,113 common shares. On maturity date of 27 March 2014, the residual bonds with face value of NT$280 million were converted to 38,303,693 common shares at conversion price of NT$7.31.

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

As at 31 December 2015, 31 December 2014, and 1 January 2014, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

(1) Reserve for life insurance liabilities:

	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

	2014.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$597,669,901	$100,839,759	$698,509,660
Health insurance	75,257,687	-	75,257,687
Annuity insurance	811,767	142,243,194	143,054,961
Investment-linked insurance	1,921,524	-	1,921,524
Total	$675,660,879	$243,082,953	$918,743,832

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

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$519,310,629	$113,071,417	$632,382,046
Health insurance	65,901,664	-	65,901,664
Annuity insurance	884,643	117,577,097	118,461,740
Investment-linked insurance	1,947,993	-	1,947,993
Total	$588,044,929	$230,648,514	$818,693,443

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

Movement in reserve for life insurance liabilities is summarized below:

	For the year ended 31 December 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$675,660,879	$243,082,953	$918,743,832
Reserve	124,766,160	30,801,816	155,567,976
Recover	(35,859,095)	(35,804,201)	(71,663,296)
Losses (gains) on foreign exchange	3,568,653	-	3,568,653
Ending balance	$768,136,597	$238,080,568	$1,006,217,165

	For the year ended 31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$588,044,929	$230,648,514	$818,693,443
Reserve	112,773,291	38,056,355	150,829,646
Recover	(28,395,795)	(25,621,916)	(54,017,711)
Losses (gains) on foreign exchange	3,238,454	-	3,238,454
Ending balance	$675,660,879	$243,082,953	$918,743,832

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

(2) Unearned premium reserve:

	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

	2014.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,546	$-	$1,546
Individual injury insurance	833,000	-	833,000
Individual health insurance	1,646,021	-	1,646,021
Group insurance	356,229	-	356,229
Investment-linked insurance	49,679	-	49,679
Annuity insurance	-	74	74
Total	$2,886,475	$74	$2,886,549
Less ceded unearned premium reserve:			
Individual life insurance	$13,798	$-	$13,798
Individual injury insurance	1,130	-	1,130
Individual health insurance	21,559	-	21,559
Group insurance	1,419	-	1,419
Investment-linked insurance	5,067	-	5,067
Total	$42,973	$-	$42,973
Net amount	$2,843,502	$74	$2,843,576

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

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,531	$-	$1,531
Individual injury insurance	763,792	-	763,792
Individual health insurance	1,467,676	-	1,467,676
Group insurance	330,461	-	330,461
Investment-linked insurance	48,345	-	48,345
Annuity insurance	-	91	91
Total	$2,611,805	$91	$2,611,896
Less ceded unearned premium reserve:			
Individual life insurance	$13,749	$-	$13,749
Individual injury insurance	923	-	923
Individual health insurance	19,514	-	19,514
Group insurance	1,241	-	1,241
Investment-linked insurance	5,067	-	5,067
Total	$40,494	$-	$40,494
Net amount	$2,571,311	$91	$2,571,402

Movement in unearned premium reserve is summarized below:

	For the year ended 31 December 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,886,475	$74	$2,886,549
Reserve	3,108,121	60	3,108,181
Recover	(2,886,475)	(74)	(2,886,549)
Ending balance	$3,108,121	$60	$3,108,181
Less ceded unearned premium reserve:			
Beginning balance	$42,973	$-	$42,973
Increase	44,928	-	44,928
Decrease	(42,973)	-	(42,973)
Ending balance	$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)

	For the year ended 31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,611,805	$91	$2,611,896
Reserve	2,886,474	74	2,886,548
Recover	(2,611,805)	(91)	(2,611,896)
Losses (gains) on foreign exchange	1	-	1
Ending balance	$2,886,475	$74	$2,886,549
Less ceded unearned premium reserve:			
Beginning balance	$40,494	$-	$40,494
Increase	42,973	-	42,973
Decrease	(40,494)	-	(40,494)
Ending balance	$42,973	$-	$42,973
Net amount	$2,843,502	$74	$2,843,576

(3) Reserve for claims:

	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

(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
Investment-linked insurance			
－Reported but not paid claim	21,917	-	21,917
－Unreported claim	-	-	-
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

	2014.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$245,728	$6,900	$252,628
－Unreported claim	585	-	585
Individual injury insurance			
－Reported but not paid claim	83,291	-	83,291
－Unreported claim	101,364	-	101,364
Individual health insurance			
－Reported but not paid claim	155,176	-	155,176
－Unreported claim	322,433	-	322,433
Group insurance			
－Reported but not paid claim	49,404	-	49,404
－Unreported claim	234,041	-	234,041

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

	2014.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Investment-linked insurance			
－Reported but not paid claim	49,309	-	49,309
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	-	16,367	16,367
－Unreported claim	-	120	120
Total	$1,241,331	$23,387	$1,264,718
Less ceded reserve for claims:			
Individual life insurance	$456	$-	$456
Individual injury insurance	21,300	-	21,300
Individual health insurance	9,294	-	9,294
Group insurance	1,669	-	1,669
Investment-linked insurance	5,360	-	5,360
Total	$38,079	$-	$38,079
Net amount	$1,203,252	$23,387	$1,226,639

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$291,388	$-	$291,388
－Unreported claim	104	-	104
Individual injury insurance			
－Reported but not paid claim	69,472	-	69,472
－Unreported claim	116,690	-	116,690
Individual health insurance			
－Reported but not paid claim	149,720	-	149,720
－Unreported claim	310,912	-	310,912
Group insurance			
－Reported but not paid claim	80,447	-	80,447
－Unreported claim	199,232	-	199,232

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

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Investment-linked insurance			
－Reported but not paid claim	28,870	-	28,870
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	-	800	800
－Unreported claim	-	30	30
Total	$1,246,835	$830	$1,247,665
Less ceded reserve for claims:			
Individual life insurance	$25,614	$-	$25,614
Individual injury insurance	10,800	-	10,800
Individual health insurance	9,859	-	9,859
Group insurance	3,500	-	3,500
Investment-linked insurance	3,000	-	3,000
Total	$52,773	$-	$52,773
Net amount	$1,194,062	$830	$1,194,892

Movement in reserve for claims is summarized below:

	For the year ended 31 December 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,241,331	$23,387	$1,264,718
Reserve	1,230,552	54,229	1,284,781
Recover	(1,241,331)	(23,387)	(1,264,718)
Losses (gains) on foreign exchange	1,025	-	1,025
Ending balance	$1,231,577	$54,229	$1,285,806
Less ceded unearned premium reserve:			
Beginning balance	$38,079	$-	$38,079
Increase	51,368	-	51,368
Decrease	(38,079)	-	(38,079)
Ending balance	$51,368	$-	$51,368
Net amount	$1,180,209	$54,229	$1,234,438

