Cathay Life Insurance Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For The Nine-month Periods Ended
30 September 2015 and 2014
With Independent Auditors' Review Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 "Interim Financial Reporting" as recognized by Financial Supervisory Commission. 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 consolidated financial statements

Review Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

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

We have reviewed the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. (the “Company”) and its subsidiaries (the “Subsidiaries”) as of 30 September 2015 and 2014, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2015 and 2014, and the related consolidated statements of changes in equity and cash flows for the nine-month periods ended 30 September 2015 and 2014. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to issue a review report on these consolidated interim financial statements based on our reviews.

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

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

As described in Note 3 to the consolidated financial statements, the Company and its subsidiaries prepared the financial reports in accordance with the International Financial Reporting Standards (“IFRS”), International Accounting Standards, and interpretations issued, revised or amended (excluding IFRS 9), which are recognized by the Financial Supervisory Commission and would be applicable for annual periods beginning on or after 1 January 2015. The consolidated financial statements for the nine-month period ended 30 September 2014, and the related consolidated balance sheets as of 1 January 2014 and 31 December 2014 were restated retrospectively.

Ernst & Young
Certified Public Accountants
Taipei, Taiwan, R.O.C.
4 November 2015

Notice to Readers:

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated balance sheets

As at 30 September 2015, 31 December 2014, 30 September 2014 and 1 January 2014

(30 September 2015 and 2014 reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	30 September 2015	31 December 2014 (Adjusted)	30 September2014 (Adjusted)	1 January 2014 (Adjusted)
Cash and cash equivalents	4,6,50,51	$235,690,417	$333,112,783	$416,780,851	$282,058,256
Receivables	4,7,50,51	63,189,728	54,561,215	50,929,746	47,633,306
Financial assets at fair value through profit or loss	4,5,8,15,50,51	66,625,069	62,218,866	61,365,066	73,892,698
Available-for-sale financial assets	4,5,9,15,50	1,260,835,576	1,306,108,517	1,219,636,482	1,277,352,123
Derivative financial assets for hedging	4,5,10,50	387,698	212,898	146,267	453,713
Investments accounted for using the equity method – Net	3,4,5,11,50	22,964,878	3,057,444	3,064,399	1,432,360
Debt instrument investments for which no active market exists	4,5,12,15,50,51	1,732,881,523	1,256,567,547	1,090,792,525	1,023,349,976
Held-to-maturity financial assets	4,5,13,50	26,231,804	25,940,630	21,781,445	1,619,138
Other financial assets – Net	4,5,14,50	25,000,000	39,200,000	39,200,000	40,900,000
Investment property	4,5,16,50,51	454,760,472	397,812,602	400,170,582	345,459,505
Investment property under construction	4,5,16,50,51	2,566,165	12,437,283	17,924,834	15,570,122
Prepayments for buildings and land – Investments	4,5,16,50,51	2,177,448	1,795,276	1,837,342	5,173,152
Loans	4,17,50,51	654,343,838	693,095,163	675,826,813	635,863,840
Reinsurance assets	4,18,50,51	978,612	287,641	468,458	683,457
Property and equipment	4,19,50,51	27,474,710	26,793,682	26,904,232	36,669,572
Intangible assets	4,20,50	47,585,256	157,619	174,211	184,090
Deferred tax assets	3,4,5,39,50	16,977,876	13,002,962	10,277,905	11,691,034
Other assets	21,22,50,51,52	25,330,379	16,347,581	19,316,590	18,459,723
Separate account product assets	4,41,50	467,992,665	462,266,776	442,715,117	376,252,736
Total assets		$5,133,994,114	$4,704,976,485	$4,499,312,865	$4,194,698,801

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated balance sheets - (continued)