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

	For the year ended 31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,246,835	$830	$1,247,665
Reserve	1,241,338	23,387	1,264,725
Recover	(1,246,835)	(830)	(1,247,665)
Losses (gains) on foreign exchange	(7)	-	(7)
Ending balance	$1,241,331	$23,387	$1,264,718
Less ceded unearned premium reserve:			
Beginning balance	$52,773	$-	$52,773
Increase	38,079	-	38,079
Decrease	(52,773)	-	(52,773)
Ending balance	$38,079	$-	$38,079
Net amount	$1,203,252	$23,387	$1,226,639

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:

	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

	2014.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$4,714,736	$-	$4,714,736
Dividend risk reserve	345,255	-	345,255
Total	$5,059,991	$-	$5,059,991

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,306,408	$-	$1,306,408
Participating policies dividend reserve	3,460,733	-	3,460,733
Total	$4,767,141	$-	$4,767,141

Movement in special reserve is summarized below:

	For the years ended 31 December	
	2015	2014
	Insurance contract	Insurance contract
Beginning balance	$5,059,991	$4,767,141
Reserve for participating policy dividend reserve	2,652,129	3,151,106
Recover for participating policies dividends reserve	(2,115,653)	(1,897,103)
Reserve for dividend reserve	-	345,255
Others	-	(1,306,408)
Ending balance	$5,596,467	$5,059,991

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

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

	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

	2014.12.31		
	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

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$2,553	$-	$2,553
Individual injury insurance	735,759	-	735,759
Individual health insurance	1,682,064	-	1,682,064
Group insurance	1,971,829	-	1,971,829
Annuity insurance	-	88	88
Total	$4,392,205	$88	$4,392,293

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

(6) Premium deficiency reserve:

	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

	2014.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$6,159,855	$-	$6,159,855
Individual health insurance	75,779	-	75,779
Total	$6,235,634	$-	$6,235,634

	2014.1.1		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$3,655,645	$-	$3,655,645
Individual health insurance	55,433	-	55,433
Total	$3,711,078	$-	$3,711,078

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

Movement in premium deficiency reserve is summarized below:

	For the year ended 31 December 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$6,235,634	$-	$6,235,634
Reserve	4,495,547	-	4,495,547

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

	For the year ended 31 December 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Recover	(1,313,423)	-	(1,313,423)
Losses (gains) on foreign exchange	87,575	-	87,575
Ending balance	$9,505,333	$-	$9,505,333

	For the year ended 31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,711,078	$-	$3,711,078
Reserve	2,827,025	-	2,827,025
Recover	(411,597)	-	(411,597)
Losses (gains) on foreign exchange	109,128	-	109,128
Ending balance	$6,235,634	$-	$6,235,634

(7) Liability adequacy reserve:

	Insurance contract and financial instruments with discretionary participation feature		
	2015.12.31	2014.12.31	2014.1.1
Reserve for life insurance liabilities	$1,006,217,165	$918,743,832	$818,693,443
Unearned premium reserve	3,108,181	2,886,549	2,611,896
Premium deficiency reserve	9,505,333	6,235,634	3,711,078
Special reserve	5,596,467	5,059,991	4,767,141
Book value of insurance liabilities	$1,024,427,146	$932,926,006	$829,783,558
Estimated present value of cash flows	$831,682,675	$753,795,231	$672,503,239
Balance of liability adequacy reserve	$-	$-	$-

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

Liability adequacy testing methodology is listed as follows:

	2015.12.31	2014.12.31 and 2014.1.1
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 2014), and discount rates should be evaluated with consideration of current information.	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2013 and 2012), and discount rates should be evaluated with consideration of current information.

16. Reserve for insurance contracts with feature of financial instruments

The Company issues non-investment-linked insurance policies and financial instruments without discretionary participation feature. As at 31 December 2015, 31 December 2014, and 1 January 2014, movement in reserve for insurance contracts with feature of financial instruments are summarized below:

	2015.12.31	2014.12.31	2014.1.1
Life insurance	$-	$-	$446,490

	For the years ended 31 December	
	2015	2014
Beginning balance	$-	$446,490
Premiums received	-	-
Insurance claim payments	-	(447,096)
Net provision of statutory reserve	-	606
Ending balance	$-	$-

17. 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. 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.

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

(2) Adjustment in foreign exchange valuation reserve:

	For the years ended 31 December	
	2015	2014
Beginning balance	$5,263,545	$2,773,740
Reserve		
Compulsory reserve	811,659	546,672
Extra reserve	4,045,945	2,774,814
Subtotal	4,857,604	3,321,486
Recover	(2,425,325)	(831,681)
Ending balance	$7,695,824	$5,263,545

(3) Effects due to foreign exchange valuation reserve:

	For the year ended 31 December 2015		
Item	Inapplicable amount (1)	Applicable amount (2)	Effects (2) - (1)
Net income	$11,190,694	$9,171,902	$(2,018,792)
Earnings per share (dollar)	3.35	2.75	(0.60)
Foreign exchange valuation reserve	-	7,695,824	7,695,824
Equity	87,547,227	82,583,868	(4,963,359)

	For the year ended 31 December 2014		
Item	Inapplicable amount (1)	Applicable amount (2)	Effects (2) - (1)
Net income	$8,579,344	$6,512,806	$(2,066,538)
Earnings per share (dollar)	2.58	1.96	(0.62)
Foreign exchange valuation reserve	-	5,263,545	5,263,545
Equity	77,269,061	74,324,493	(2,944,568)

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

18. Provisions

Item	2015.12.31	2014.12.31	2014.1.1
Provisions for employee benefits	$263,501	$249,028	$225,573
Litigation liabilities	13,990	17,623	12,222
Total	$277,491	$266,651	$237,795

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 31 December 2015, the Company has 110 unresolved legal suits.

19. Post-employment benefits

The Company's post-employment benefits are classified into defined contribution plan and defined benefit plan based on start date of employment and personal choice. Employees who start employment after 1 July 2005 apply to defined contribution plan; employees who start employment before 1 July 2005 can choose to apply to defined benefit plan or defined contribution plan. Employees who originally apply to defined benefit plan can change to defined contribution plan before 30 June 2010. Those who have chosen or mandatorily applied to defined contribution plan shall not change to defined benefit plan.

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plans for the years ended 31 December 2015 and 2014 were NT$200,652 thousand and NT$187,428 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed upper limit. Under the Labor Standards Act, the Company contributes an amount equivalent to certain percentage of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

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

Bureau of Labor Fund, Ministry of Labor executes asset allocation according to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Investments are handled by both internal-managed and external-managed modes as well as active and passive medium and long-term investment strategies. In consideration of market, credit, and liquidity risks, etc., Bureau of Labor Fund sets investment limit and management plan to have sufficient elasticity to achieve return target under reasonable risk.

The expected duration of the defined benefits plan as at 31 December 2015 and 2014 are both 10 years. Maturity profile of defined benefit obligation as at December 31, 2015 and December 31, 2014 are as follows:

	For the years ended 31 December	
	2015	2014
Not later than one year	$32,718	$25,950
Later than one year and not later than five years	98,153	77,849
Later than five years	32,718	25,950
Total	$163,589	$129,749

Pension costs recognized in profit or loss for the years ended 31 December 2015 and 2014:

	For the years ended 31 December	
	2015	2014
Current period service costs	$27,585	$25,056
Net-interest	3,471	4,313
Total	$31,056	$29,369

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

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2015.12.31	2014.12.31	2014.1.1
Defined benefit obligation	$328,491	$311,771	$288,795
Plan assets at fair value	(64,990)	(62,743)	(63,222)
Funded status	$263,501	$249,028	$225,573
Net benefit liability (asset)	$263,501	$249,028	$225,573

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Net benefit liability (asset)
2015.1.1	$311,771	$(62,743)	$249,028
Current period service costs	27,585	-	27,585
Net interest expense (income)	4,365	(894)	3,471
Subtotal	343,721	(63,637)	280,084
Remeasurements of the net defined benefit liability (asset) :			
Actuarial gains and losses arising from changes in demographic assumptions	(22,727)	-	(22,727)
Actuarial gains and losses arising from changes in financial assumptions	41,199	-	41,199
Experience adjustments	(9,532)	516	(9,016)
Subtotal	8,940	516	9,456
Payments from the plan	(24,170)	356	(23,814)
Contributions by employer	-	(2,225)	(2,225)
2015.12.31	$328,491	$(64,990)	$263,501

	Defined benefit obligation	Fair value of plan assets	Net benefit liability (asset)
2014.1.1	$288,795	$(63,222)	$225,573
Current period service costs	25,056	-	25,056
Net interest expense (income)	5,545	(1,232)	4,313
Subtotal	319,396	(64,454)	254,942

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

	Defined benefit obligation	Fair value of plan assets	Net benefit liability (asset)
Remeasurements of the net defined benefit liability (asset) :			
Actuarial gains and losses arising from changes in demographic assumptions	16,350	-	16,350
Actuarial gains and losses arising from changes in financial assumptions	(5,689)	-	(5,689)
Experience adjustments	(18,286)	1,229	(17,057)
Subtotal	(7,625)	1,229	(6,396)
Payments from the plan	-	2,358	2,358
Contributions by employer	-	(1,876)	(1,876)
2014.12.31	$311,771	$(62,743)	$249,028

As at 31 December 2015, the expected contributions of the defined benefit plan for the future year was NT$21,554 thousand.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as at	
	2015.12.31	2014.12.31
Cash	97.69	98.06
Equity instruments	0.87	0.75
Bond instruments	0.82	0.68
Others	0.62	0.51
Total	100.00	100.00

The actual return on plan assets is $344 thousand and $307 thousand in the year of 2015 and 2014, respectively.

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

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2015.12.31	2014.12.31	2014.1.1
Discount rate	1.40%	1.92%	1.80%
Expected rate of salary increases	2.33%	2.00%	2.00%

A sensitivity analysis for significant assumption as at 31 December 2015 and 2014 is, as shown below:

	Effect on the defined benefit obligation			
	2015		2014	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$24,851	$-	$24,388
Discount rate decrease by 0.5%	27,202	-	26,766	-
Future salary increase by 1%	52,122	-	51,956	-
Future salary decrease by 1%	-	44,832	-	44,395

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

20. Common stock

(1) As of 31 December 2015, 31 December 2014, and 1 January 2014, the Company’s authorized and issued capital were NT$33,401,467 thousand, NT$30,364,970 thousand, and NT$27,221,478 thousand, divided into 3,340,146,700, 3,036,497,000, and 2,722,147,800 common shares at NT$10 par value.

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

(2) On 17 June 2014, the Company decided to appropriate NT$1,104,184 thousand and NT$1,656,271 thousand from 2013 distributable earnings and additional paid-in capital respectively to increase capital in shareholders' meeting, issuing 110,418,417 and 165,627,090 common shares at NT$10 par value. The capital increase was documented by the authorities on 31 July 2014 and approved to set 27 August 2014 as subscription base date by board of directors.

(3) 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.

(4) As of 1 January 2014, the 2009 first unsecured subordinated mandatory convertible bonds the Company issued were converted to 118,881,113 common shares. The convertible bonds expired on 27 March 2014 were fully converted to 38,303,693 common shares. The base date of issuing new shares was 3 April 2014.

21. Capital surplus

Item	2015.12.31	2014.12.31	2014.1.1
Additional paid-in capital	$2,254,442	$4,379,990	$6,189,158
Treasury stock transactions	34,831	34,831	34,831
Stock option	-	-	230,140
Total	$2,289,273	$4,414,821	$6,454,129

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.

The 2009 first unsecured subordinated mandatory convertible bonds expired on 27 March 2014 were fully converted to common shares. The conversion wrote off NT$230,140 thousand of paid-in capital－stock options and NT$152,897 thousand of paid-in capital－issuing at a premium.

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.

22. 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 2013 was NT$476,818 thousand, resolved in the stockholders' meeting in 2014. 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, expected to be resolved in the stockholders' meeting in 2015.

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 calculation. The after-tax amount of reserve and release for the special reserves is converted to special capital reserve at the end of current year. Special capital reserve for the years of 2015 and 2014 were set aside NT$784,991 thousand and NT$758,358 thousand and reversed NT$488,189 thousand and NT$372,255 thousand. In addition, the Company released special reserves under liabilities in the amount of

NT$1,306,408 thousand in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10302077080 in 2014. The after-tax amount of NT$1,084,318 thousand was set aside as special capital reserve under equity, which was resolved in the shareholders' meeting in 2015.

The Company is required by law to set aside special capital reserve for foreign exchange volatility. Please refer to Note IV.18. The Company decided to release original foreign exchange volatility reserve (including the recovered amount from decrease in original amount of transferring special reserve for major incidents and for fluctuation of risks to foreign exchange volatility reserve). The Company set aside NT$1,424,176 thousand of special capital reserve for 2013. The Company set aside NT$239,507 thousand and NT$472,474 thousand of special capital reserve based on hedging costs saved and 10% of after-tax earnings for 2013, which were resolved in the shareholders' meeting in 2014. 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 such reserve to increase the share capital in 2014. The amounts mentioned above were resolved in the shareholders' meeting in 2015.

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. The amount set aside by the Company was NT$8,394,443 thousand. The special capital reserve should be used to cover insufficiency of life insurance liabilities resulting from valid contracts' fair value approved by the authority and additionally set aside liabilities for soundness of financial structure in the future to comply with IFRS 4 *Insurance Contracts* second stage. The net amount of income from changes in fair value for 2014 was NT$500,406 thousand, resolved in the shareholders' meeting in 2015 to set aside as special capital reserve.

(3) The Company's Article of Incorporation about earnings distribution amended by shareholders' meeting on 17 June 2014 is as follows:

To consistently expand the Company's business scale and increase profitability, in line with the Company's funding needs and long-term financial plan for substantial operation and stable development, the Company adopts the policy of residual dividend distribution.

As provided by the Company's Articles of Incorporation, annual net income, after paying applicable income taxes, should be used to offset accumulated deficit and retained as legal reserve or reserved as special reserve, the remainder of which, if any, shall appropriate at 1% as employees' bonus. Any remaining portion plus the beginning balance of unappropriated earnings are distributable earnings. Thirty percent to one-hundred percent of distributable earnings shall also be distributed. The policy of earnings distribution would be proposed by the board of directors to be submitted to the shareholders' meeting for approval. But if distributable earnings are not sufficient to offer NT$0.5 per share, the Company could retain and not distribute the earnings based on principles of economics.