As at 30 September 2015, 31 December 2014, 30 September 2014 and 1 January 2014

(30 September 2015 and 2014 reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	30 September 2015	31 December 2014 (Adjusted)	30 September2014 (Adjusted)	1 January 2014 (Adjusted)
Short-term debts	50	$354,356	$232,616	$209,198	$-
Payables	23,50,51	21,217,424	23,998,403	32,472,741	19,025,676
Financial liabilities at fair value through profit or loss	4,5,24,50	65,401,762	49,783,588	16,299,230	16,148,024
Derivative financial liabilities for hedging	4,5	-	-	13,397	5,148
Preferred stock liability	25,50,51	30,000,000	30,000,000	30,000,000	30,000,000
Insurance liabilities	4,5,26,50	4,090,464,422	3,698,737,657	3,578,344,621	3,380,579,907
Reserve for insurance contracts with feature of financial instruments	4,5,26,50	54,323,439	55,094,699	55,145,882	57,596,449
Foreign exchange volatility reserve	4,5,26,50	17,567,304	16,846,406	13,173,058	10,482,181
Provisions	3,4,5,28,50	2,253,059	2,088,438	752,999	800,503
Deferred tax liabilities	4,5,39,50	40,500,580	28,851,307	23,504,270	21,281,632
Other liabilities	29,30,50,51	11,342,788	8,694,699	10,291,316	8,632,437
Separate account product liabilities	4,41,50	467,992,665	462,266,776	442,715,117	376,252,736
Total liabilities		4,801,417,799	4,376,594,589	4,202,921,829	3,920,804,693
Equity attributable to equity holders of the parent					
Capital stock					
Common stock	31	53,065,274	53,065,274	53,065,274	53,065,274
Capital surplus	32	13,028,012	13,029,142	13,029,142	13,038,791
Retained earnings	3,33				
Legal capital reserve		19,560,283	13,038,968	13,038,968	9,897,228
Special capital reserve		225,795,940	174,704,226	173,073,853	38,050,593
Unappropriated retained earnings		36,960,303	30,848,081	29,159,573	121,881,448
Other equity	3	(18,245,655)	41,729,672	13,121,429	37,219,519
Non-controlling interests	33	2,412,158	1,966,533	1,902,797	741,255
Total equity		332,576,315	328,381,896	296,391,036	273,894,108
Total liabilities and equity		$5,133,994,114	$4,704,976,485	$4,499,312,865	$4,194,698,801

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated statements of comprehensive income

For the three-month and nine-month periods ended 30 September 2015 and 2014

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

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	Notes	1 July – 30 September 2015	1 July – 30 September 2014 (Adjusted)	1 January – 30 September 2015	1 January – 30 September 2014 (Adjusted)
Operating revenue	3,4,51				
Direct premium income	34	$137,785,945	$139,316,552	$377,527,070	$336,906,306
Reinsurance premium income	34	54,816	75,692	150,913	153,642
Premium income	34	137,840,761	139,392,244	377,677,983	337,059,948
Deduct: Premiums ceded to reinsurers	34	(255,883)	(2,493,351)	(683,718)	(9,627,522)
Changes in unearned premium reserve	26,34	(300,928)	(266,364)	(304,479)	(367,287)
Retained earned premium	34	137,283,950	136,632,529	376,689,786	327,065,139
Reinsurance commission earned		(60,323)	1,165,301	221,879	4,720,610
Handling fees earned	41	1,300,555	1,599,016	4,408,793	4,589,231
Net investment profits and losses					
Interest income		29,605,742	24,714,870	82,841,168	73,901,836
Losses from financial assets and liabilities at fair value through profit or loss		(72,991,898)	(13,205,485)	(65,490,525)	(13,460,861)
Realized gains from available-for-sale financial assets		7,007,219	17,626,232	46,728,324	35,107,202
Realized gains from debt instrument investments for which no active market exists		1,255,038	3,117,622	10,344,334	5,940,463
Realized gains from held-to-maturity financial assets		1	-	5	-
Share of the gains (losses) of associates and joint ventures accounted for using the equity method		227,861	(28,772)	299,280	9,586
Foreign exchange gains		79,950,684	14,376,133	56,843,724	9,416,162