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 plan, in principle, the Company distributes stock dividends and retains necessary funding. However, it may retain a part of funds to distribute cash dividends. If there is cash distribution in the current year, cash dividends could not be less than 10% of total amount of dividends. The ratios of stock dividends and cash dividends are adjusted appropriately based on current profits and funds situation. The most appropriate policy should be proposed by the board of directors and resolved in the shareholders' meeting.

The revised Article of Incorporation set forth the Company's ratio of distributable earnings, and it was applied to earnings distribution in 2014. Distribution of 2013 earnings was in accordance with Article of Incorporation revised on 22 June 2012.

(4) However, according to the addition of Article 235-1 of the Company Act announced on 20 May, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as "employee remuneration", after deducting and setting aside an amount equal to the cumulative losses (if any). The aforementioned employee remuneration may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Furthermore the Articles of Incorporation may stipulate that the employee

remuneration could be distributed to employees of affiliated enterprises meeting certain criteria. In accordance with aforementioned recent amendment to the Company Act, the Articles of Incorporation is to be amended in the shareholders' meeting in 2016.

(5) The Company's Articles of Incorporation for earnings distribution for the year of 2013 are as follows:

To consistently expand the Company's operation scale and increase its profitability in line with its funding needs and long-term financial plan for substantial operation and stable development, the Company adopts the policy of residual dividend distribution.

As provided by the Company's Articles of Incorporation, annual net income, after paying applicable income taxes, should be used to offset accumulated deficit and retained as legal reserve, and to appropriate or reverse special reserve, the reminder of which, if any, shall be distributed at 1% as employees' bonus. Any remaining portion plus the beginning balance of undistributed earnings are distributable earnings. The policy of earnings distribution would be proposed by the board of directors and resolved in the shareholders' meeting.

The board of directors is authorized to determine the independent directors' remuneration. The independent directors do not take part in earnings distribution.

According to the Company's business plan, in principle, the Company distributes stock dividends and retains necessary funding. However, it may retain a part of funds to distribute cash dividends. If there is cash distribution in the current year, cash dividends could not be less than 10% of total amount of dividends. The ratios of stock dividends and cash dividends are adjusted appropriately based on current profits and funds situation. The most appropriate policy should be proposed by the board of directors and resolved in the shareholders' meeting.

(6) 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.

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

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

(7) Earnings appropriation for the years of 2014 and 2013 is as follows:

	Earnings appropriation		Dividends per share(NT$)	
	2014	2013	2014	2013
Appropriate legal capital reserve	$1,302,392	$944,949	$-	$-
Appropriate (reverse) special capital reserve	11,501,703	1,541,927	-	-
Cash dividends	1,214,599	1,104,181	0.40	0.40
Stock dividends	910,949	1,104,184	0.30	0.40
Directors' remuneration	42,000	42,000	-	-
Employee cash bonus	42,000	22,365	-	-

Earnings appropriation for 2014 and 2013 were approved by shareholder's meeting on 26 June 2015 and 17 June 2014, respectively.

(8) The Company estimated the amounts of the employee remuneration for the years ended 31 December 2015 and 2014 to be NT$60,000 thousand and NT$42,000 thousand, respectively, and directors' remuneration for the years ended 31 December 2015 and 2014 to be NT$84,000 thousand and NT$42,000 thousand, respectively.

The estimates were accrued based on after-tax net income in consideration of legal reserve, the ratio set in the Company's Articles of Incorporation and past experience.

The estimated employee remuneration and directors' remuneration are recognized as operating expense for the period. If the Board modifies the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimates and the resolution of shareholders' meeting will be recognized in profit or loss in the subsequent year. There is no significant difference between the actual employee remuneration and directors' remuneration distributed from the earnings and the estimated amount in the financial statements for the year ended 2014 and 2013.

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

For related information about employee remuneration and directors' remuneration approved by the board of directors and resolved in the shareholders' meeting, please refer to the "Market Observation Post System" website of Taiwan Stock Exchange Corporation.

23. Components of other comprehensive income

	For the year ended 31 December 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:				
Remeasurements on defined benefit plans	$(9,455)	$-	$1,607	$(7,848)
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	7,354,146	(8,258,052)	1,084,376	180,470
Total	$7,486,780	$(8,258,052)	$1,073,344	$302,072

	For the year ended 31 December 2014			
	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:				
Remeasurements on defined benefit plans	$6,396	$-	$(1,230)	$5,166
Gains from revaluation	48,136	-	(2,786)	45,350
To be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) from available-for-sale financial assets	14,768,090	(6,035,246)	(2,357,005)	6,375,839
Total	$14,822,622	$(6,035,246)	$(2,361,021)	$6,426,355

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

24. Retained earned premium

	For the year ended 31 December 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$126,336,440	$24,888,606	$151,225,046
Reinsurance premium income	-	-	-
Premium income	$126,336,440	$24,888,606	$151,225,046
Less:			
Premiums ceded to reinsurers	1,052,610	-	1,052,610
Changes in unearned premium reserve	219,690	(14)	219,676
Subtotal	1,273,300	(14)	1,272,286
Retained earned premium	$125,063,140	$24,888,620	$149,952,760

	For the year ended 31 December 2014		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$113,194,441	$31,479,648	$144,674,089
Reinsurance premium income	(34)	-	(34)
Premium income	113,194,407	31,479,648	144,674,055
Less:			
Premiums ceded to reinsurers	1,027,796	-	1,027,796
Changes in unearned premium reserve	272,190	(17)	272,173
Subtotal	1,299,986	(17)	1,299,969
Retained earned premium	$111,894,421	$31,479,665	$143,374,086

25. Retained claim payments

	For the year ended 31 December 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$47,279,084	$35,811,642	$83,090,726
Reinsurance claim payments	39	-	39
Insurance claim payments	47,279,123	35,811,642	83,090,765

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

	For the year ended 31 December 2015		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Less:			
Claims recovered from reinsures	589,774	-	589,774
Retained claim payments	$46,689,349	$35,811,642	$82,500,991

	For the year ended 31 December 2014		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$38,825,835	$25,620,002	$64,445,837
Reinsurance claim payments	53	-	53
Insurance claim payments	38,825,888	25,620,002	64,445,890
Less:			
Claims recovered from reinsures	536,724	-	536,724
Retained claim payments	$38,289,164	$25,620,002	$63,909,166

26. Employee benefits, depreciation and amortization

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

	For the year ended 31 December 2015		
	Operating costs	Operating expenses	Total
Employee benefits	$4,913,681	$2,295,468	$7,209,149
Salary and wages	4,913,681	1,546,055	6,459,736
Labor and health insurance	-	384,127	384,127
Pension expense	-	231,710	231,710
Other employee benefits	-	133,576	133,576
Depreciation	-	94,489	94,489
Amortization	-	27,790	27,790

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

	For the year ended 31 December 2014		
	Operating costs	Operating expenses	Total
Employee benefits	$4,840,148	$2,116,636	$6,956,784
Salary and wages	4,840,148	1,405,704	6,245,852
Labor and health insurance	-	364,996	364,996
Pension expense	-	228,958	228,958
Other employee benefits	-	116,978	116,978
Depreciation	-	82,411	82,411
Amortization	-	17,276	17,276

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

The number of employees as at 31 December 2015 and 2014 were 13,539 and 11,676, respectively.

27. Income taxes

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

Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2015	2014
Current income tax expense (benefit):		
Current income tax payable	$-	$2,875
Adjustments in respect of current income tax of prior periods	52,366	(5,897)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	2,606,408	2,561,484
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	(1,315,371)	(2,137,905)
Additional income tax under the Alternative Minimum Tax Act	18,353	-
Other	146,806	90,570
Total income tax expense	$1,508,562	$511,127

(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 years ended 31 December	
	2015	2014
Deferred tax expense (benefit):		
Unrealized losses (gains) from available-for-sale financial assets	$1,084,376	$(2,357,005)
Remeasurements on defined benefit plans	1,607	(1,230)
Unrealized gains from revaluation	(12,639)	(2,786)
Income tax expense relating to components of other comprehensive income	$1,073,344	$(2,361,021)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2015	2014
Income (loss) from continuing operations before income tax	$10,680,464	$7,023,933
Tax calculated by statutory tax rate	1,815,679	1,194,069
Tax effect of revenues exempt from taxation	(1,233,283)	(1,356,550)
Tax effect of expenses not deductible for tax purposes	21,714	32,257
Tax effect of deferred tax assets/ liabilities	11,175	14,325
10% surtax on undistributed retained earnings	-	2,812
Adjustments in respect of current income tax of prior periods	52,366	(5,897)
Tax effect of tax-exempt income under Tax Act 42	694,105	539,478
Others	146,806	90,633
Total income tax expense (income) recognized in profit or loss	$1,508,562	$511,127

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

(2) Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2015

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Depreciation difference for tax purpose	$76,768	$2,232	$-	$79,000
Financial assets valuation at fair value through profit or loss	963,212	(289,718)	-	673,494
Available-for-sale financial assets valuation	(3,204,714)	-	1,084,376	(2,120,338)
Provisions	2,996	(617)	-	2,379
Net defined benefit liability	5,884	-	1,607	7,491
Accrued pension liability	40,860	2,460	-	43,320
Compensated absences payable	8,012	849	-	8,861
Unrealized gains (losses) on foreign exchange	(2,800,579)	(2,284,229)	-	(5,084,808)
Unused tax loss	2,137,905	1,297,018	-	3,434,923
Land value increment tax	(13,628)	5,623	-	(8,005)
Fair value adjustment for investment property	(719,563)	(137,253)	(12,639)	(869,455)
Fair value adjustment for Property and equipment	-	1,648	-	1,648
Deferred income tax benefit (expense)		$(1,401,987)	$1,073,344	
Deferred income tax assets (liabilities)	$(3,502,847)			$(3,831,490)
Information expressed in balance sheet is as follows:				
Deferred tax assets	$3,235,637			$4,251,116
Deferred tax liabilities	$(6,738,484)			$(8,082,606)

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

For the year ended 31 December 2014

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Depreciation difference for tax purpose	$74,995	$1,773	$-	$76,768
Financial assets valuation at fair value through profit or loss	479,785	483,427	-	963,212
Available-for-sale financial assets valuation	(847,709)	-	(2,357,005)	(3,204,714)
Provisions	2,078	918	-	2,996
Net defined benefit liability	7,114	-	(1,230)	5,884
Accrued pension liability	36,874	3,986	-	40,860
Compensated absences payable	7,529	483	-	8,012
Unrealized gains (losses) on foreign exchange	251,493	(3,052,072)	-	(2,800,579)
Unused tax loss	-	2,137,905	-	2,137,905
Land value increment tax	(13,628)	-	-	(13,628)
Fair value adjustment for investment property	(626,207)	(90,570)	(2,786)	(719,563)
Deferred income tax benefit (expense)		$(514,150)	$(2,361,021)	
Deferred income tax assets (liabilities)	$(627,676)			$(3,502,847)
Information expressed in balance sheet is as follows:				
Deferred tax assets	$859,868			$3,235,637
Deferred tax liabilities	$(1,487,544)			$(6,738,484)

(3) Information of unused tax loss is summarized below:

Year	Tax losses for the period	Unused tax losses 2015.12.31	Unused tax losses 2014.12.31	Unused tax losses 2014.1.1	Expiration year
2014	$12,618,132	$2,145,082	$2,145,082	$-	2024
2015	7,587,299	1,289,841	-	-	2025
		$3,434,923	$2,145,082	$-	

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

(4) Unrecognized deferred tax assets

As of 31 December 2015, 31 December 2014 and 1 January 2014, deferred tax assets that have not been recognized all amount to NT$22,696 thousand.

(5) Imputation credit information

	2015.12.31	2014.12.31	2014.1.1
Balance of the imputation credit amount	$135,587	$110,363	$195,556

The expected creditable ratio for 2015 and the actual creditable ratio for 2014 were 1.53% and 8.87%, respectively.

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

(6) The assessment of income tax returns

As of 31 December 2015, the income tax returns of the Company have been assessed and approved up to 2012.

28. 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.

Diluted earnings per share are calculated by dividing net income for the year (after adjustment of interests for convertible bonds) by the weighted average number of shares outstanding during the year plus the weighted average number of all potential shares with dilutive effect as if they are probably turned into shares.

	For the years ended 31 December	
	2015	2014
Basic earnings per share		
Net income available to common shareholders	$9,171,902	$6,512,806
Weighted average number of common shares outstanding for basic earnings per share (in thousands)	3,340,147	3,330,571
Basic earnings per share (in dollars)	$2.75	$1.96
Diluted earnings per share		
Net income available to common shareholders	$9,171,902	$6,512,806
Interests for convertible bonds	$-	$80
Net income after adjustment of dilutive effect	$9,171,902	$6,512,886
Weighted average number of common shares outstanding for basic earnings per share (in thousands)		
Effect of dilution:		
Convertible bonds (in thousands)	-	9,576
Weighted average number of common shares outstanding after dilution (in thousands)	3,340,147	3,340,147
Diluted earnings per share (in dollars)	$2.75	$1.95

29. Separate account insurance products

(1) Separate account insurance products - assets and liabilities

	Assets		
Item	2015.12.31	2014.12.31	2014.1.1
Cash in bank	$772,904	$342,194	$705,465
Financial assets at fair value through profit or loss	64,108,288	68,711,462	63,989,881
Other receivables	81,086	118,675	105,335
Total	$64,962,278	$69,172,331	$64,800,681

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

	Liabilities		
Item	2015.12.31	2014.12.31	2014.1.1
Reserve for separate account	$64,678,147	$68,783,359	$64,503,650
Other payables	284,131	388,972	297,031
Total	$64,962,278	$69,172,331	$64,800,681

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

	Revenues	
	For the years ended 31 December	
Item	2015	2014
Premium income	$6,643,514	$6,265,764
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(1,597,001)	3,008,984
Interest income	302	133
Other revenues	179,420	158,963
Foreign exchange gains (losses)	461,248	681,892
Total	$5,687,483	$10,115,736

	Expenses	
	For the years ended 31 December	
Item	2015	2014
Insurance claim payments	$6,075,792	$7,004,493
Net change in separate account reserve	(2,278,328)	1,242,530
Custodian fee	1,890,019	1,868,713
Total	$5,687,483	$10,115,736

(3) The rebate earned for engaging in investment-linked insurance business from counterparties for the years ended 31 December 2015 and 2014 were NT$330,023 thousand and NT$317,992 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 31 December 2015, 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.