Changes in foreign exchange volatility reserve	26	(5,683,566)	(2,269,983)	(472,579)	(2,690,877)
Gains from investment property		2,337,486	1,928,072	18,183,861	23,546,962
Impairment losses on investments and gains on reversal of impairment losses		(8,636)	-	(8,636)	-
Losses from other investments – Net	11	-	-	(49,950)	(2)
Other operating revenue		108,900	2,649	114,864	6,122
Separate account product revenue	4,41	(993,954)	3,807,324	5,162,813	100,213,913
Subtotal		179,339,059	189,465,508	535,817,141	568,365,486
Operating costs	4,51				
Insurance claim payments	35	(77,148,199)	(75,703,931)	(206,257,302)	(211,037,554)
Deduct: Claims recovered from reinsures	35	167,479	1,247,294	269,125	4,691,973
Retained claim payments	35	(76,980,720)	(74,456,637)	(205,988,177)	(206,345,581)
Changes in insurance liabilities	26	(79,430,935)	(85,191,063)	(238,070,174)	(191,345,154)
Changes in reserve for insurance contracts with feature of financial instruments	26	1,172	(80,493)	(175,003)	(243,877)
Brokerage expenses	36	(4,146,026)	(4,376,765)	(12,386,205)	(12,154,034)
Commission expenses	36	(4,133,530)	(4,786,969)	(12,009,948)	(12,194,432)
Other operating costs		(1,440,307)	(1,336,576)	(3,899,202)	(3,335,036)
Finance costs		123,485	80,821	(314,154)	(67,250)
Separate account product expenses	4,41	993,954	(3,807,324)	(5,162,813)	(100,213,913)
Subtotal		(165,012,907)	(173,955,006)	(478,005,676)	(525,899,277)
Operating expenses	3,4,36,51				
Business expenses		(3,656,606)	(2,246,704)	(7,997,786)	(5,307,931)
Administrative and general expenses		(3,186,871)	(2,089,780)	(7,592,986)	(6,251,635)
Employee training expenses		(13,539)	(14,067)	(29,724)	(30,294)
Subtotal		(6,857,016)	(4,350,551)	(15,620,496)	(11,589,860)
Operating income		7,469,136	11,159,951	42,190,969	30,876,349
Non-operating income and expenses	4,37,51	179,833	229,813	852,615	1,126,429
Income from continuing operations before income tax		7,648,969	11,389,764	43,043,584	32,002,778
Income tax benefit (expense)	3,4,5,39	372,667	(1,631,786)	(5,641,676)	(2,729,597)
Net income from continuing operations		8,021,636	9,757,978	37,401,908	29,273,181
Net income		8,021,636	9,757,978	37,401,908	29,273,181
Other comprehensive income	38				
Not to be reclassified to profit or loss in subsequent periods					
Revaluation surplus		-	-	-	902,335
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – not to be reclassified to profit or loss in subsequent periods		(6,411)	-	(5,654)	-
Income taxes relating to not to be reclassified to profit or loss in subsequent periods		1,090	-	961	(74,726)
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		1,399,742	(126,692)	1,119,468	(370,050)
Unrealized valuation losses from available-for-sale financial assets		(42,023,072)	(24,726,195)	(64,891,741)	(8,424,425)
Effective portion of gains (losses) on hedging instruments in cash flow hedges		169,188	(145,837)	175,803	(315,665)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods		269,080	27,796	47,502	28,530
Income taxes relating to be reclassified to profit or loss in subsequent periods		1,461,918	250,173	3,630,591	520,577
Other comprehensive income, net of tax		(38,728,465)	(24,720,755)	(59,923,070)	(7,733,424)
Total comprehensive income		$(30,706,829)	$(14,962,777)	$(22,521,162)	$21,539,757
Net income attributable to:					
Equity holders of the parent		$7,966,071	$9,702,171	$37,088,421	$29,167,371
Non-controlling interests		$55,565	$55,807	$313,487	$105,810
Total comprehensive income attributable to:					
Equity holders of the parent		$(30,847,930)	$(15,089,367)	$(22,886,906)	$21,345,035
Non-controlling interests		$141,101	$126,590	$365,744	$194,722
Basic earnings per share (in dollars)	3,40				
Net income from continuing operations		$1.50	$1.83	$6.99	$5.50