(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.15 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.

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

(3) Claim development trend

j Direct business loss development trend

Accident year	Development year NT$								Reserve for claims
	1	2	3	4	5	6	7	8	
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	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106				
2012	2,345,575	2,953,776	3,029,335	3,045,381					
2013	2,267,213	2,964,954	3,028,400						
2014	3,448,229	4,203,186							
2015	3,518,471								$800,447

Note: This table does not include long term life insurance	Add : Long term insurance claims	370,958
	Claim reserve for discount on no claim	114,401
	Reserve for claims balance	$1,285,806

k Retained business loss development trend

Accident year	Development year NT$								Reserve for claims
	1	2	3	4	5	6	7	8	
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	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348				
2012	2,304,504	2,897,464	2,967,538	2,976,431					
2013	2,227,515	2,908,429	2,966,622						
2014	3,387,852	4,123,055							
2015	3,456,864								$768,132

Note: This table does not include long term life insurance	Add : Long term insurance claims	351,905
	Claim reserve on discount for no claim	114,401
	Reserve for claims balance	$1,234,438

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.

(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.

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

(5) Liquidity risk:

As at 31 December 2015, 31 December 2014, and 1 January 2014, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

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	-	-	-	-	-

31 December 2014	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	$22,596,344	$70,224,461	$76,787,529	$332,149,174	$1,910,802,565
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

1 January 2014	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	$9,594,719	$75,923,620	$86,230,920	$285,262,634	$1,754,551,355
Reserve for insurance contracts with feature of financial instruments	447,089	-	-	-	-

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.

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

(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.

VIII. Financial instruments

1. Categories of financial instruments

Financial assets

	2015.12.31	2014.12.31	2014.1.1
Financial assets at fair value through profit or loss:			
Held for trading	$22,615	$993,595	$1,303,318
Designated at fair value through profit or loss at initial recognition	335,329	612,231	632,273
Subtotal	357,944	1,605,826	1,935,591
Available-for-sale financial assets	439,274,726	435,292,552	427,706,046
Held-to-maturity financial assets	42,124,302	-	-
Loans and receivables :			
Cash and cash equivalents (Exclude cash on hand and revolving funds)	52,420,379	61,217,736	112,696,045
Debt instrument investments for which no active market exists	504,141,924	440,007,443	290,884,414
Receivables	11,220,392	14,384,897	11,169,076
Loans	30,933,445	31,083,479	32,139,338
Refundable deposits	5,347,920	4,817,040	5,485,137
Subtotal	604,064,060	551,510,595	452,374,010
Total	$1,085,821,032	$988,408,973	$882,015,647

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

Financial liabilities

	2015.12.31	2014.12.31	2014.1.1
Financial liabilities at fair value through profit or loss :			
Held for trading	$3,984,347	$5,847,792	$3,008,375
Financial liabilities at amortized cost :			
Payables	8,055,698	9,999,089	5,628,375
Guarantee deposits received	137,370	129,694	122,062
Other financial liabilities	-	-	11,104
Subtotal	8,193,068	10,128,783	5,761,541
Total	$12,177,415	$15,976,575	$8,769,916

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.

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

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. 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		
	2015.12.31	2014.12.31	2014.1.1
Financial assets:			
Held-to-maturity financial assets	$42,124,302	$-	$-
Debt instrument investments for which no active market exists	504,141,924	440,007,443	290,884,414
Refundable deposits - Bonds	3,754,886	3,296,370	2,813,157

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

	Fair value		
	2015.12.31	2014.12.31	2014.1.1
Financial assets:			
Held-to-maturity financial assets	$41,331,369	$-	$-
Debt instrument investments for which no active market exists	502,622,477	447,355,742	287,498,964
Refundable deposits - Bonds	4,039,495	3,373,333	2,876,032

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:

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:

(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
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				
Forward foreign exchange contracts	(3,984,347)	-	(3,984,347)	-

	2014.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$811,755	$811,755	$-	$-
Bonds	612,231	-	-	612,231
Forward foreign exchange contracts	181,840	-	181,840	-
Available-for-sale financial assets				
Stocks	115,556,093	95,004,739	-	20,551,354
Bonds	311,992,115	70,686,890	241,305,225	-
Others	7,744,344	7,744,344	-	-
Investment property	20,802,675	-	-	20,802,675
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	(5,847,792)	-	(5,847,792)	-

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

	2014.1.1			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$870,298	$870,298	$-	$-
Bonds	879,179	105,267	246,906	527,006
Forward foreign exchange contracts	183,037	-	183,037	-
Interest rate swaps contracts	3,077	-	3,077	-
Available-for-sale financial assets				
Stocks	79,493,812	66,724,174	-	12,769,638
Bonds	336,149,818	56,654,445	279,495,373	-
Others	12,062,416	12,062,416	-	-
Investment property	19,930,556	-	-	19,930,556
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	(3,008,375)	-	(3,008,375)	-

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

During the year ended 31 December 2015, the Company's bonds of available-for-sale financial assets measured on a recurring basis, amounted to $4,349,755 thousand, transferred from Level 2 to Level 1 because the Company can asses quoted market prices. During the year ended 31 December 2014, 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:

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

For the year ended 31 December 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	$(276,902)	$-	$-	$-	$-	$335,329
Available-for-sale financial assets							
Stock	20,551,354	-	1,305,091	539,665	(22,537)	(41,115)	22,332,458
Investment property	20,802,675	45,717	142,089	458,606	(80,750)	265,296	21,633,633

For the year ended 31 December 2014:

	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	$527,006	$85,225	$-	$-	$-	$-	$612,231
Available-for-sale financial assets							
Stock	12,769,638	-	7,015,014	819,550	(52,848)	-	20,551,354
Investment property	19,930,556	648,402	48,136	266,127	(125,137)	34,591	20,802,675

Note1: presented in "Financial assets and liabilities at fair value through profit or loss/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.

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

Total gains (losses) recognized in profit or loss above contains gains (losses) related to assets on hand as of 31 December 2015 and 2014 is as follows:

	For the years ended 31 December	
	2015	2014
Total gains and losses		
Recognize in profit or loss	$(231,185)	$733,627
Recognized in other comprehensive income	1,447,180	7,063,150

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:

	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	1.36~69.04	N/A
Private Equity Fund	Net asset value approach	N/A	30.17~33.68	N/A
Investment property			Please refer to Note VI、8	

As of 31 December 2014 and 1 January 2014:

Not applicable.

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

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.

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

	2015.12.31			
	Level 1	Level 2	Level 3	Total
Only 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

As of 31 December 2014 and and 1 January 2014:

Not applicable.

(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:

	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

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

	2014.12.31					
	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	$181,840	$-	$181,840	$131,188	$-	$50,652

	2014.12.31					
	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	$5,847,792	$-	$5,847,792	$131,188	$-	$5,716,604

	2014.1.1					
	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	$186,114	$-	$186,114	$117,349	$-	$68,765

	2014.1.1					
	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	$3,008,375	$-	$3,008,375	$117,349	$-	$2,891,026

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 determines the counterparty credit risk limit, dividing into pre-settlement risk limit and settlement risk limit. The other is issuer credit risk limit, which determines credit risk limit according to long or short transaction terms.

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

With respect to credit risk assessment, the Company has established credit risk value model. The model is to calculate credit risk value and estimate expected and unexpected credit loss, assessing the credit positions maximum loss due to changes of credit rating or default. Besides, the Company also assesses credit risk and concentration risk based on the issuer's portfolio of region, industry and credit rating.

(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: 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	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%

Date: 31 December 2014

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$43,287,295	$13,257,920	$4,672,521	$-	$-	$ 61,217,736
Financial assets at fair value through profit or loss	612,231	-	-	-	-	612,231
Available-for-sale financial assets	200,746,015	39,756,615	37,131,966	31,472,382	2,885,137	311,992,115
Debt instrument investments for which no active market exists	109,254,692	97,263,938	122,739,566	107,221,109	3,528,138	440,007,443
Refundable deposits	4,795,751	-	-	-	-	4,795,751
Total	$358,695,984	$150,278,473	$164,544,053	$138,693,491	$6,413,275	$818,625,276
Proportion	43.82%	18.36%	20.10%	16.94%	0.78%	100.00%

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

Date: 1 January 2014

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$103,652,035	$6,792,538	$2,251,472	$-	$-	$112,696,045
Financial assets at fair value through profit or loss	879,179	-	-	-	-	879,179
Available-for-sale financial assets	220,175,679	31,168,010	51,311,168	20,658,457	12,836,504	336,149,818
Debt instrument investments for which no active market exists	77,228,590	64,487,479	78,296,313	67,661,836	3,210,196	290,884,414
Refundable deposits	4,315,783	-	-	-	-	4,315,783
Total	$406,251,266	$102,448,027	$131,858,953	$88,320,293	$16,046,700	$744,925,239
Proportion	54.54%	13.75%	17.70%	11.86%	2.15%	100.00%

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

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%

Date: 31 December 2014

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$1,906,713	$939,962	$922,846	$3,769,521
Overdue receivables	67,349	-	-	67,349
Total	$1,974,062	$939,962	$922,846	$3,836,870
Proportion	51.45%	24.50%	24.05%	100.00%

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

Date: 1 January 2014

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$2,451,025	$1,209,930	$1,195,337	$4,856,292
Overdue receivables	239,831	-	2,084	241,915
Total	$2,690,856	$1,209,930	$1,197,421	$5,098,207
Proportion	52.78%	23.73%	23.49%	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: 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

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

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade	Past due but not impaired	Impaired	Total
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: 31 December 2014

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents	$61,217,736	$-	$-	$-	$61,217,736
Financial assets at fair value through profit or loss	612,231	-	-	-	612,231
Available-for-sale financial assets	311,992,115	-	-	-	311,992,115
Debt instrument investments for which no active market exists	440,007,443	-	-	-	440,007,443
Refundable deposits	4,795,751	-	-	-	4,795,751
Total	$818,625,276	$-	$-	$-	$818,625,276
Proportion	100.00%	-	-	-	100.00%

Date: 1 January 2014

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents	$112,696,045	$-	$-	$-	$112,696,045
Financial assets at fair value through profit or loss	773,912	105,267	-	-	879,179
Available-for-sale financial assets	332,352,678	3,797,140	-	-	336,149,818
Debt instrument investments for which no active market exists	290,884,414	-	-	-	290,884,414
Refundable deposits	4,315,783	-	-	-	4,315,783
Total	$741,022,832	$3,902,407	$-	$-	$744,925,239
Proportion	99.48%	0.52%	-	-	100.00%

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:

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

Date: 31 December 2015

Secured loans and Overdue receivables	Low risk Normal users	Potential risk 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: 31 December 2014

Secured loans and Overdue receivables	Low risk Normal users	Potential risk Worsening solvency	Delayed users	Past due but not impaired	Past due and impaired	Provision for impairment	Total
Consumer finance	$3,711,978	$43,626	$16,791	$-	$-	$19,114	$3,753,281
Corporate finance	-	16,571	-	105,924	-	38,906	83,589
Total	$3,711,978	$60,197	$16,791	$105,924	$-	$58,020	$3,836,870

Date: 1 January 2014

Secured loans and Overdue receivables	Low risk Normal users	Potential risk Worsening solvency	Delayed users	Past due but not impaired	Past due and impaired	Provision for impairment	Total
Consumer finance	$4,717,326	$60,641	$28,821	$4,040	$-	$24,732	$4,786,096
Corporate finance	40,000	33,143	-	336,641	-	97,673	312,111
Total	$4,757,326	$93,784	$28,821	$340,681	$-	$122,405	$5,098,207

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
2015.12.31	$2,876,260	$9,183	$-	$-	$2,885,443
2014.12.31	3,753,066	16,455	-	67,349	3,836,870
2014.1.1	4,826,358	28,244	1,690	241,915	5,098,207

As of 31 December 2015, 31 December 2014, and 1 January 2014, the fair value of the collateral for discounted and loan's financial assets of past due but not impaired were NT$0 thousand, NT$371,747 thousand, and NT$958,746 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.

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

(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.

Non-derivative financial instruments

	In 1 year	Over 1 year	Total
2015.12.31			
Payables	$8,055,698	$-	$8,055,698
2014.12.31			
Payables	$9,999,089	$-	$9,999,089
2014.1.1			
Payables	$5,628,375	$-	$5,628,375
Convertible bonds	10,773	-	10,773

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).

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

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:

	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

	2014.12.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$5,847,792	$-	$-	$-	$ 5,847,792

	2014.1.1				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$2,361,728	$511,246	$135,401	$-	$3,008,375

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.

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

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.