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

Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated statements of changes in equity

For the nine-month periods ended 30 September 2015 and 2014

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

(Expressed in thousands of New Taiwan Dollars)

		Equity attributable to equity holders of the parent												
				Retained earnings			Other equity							
Items	Notes	Capital stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated retained earnings	Exchange differences resulting from translating the financial statements of foreign	Unrealized valuation gains from available-for-sale financial assets	Effective portion of gains on hedging instruments in cash flow hedges	Remeasurements of defined benefit plans	Revaluation surplus	Total	Non-controlling interests	Total
Balance on 1 January 2014		$53,065,274	$13,038,791	$9,897,228	$38,050,593	$121,889,246	$(189,809)	$18,165,426	$372,284	$-	$16,275,754	$270,564,787	$741,255	$271,306,042
Effects on retrospective application and restatement		-	-	-	-	(7,798)	-	-	-	2,595,864	-	2,588,066	-	2,588,066
Balance on 1 January 2014 (Adjusted)	3	53,065,274	13,038,791	9,897,228	38,050,593	121,881,448	(189,809)	18,165,426	372,284	2,595,864	16,275,754	273,152,853	741,255	273,894,108
Special capital reserve recognized in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10302501001		-	-	-	124,002,466	(107,726,712)	-	-	-	-	(16,275,754)	-	-	-
Appropriation and distribution of earnings for the year 2013	33													
Legal capital reserve		-	-	3,141,740	-	(3,141,740)	-	-	-	-	-	-	-	-
Special capital reserve		-	-	-	12,705,121	(12,705,121)	-	-	-	-	-	-	-	-
Special capital reserve used to cover accumulated deficits		-	-	-	(1,684,327)	1,684,327	-	-	-	-	-	-	-	-
Changes in other capital surplus														
Changes in amount of associates and joint ventures accounted for using the equity method		-	(9,649)	-	-	-	-	-	-	-	-	(9,649)	-	(9,649)
Net income for the nine-month period ended 30 September 2014 (Adjusted)	3	-	-	-	-	29,167,371	-	-	-	-	-	29,167,371	105,810	29,273,181
Other comprehensive income for the nine-month period ended 30 September 2014	38	-	-	-	-	-	(391,282)	(7,996,661)	(262,002)	-	827,609	(7,822,336)	88,912	(7,733,424)
Total comprehensive income for the nine-month period ended 30 September 2014 (Adjusted)		-	-	-	-	29,167,371	(391,282)	(7,996,661)	(262,002)	-	827,609	21,345,035	194,722	21,539,757
Changes in non-controlling interests	33	-	-	-	-	-	-	-	-	-	-	-	966,820	966,820
Balance on 30 September 2014 (Adjusted)	3	$53,065,274	$13,029,142	$13,038,968	$173,073,853	$29,159,573	$(581,091)	$10,168,765	$110,282	$2,595,864	$827,609	$294,488,239	$1,902,797	$296,391,036
Balance on 1 January 2015 (Adjusted)		$53,065,274	$13,029,142	$13,038,968	$174,704,226	$30,848,081	$(214,302)	$40,253,066	$176,706	$1,514,202	$-	$326,415,363	$1,966,533	$328,381,896
Special capital reserve recovered in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10402029580	33	-	-	-	(10,000,000)	10,000,000	-	-	-	-	-	-	-	-
Special capital reserve recognized in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10402029590		-	-	-	34,764,311	-	-	-	-	-	-	34,764,311	-	34,764,311
Appropriation and distribution of earnings for the year 2014	33													
Legal capital reserve		-	-	6,521,315	-	(6,521,315)	-	-	-	-	-	-	-	-
Special capital reserve		-	-	-	26,327,403	(26,327,403)	-	-	-	-	-	-	-	-
Cash dividends on common stock		-	-	-	-	(8,127,481)	-	-	-	-	-	(8,127,481)	-	(8,127,481)
Changes in other capital surplus														
Changes in amount of associates and joint ventures accounted for using the equity method		-	(1,130)	-	-	-	-	-	-	-	-	(1,130)	-	(1,130)
Net income for the nine-month period ended 30 September 2015		-	-	-	-	37,088,421	-	-	-	-	-	37,088,421	313,487	37,401,908
Other comprehensive income for the nine-month period ended 30 September 2015	38	-	-	-	-	-	1,005,420	(61,121,970)	145,916	(4,693)	-	(59,975,327)	52,257	(59,923,070)
Total comprehensive income for the nine-month period ended 30 September 2015		-	-	-	-	37,088,421	1,005,420	(61,121,970)	145,916	(4,693)	-	(22,886,906)	365,744	(22,521,162)
Changes in non-controlling interests	33	-	-	-	-	-	-	-	-	-	-	-	79,881	79,881
Balance on 30 September 2015		$53,065,274	$13,028,012	$19,560,283	$225,795,940	$36,960,303	$791,118	$(20,868,904)	$322,622	$1,509,509	$-	$330,164,157	$2,412,158	$332,576,315

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries
Consolidated statements of cash flows
For the nine-month periods ended 30 September 2015 and 2014
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan Dollars)