Summarization of Simple Sensitivity

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 year ended 31 December 2014

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	7,899	879,094
Interest rate risk (Yield curve)	+1BP	(250)	(335,125)
Exchange risk (Foreign exchange rate)	+1%(USD for each currency appreciates 1%)	633,385	48,232

(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:

	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)

	2014.12.31		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$61,223,512	$-	$61,223,512
Receivables	14,384,897	-	14,384,897
Current tax assets	1,326,043	-	1,326,043
Financial assets at fair value through profit or loss	993,595	612,231	1,605,826
Available-for-sale financial assets	104,060,058	331,232,494	435,292,552
Debt instrument investments for which no active market exists	1,850,179	438,157,264	440,007,443
Investment property	-	23,553,058	23,553,058
Loans	-	31,083,479	31,083,479
Reinsurance assets	264,209	-	264,209
Property and equipment	-	6,973,988	6,973,988
Intangible assets	-	53,806	53,806
Deferred tax assets	3,235,637	-	3,235,637
Other assets	475,651	18,615,463	19,091,114
Separate account product assets			69,172,331
Total assets	$187,813,781	$850,281,783	$1,107,267,895
Liabilities			
Payables	$9,999,089	$-	$9,999,089
Financial liabilities at fair value through profit or loss	5,847,792	-	5,847,792
Insurance liabilities	31,772,979	902,417,745	934,190,724
Foreign exchange valuation reserve	-	5,263,545	5,263,545
Provision	-	266,651	266,651
Deferred tax liabilities	-	6,738,484	6,738,484
Other liabilities	402,666	1,062,120	1,464,786
Separate account product liabilities			69,172,331
Total liabilities	$48,022,526	$915,748,545	$1,032,943,402

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

Item	2014.1.1 Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$112,702,457	$-	$112,702,457
Receivables	11,169,076	-	11,169,076
Current tax assets	936,683	-	936,683
Financial assets at fair value through profit or loss	1,408,585	527,006	1,935,591
Available-for-sale financial assets	81,864,065	345,841,981	427,706,046
Debt instrument investments for which no active market exists	6,785,563	284,098,851	290,884,414
Investment property	-	22,873,268	22,873,268
Loans	-	32,139,338	32,139,338
Reinsurance assets	296,817	-	296,817
Property and equipment	-	5,663,139	5,663,139
Intangible assets	-	42,350	42,350
Deferred tax assets	859,868	-	859,868
Other assets	93,465	5,498,540	5,592,005
Separate account product assets			64,800,681
Total assets	$216,116,579	$696,684,473	$977,601,733
Liabilities			
Payables	$5,628,375	$-	$5,628,375
Financial liabilities at fair value through profit or loss	3,008,375	-	3,008,375
Other financial liabilities	11,104	-	11,104
Insurance liabilities	16,820,592	814,210,631	831,031,223
Reserve for insurance contracts with feature of financial instruments	446,490	-	446,490
Foreign exchange valuation reserve	-	2,773,740	2,773,740
Provision	-	237,795	237,795
Deferred tax liabilities	-	1,487,544	1,487,544
Other liabilities	1,441,499	4,245,394	5,686,893
Separate account product liabilities			64,800,681
Total liabilities	$27,356,435	$822,955,104	$915,112,220

(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.

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XII. Related party transaction

Significant transactions with related party are as follows:

1. Key management personnel remuneration

	For the years ended 31 December	
	2015	2014
Short-term employee benefits	$299,683	$237,736
Post-employment benefits	1,940	1,842
Total	$301,623	$239,578

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

XIII. Pledged assets

1. As of 31 December 2015, 31 December 2014, and 1 January 2014, details of pledged and guaranteed assets are as follows:

Item	2015.12.31	2014.12.31	2014.1.1
Available-for-sale financial assets	$1,573,736	$1,499,381	$1,502,626
Debt instrument investments for which no active market exists	3,754,886	3,296,370	2,813,157
Total	$5,328,622	$4,795,751	$4,315,783

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

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

Item	2015.12.31	2014.12.31	2014.1.1
Insurance deposits	$5,309,535	$4,774,240	$4,295,982
Litigation deposits	19,087	21,511	19,801
Total	$5,328,622	$4,795,751	$4,315,783

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 31 December 2015, 31 December 2014, 1 January 2014 are as follows:

	2015.12.31	2014.12.31	2014.1.1
Less than one year	$116,357	$80,187	$52,719
More than one year but less than five years	463,858	200,101	43,256
More than five years	7,045,202	6,878,440	-
Total	$7,625,417	$7,158,728	$95,975

The minimum lease payments of operating lease for the years ended 31 December 2015 and 2014 amounted to NT$60,531 thousand and NT$64,390 thousand, 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.

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at 31 December 2015, 31 December 2014, 1 January 2014 are as follows:

	2015.12.31	2014.12.31	2014.1.1
Less than one year	$436,567	$414,508	$430,217
More than one year but less than five years	1,066,373	929,204	956,444
More than five years	361,128	353,180	482,053
Total	$1,864,068	$1,696,892	$1,868,714

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 31 December 2015, 31 December 2014, 1 January 2014 are as follows:

	2015.12.31		
	Foreign currency	Exchange rate (dollar)	NTD
Financial assets			
Monetary items			
USD	$16,062,025	$33.0660	$531,106,909
AUD	507,727	24.1613	12,267,335
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
CNY	6,281,166	5.0921	31,984,323

(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 Liabilities			
Payables			
USD	1,033	32.8920	33,990
CNY	29,984	5.0788	152,284

	2014.12.31		
	Foreign currency	Exchange rate (dollar)	NTD
Financial assets			
Monetary items			
USD	$13,203,438	$31.7180	$418,783,937
AUD	785,588	25.9517	20,387,333
NZD	324,542	24.8479	8,064,193
CNH	8,090,203	5.1038	41,290,780
Non-monetary items			
USD	274,759	31.7180	8,714,820
CNY	4,737,107	5.1125	24,218,461
Financial Liabilities			
Payables			
USD	50,650	31.9501	1,618,275
HKD	29,843	4.0869	121,964

	2014.1.1		
	Foreign currency	Exchange rate (dollar)	NTD
Financial assets			
Monetary items			
USD	$9,043,492	$29.9500	$270,852,576
AUD	741,917	26.7094	19,816,161
NZD	784,454	24.5979	19,295,927
CNY	4,924,215	4.9440	24,345,320

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

	2014.1.1		
	Foreign currency	Exchange rate (dollar)	NTD
Non-monetary items			
USD	357,529	29.9500	10,707,981
CNY	2,932,943	4.9472	14,509,857

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 31 December 2015, 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	$553,316	$1,555,087	$-	$2,108,403
Debt instrument investments for which no active market exists	-	-	24,951,715	24,951,715
The maximum exposure amount	553,316	1,555,087	24,951,715	27,060,118
Financial or other support provided	None	None	None	

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

3. Additional comparative information

The Company changed the subsequent measurement of investment property from cost to fair value model in 2014. To improve the reliability and relevance of financial reporting, the Company additionally discloses the balance sheet and notes on 1 January 2014 and lists effects of changes for the years ended 31 December 2014 as follows:

	2014.12.31	2014.1.1
Effects on the balance sheet		
Increase in investment property	$10,215,850	$9,437,990
Increase in property and equipment	378,848	383,709
Increase in insurance liabilities - participating policy dividend reserve	858,474	801,049
Increase in deferred tax liabilities	719,563	626,207
Increase in retained earnings	8,936,197	8,359,328
Increase in other equity	80,465	35,115

	For the year ended 31 December 2014
Effects on the income statement	
Increase in investment property profit or loss	$616,907
Increase in changes in insurance liabilities	57,425
Decrease in operating expenses	107,957
Increase in income tax expenses	(90,570)
Increase in net income	576,869
Increase in other comprehensive income	45,350
Increase in comprehensive income	622,219
Increase in earnings per share	0.17

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.