Items	Notes	1 January – 30 September 2015	1 January – 30 September 2014 (Adjusted)
Cash flows from operating activities			
Net income, before tax	3	$43,043,584	$32,002,778
Adjustments:			
Revenue and expense items			
Depreciation	36	502,336	503,102
Amortization	36	567,265	37,683
Provision for bad debt expenses		556,688	312,784
Net losses from financial assets and liabilities at fair value through profit or loss		65,915,266	13,654,689
Net gains from available-for-sale financial assets		(28,235,586)	(21,213,890)
Net gains from debt instrument investments for which no active market exists		(10,344,334)	(5,940,463)
Net gains from held-to-maturity financial assets		(5)	-
Interest expenses		35,042	44,358
Interest income		(82,841,168)	(73,901,836)
Dividend income		(18,917,479)	(14,087,140)
Changes in insurance liabilities		266,962,219	197,764,714
Changes in reserve for insurance contracts with feature of financial instruments		(771,260)	(2,450,567)
Changes in foreign exchange volatility reserve		472,579	2,690,877
Share of the gains of associates and joint ventures accounted for using the equity method		(299,280)	(9,586)
Losses (gains) on disposal or scrapping of property and equipment		359	(32)
Losses on disposal of investments accounted for using the equity method		-	2
Gains on disposal of investment property		(293)	(1,289,705)
Impairment loss		8,636	-
Gains on valuation of investment property		(11,310,448)	(16,366,648)
Subtotal		182,300,537	79,748,342
Changes in operating assets and liabilities			
Decrease in financial assets at fair value through profit or loss		64,135,857	45,804,809
Decrease (increase) in derivative financial assets for hedging		1,003	(8,219)
Decrease in available-for-sale financial assets		17,387,362	70,505,106
Increase in debt instrument investments for which no active market exists		(411,165,424)	(61,502,087)
Increase in held-to-maturity financial assets		(291,169)	(20,162,307)
Increase in premiums receivable		(11,388)	(10,355)
Decrease in notes receivable		443,078	475,638
Increase in other accounts receivable		(2,338,910)	(3,355,771)
(Increase) decrease in prepaid expenses and other prepayments		(63,413)	27,150
Increase in guarantee deposits paid		(3,679,526)	(878,334)
(Increase) decrease in reinsurance assets		(559,995)	214,999
Decrease in other financial assets		14,200,000	1,700,000
Increase in other assets		(939,578)	(896,656)
Decrease in financial liabilities at fair value through profit or loss		(119,630,445)	(45,889,687)
Increase in derivative financial liabilities for hedging		-	8,249
Decrease in notes payable		(2,423)	(14)
Increase in life insurance proceeds payable		98,890	69,679
(Decrease) increase in other payables		(4,606,217)	13,251,917
Increase (decrease) in due to reinsurers and ceding companies		482,069	(282,869)
Decrease in reinsurance proceeds payable		-	(8,952)
(Decrease) increase in commissions payable		(393,765)	372,972
(Decrease) increase in accounts collected in advance		(49,454)	2,233,930
Increase in guarantee deposits received		47,028	490,274
Increase (decrease) in provisions		939	(140,227)
Decrease in deferred handling fees		(12,179)	(14,218)
Increase (decrease) in other liabilities		2,173,989	(1,009,544)
Increase in provision for employee benefits		92,151	92,723
Subtotal		(444,681,520)	1,088,206
Cash (used in) generated from operating activities		(219,337,399)	112,839,326
Interest received		75,672,897	73,829,074
Dividends received		19,162,494	14,185,866
Interest paid		(37,570)	(46,846)
Income taxes received		1,016,612	1,052,154
Net cash (used in) provided by operating activities		(123,522,966)	201,859,574
Cash flows from investing activities			
Acquisition of investments accounted for using the equity method		(19,868,929)	(1,745,120)
Disposal of investments accounted for using the equity method		-	39,706
Acquisition of subsidiaries (net of cash received)	42	(6,978,545)	-
Disinvestment of investments accounted for using the equity method		56,248	2,673
Acquisition of property and equipment		(194,501)	(207,825)
Disposal of property and equipment		825	3,884
Acquisition of intangible assets		(45,163)	(27,752)
Net cash proceeds from acquiring other company	42	16,157,186	-
Net compensation received from acquiring other company	42	30,300,000	-
Decrease (increase) in loans		47,992,733	(40,242,320)
Acquisition of investment property		(32,984,695)	(27,493,476)
Disposal of investment property		3,200	1,487,000
Net cash provided by (used in) investing activities		34,438,359	(68,183,230)
Cash flows from financing activities			
Increase in notes and bonds with repurchase agreements		121,740	209,198
Cash dividends paid		(8,127,481)	-
Procceds from issuance of common stock		-	966,820
Net cash (used in) provided by financing activities		(8,005,741)	1,176,018
Effects of exchange rate changes on cash and cash equivalents		(332,018)	(129,767)
(Decrease) increase in cash and cash equivalents		(97,422,366)	134,722,595
Cash and cash equivalents at the beginning of the periods		333,112,783	282,058,256
Cash and cash equivalents at the end of the periods		$235,690,417	$416,780,851

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

1. Organizations and business scope

Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on 23 October 1962, under the provisions of the Company Act of the Republic of China ("R.O.C."). The Company mainly engages in the business of life insurance. On 31 December 2001, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") by adopting the stock conversion method under the R.O.C. Financial Holding Company Act and other pertinent acts of the R.O.C. in order to benefit from synergistic operation and enhance the Company's competitiveness in the financial market. The Company's registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, Republic of China (R.O.C.).

The Company has participated and won the public auction, which is held by Taiwan Insurance Guaranty Fund, for assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. The Company entered into the acquisition contract on 27 March 2015. The Company assumed all assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., except for their reserved assets and liabilities on 1 July 2015.

The parent company and ultimate parent company of the Company is Cathay Financial Holdings.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Company and Subsidiaries") for the nine-month periods ended 30 September 2015 and 2014 were authorized to issue in accordance with resolution of the Company's board of directors on 4 November 2015.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company and Subsidiaries applied for the first time the International Financial Reporting Standards, International Accounting Standards, and interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("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 and Subsidiaries is described below:

A. 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 replaced with 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 or termination costs are recognized. Therefore unvested past service cost is no longer deferred over future vesting periods.

c. The revised IAS 19 required more disclosure.

d. The Company and Subsidiaries 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.

e. In the previous version of IAS 19, the Company and Subsidiaries amortize the amount that net cumulative unrecognized actuarial gains and losses exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets over the expected remaining working lives of employees participating in the plan. Under the amended standard, the remeasurement of net defined benefit liability (asset) will be recognized in other comprehensive income and other equity immediately when occur.

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

Adjusted items and amount influenced during each period:

	For the nine-month periods ended 30 September	
	2015	2014
Impact on statement of comprehensive income		
Increase in operating revenue	$17	$21
Increase in operating expenses	(23,284)	(108,747)
Decrease in income tax expense	3,958	18,487
Decrease in net income	(19,309)	(90,239)
Decrease in earnings per share (in dollars)	-	(0.01)

	30 September 2015	31 December 2014	30 September 2014	1 January 2014
Impact on balance sheet				
Decrease in investments accounted for using the equity method – Net	$(6,081)	$(1,405)	$(451)	$(472)
Decrease in deferred tax assets	(280,227)	(284,185)	(511,695)	(530,182)
Decrease in provisions	(1,648,390)	(1,671,674)	(3,009,973)	(3,118,720)
Decrease in retained earnings	(147,427)	(128,118)	(98,037)	(7,798)
Increase in other equity	1,509,509	1,514,202	2,595,864	2,595,864

B. IFRS 7 *Financial Instruments Disclosures – Transfers of Financial Assets*

The amendments require that additional quantitative and qualitative disclosure on financial assets that have been transferred but not derecognized at reporting date and that have been derecognized but for which the entity retains continuing involvement.

C. IFRS 7 *Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments require the entity disclose more information about offsetting of financial instrument. The disclosure shall enable users to evaluate the effect of offsetting on the entity's financial position. Financial instruments that offset in accordance with IAS 32 *Financial Instruments: Presentation* and that do not offset but subject to enforceable master netting arrangement or other similar agreements but not offset are included in the disclosure.

D. 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, for example, summarized financial information about the associate or disclosure on subsidiaries with material non-controlling interests. Please refer to Note 11 for more details.

E. 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 rather provides guidance on how to measure fair value under IFRS. The Company and Subsidiaries re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the fair value measurements of the Company and Subsidiaries.

Additional disclosures which are required under IFRS 13 are provided in the individual notes related to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 47. 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.

F. IAS 1 *Presentation of Financial Statements – Presentation of items of other comprehensive income*

Beginning 1 January 2014, the Company and Subsidiaries 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 and Subsidiaries' financial position or performance.

G. IAS 1 *Presentation of Financial Statements* – Clarification of the requirement for comparative information

Beginning 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 and Subsidiaries' financial position or performance.

(2) Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Company and Subsidiaries' financial statements are listed below:

A. 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. The amendment is effective for annual periods beginning on or after 1 January 2014.

B. 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). The interpretation is effective for annual periods beginning on or after 1 January 2014.

C. IAS 39 *Financial Instruments: Recognition and Measurement (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after 1 January 2014.

D. 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. The amendment is effective for annual periods beginning on or after 1 July 2014.

E. *Improvements to International Financial Reporting Standards (2010–2012 cycle)*

IFRS 2 *Share-based Payment*

The annual improvements amend the definitions of “vesting condition” and “market condition” and add definitions for “performance condition” and “service condition” (which were previously part of the definition of “vesting condition”). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 *Business Combinations*

The amendments include: a. deleting the reference to “other applicable IFRSs” in the classification requirements; b. deleting the reference to “IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate”, other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; c. amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

IFRS 8 *Operating Segments*

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 *Fair Value Measurement*

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

IAS 16 *Property, Plant and Equipment*

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the net carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 24 *Related Party Disclosures*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

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 net carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

F. *Improvements to International Financial Reporting Standards (2011–2013 cycle)*

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 *Business Combinations*

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

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*. The amendment is effective for annual periods beginning on or after 1 July 2014.

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. The amendment is effective for annual periods beginning on or after 1 July 2014.

G. IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

H. IFRS 11 *Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 *"Business Combinations"*, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

I. IAS 16 *Property, Plant and Equipment and* IAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

J. IFRS 15 *Revenue from Contracts with Customers*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

K. IAS 16 *Property, Plant and Equipment and* IAS 41 *Agriculture – Agriculture: Bearer Plants*

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

L. 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 assets' 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.

The new standard is effective for annual periods beginning on or after 1 January 2018.

M. IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements*

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions. The amendment is effective for annual periods beginning on or after 1 January 2016.

N. 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*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and* IAS 2*8 Investments in Associates and Joint Ventures,* in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gains or losses resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or losses resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The amendment is effective for annual periods beginning on or after 1 January 2016.

O. *Improvements to International Financial Reporting Standards (2012–2014 cycle)*

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

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.* The amendment is effective for annual periods beginning on or after 1 January 2016.

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. The amendment is effective for annual periods beginning on or after 1 January 2016.

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. The amendment is effective for annual periods beginning on or after 1 January 2016.

P. IAS 1 *Presentation of Financial Statements (Amendment):*

The amendments contain a. 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, b. 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, c. 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, d. 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 e. 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. The amendment is effective for annual periods beginning on or after 1 January 2016.

Q. 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*

The amendments contain a. clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, b. clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and c. allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company and Subsidiaries' financial statements, the local effective dates are to be determined by FSC. The Company and Subsidiaries are currently determining the potential impact of the standards and interpretations.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Company and Subsidiaries for the nine-month periods ended 30 September 2015 and 2014 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises ("the Regulations") and IAS 34 *Interim Financial Reporting* as recognized by the FSC.

(2) Basis of preparation

The consolidated 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 consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

A. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
B. Exposure, or rights, to variable returns from its involvement with the investee, and
C. The ability to use its power over the investee to affect its returns

When the Company and Subsidiaries have less than a majority of the voting or similar rights of an investee, the Company and Subsidiaries consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

A. The contractual arrangement with the other vote holders of the investee
B. Rights arising from other contractual arrangements
C. The Company and Subsidiaries' voting rights and potential voting rights

The Company and Subsidiaries re-assess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company and Subsidiaries obtain control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

A. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
B. Derecognizes the carrying amount of any non-controlling interest;
C. Recognizes the fair value of the consideration received;
D. Recognizes the fair value of any investment retained;
E. Recognizes any surplus or deficit in profit or loss; and
F. Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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

The consolidated entities are listed as follows:

			Ownership interest		
Investors	Investees	Business	2015.9.30	2014.12.31	2014.9.30
The Company	Cathay Lujiazui Life Insurance Co., Ltd. ("Cathay Lujiazui Life") (Note)	Life insurance	50.00	50.00	50.00
The Company	Cathay Life Insurance (Vietnam) Co., Ltd. ("Cathay Life (Vietnam)")	Life insurance	100.00	100.00	100.00
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office equipment leasing	100.00	100.00	100.00
The Company	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00
The Company	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00
The Company	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	-	-
The Company	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	-	-
The Company	Conning Holdings Limited	Holding company	100.00	-	-
Conning Holdings Limited	Conning U.S. Holdings, Inc.	Holding company	100.00	-	-
Conning Holdings Limited	Conning Asset Management Ltd.	Asset management services	100.00	-	-
Conning Holdings Limited	Conning (Germany) GmbH	Risk management software services	100.00	-	-
Conning Holdings Limited	Cathay Conning Asset Management Ltd.	Asset management services	50.00	-	-

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

Investors	Investees	Business	Ownership interest		
			2015.9.30	2014.12.31	2014.9.30
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	-	-
Conning Holdings Corp.	Conning Holdco (UK) Ltd.	Holding company	100.00	-	-
Conning Holdings Corp.	Conning & Company	Holding company	100.00	-	-
Conning & Company	Conning Inc.	Asset management services	100.00	-	-
Conning & Company	Goodwin Capital Advisers, Inc.	Asset management services	100.00	-	-
Conning & Company	Conning Investment Products, Inc.	Securities services	100.00	-	-

Note: Cathay Lujiazui Life was renamed as Cathay Lujiazui Life Insurance Company Limited with the approval of China Insurance Regulatory Commission on 12 August 2014.

The consolidated financial statements exclude the following:

Investors	Investees	Business	Ownership interest			Notes
			2015.9.30	2014.12.31	2014.9.30	
The Company	Cathay Insurance (Bermuda) Co., Ltd.	Class 3 general business insurers and a long-term insurer	100.00	100.00	100.00	The consolidated financial statements do not include Cathay Insurance (Bermuda) because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.

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

Investors	Investees	Business	Ownership interest 2015.9.30	2014.12.31	2014.9.30	Notes
The Company	Cathay Securities Investment Consulting Co., Ltd.	Securities investment research analysis	100.00	100.00	100.00	The consolidated financial statements do not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.
The Company	Cathay Insurance Company Limited (China)	Properties insurance	50.00	50.00	50.00	Cathay Insurance (China) acquired an operation license of an enterprise as a juristic person on 26 August 2008. Due to the lack of actual ability of controlling, the Company does not include Cathay Insurance (China) in the consolidated financial statements.

(4) Foreign currency transactions

The Company and Subsidiaries' consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Company and Subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange prevailing at the reporting date and the resulting exchange differences are recognized in profit or loss for the period. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is measured. When a gain or loss on the non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss. When a gain or loss on the non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(5) Translation of financial statements in foreign currency

While preparing the Company and Subsidiaries' consolidated financial statements, the assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The partial disposals are accounted for as disposals when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation and when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company and Subsidiaries classify 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.

(7) Financial assets and liabilities

Initial recognition and subsequent measurement

According 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", "derivative financial assets for hedging", "held-to-maturity financial assets" and "loans and receivables". Financial liabilities are categorized as "financial liabilities at fair value through profit or loss", "derivative financial liabilities for hedging" and "financial liabilities carried at amortized cost".

The Company and Subsidiaries classify the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

All regular way purchases or sales of financial assets are recorded using trade date accounting.

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

A. Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets or liabilities held for trading and financial assets or liabilities designated upon initial recognition as at fair value through profit or loss. Such assets or liabilities are subsequently measured at fair value with changes in fair value 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:

a. Financial asset 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 asset for the foreseeable future or until maturity.

b. 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.

B. Available-for-sale financial assets

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

Available-for-sale financial asset that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category 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 over the remaining life of the asset.

C. Derivative financial assets and liabilities for hedging

Derivative financial assets or liabilities that have been designated in hedge accounting and are effective hedging instruments are measured at fair value.

D. 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 and Subsidiaries have both the positive intention and ability to hold the financial assets to maturity. Such investments are subsequently measured at amortized cost. Gains or losses 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 assets, transactions costs, fees and premiums/discounts are taken into consideration when calculating the effective interest rate.

E. 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:

a. Those that the Company and Subsidiaries intend to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

b. Those that the Company and Subsidiaries upon initial recognition designate as available for sale; or

c. Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument 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.

Secured loans shall be measured at amortized cost using the effective interest method; however, they need not be discounted if the effect of discounting is immaterial.

F. Financial liabilities

Financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging, which are measured at fair value.

Derecognition of financial assets and liabilities

A. Financial assets

The Company and Subsidiaries derecognize financial assets when the contractual rights to the cash flows from the assets expire or when it transfers substantially all the risks and rewards of ownership of the asset.

Securities lending transactions and repurchase agreements do not result in derecognition because the Company and Subsidiaries have nearly retained all such risks and rewards.

B. Financial liabilities

The Company and Subsidiaries remove all or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments 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.

Reclassification of financial assets

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement:*

A. The Company and Subsidiaries shall not reclassify a derivative out of the fair value through profit or loss category while it is held or issued.

B. The Company and Subsidiaries shall not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated by the Company and Subsidiaries as at fair value through profit or loss.

C. The Company and Subsidiaries shall not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

D. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be recognized in other comprehensive income.

E. If, during the current financial year or during the two preceding financial years, there have been sales or reclassification of more than an insignificant amount of held-to-maturity investments, any remaining held-to-maturity investments shall be reclassified as available for sale.

Offsetting of 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.

Impairment of financial assets

The Company and Subsidiaries assess 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 financial asset and that loss event has an impact on the estimated future cash flows of the financial 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:

A. Significant financial difficulty of the issuer or obligor; or
B. A breach of contract, such as a default or delinquency in interest or principal payments; or
C. It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
D. The disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company and Subsidiaries first assess 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 and Subsidiaries determine 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:

A. 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, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

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

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

The minimum amounts should be recorded within three years starting on January 2014.

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 instruments 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 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.

Derivative financial instruments and hedge accounting

The Company and Subsidiaries engage in derivative financial instrument transactions, such as currency forward 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.

Any gains or losses arising from changes in fair value of derivatives that no longer meets the criteria for hedge accounting are taken directly to profit or loss for the period.

Hedging relationships consist of three types:

A. Fair value hedges: a hedge of the exposure to changes in fair value of a recognized asset or liability, an unrecognized firm commitment.

B. Cash flow hedges: a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or with a highly probable forecast transaction and could affect profit or loss.

C. Hedge of a net investment in a foreign operation: a hedge of the exposure to foreign currency risk associated with a net investment in a foreign operation.

At the inception of a hedge relationship, the Company and Subsidiaries formally designate and document hedge relationship to which the Company and Subsidiaries wish to apply hedge accounting, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company and Subsidiaries assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated for the hedge.

Hedges in compliance with hedge accounting requirements as mentioned above are accounted for as follows:

A. Fair value hedges

Fair value hedges is a hedge of the exposure to changes in fair value of a recognized asset or liability, an unrecognized firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk which could affect profit or loss. The carrying amount of the hedged item is adjusted and gain or loss attributable to the hedged risk is recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with the IAS 21 *The Effects of Changes in Foreign Exchange Rates* (for a non-derivative hedging instrument) is recognized in profit or loss.

For a hedged interest-bearing financial instrument, the adjustment arising from above paragraph to its carrying amount is amortized to profit or loss based on an effective interest rate over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be subject to hedge accounting.

B. Cash flow hedges

Cash flow hedges is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or with a highly probable forecast transaction and could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss. If a hedge of the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the associated gains or losses initially recognized in other comprehensive income shall be removed and then be included in the initial cost or other carrying amount of the asset or liability.

If the forecast transaction is no longer expected to occur, the related cumulative gain or loss on the hedging instrument that has been recognized in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, the cumulative gain or loss that was previously recognized in equity remains in other comprehensive income until the forecast transaction occurs. If the transaction is not expected to occur, the cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

C. Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognized in other comprehensive income, while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative gains or losses recognized in other comprehensive income is transferred to profit or loss.

(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 is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. 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 to by the Company and Subsidiaries.

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.

A fair value measurement of a non-financial asset takes into account a 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 and Subsidiaries use 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) Investments accounted for using the equity method

Investment in the associate of the Company and Subsidiaries is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company and Subsidiaries have significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company and Subsidiaries' share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company and Subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and Subsidiaries and the associate or joint venture are eliminated to the extent of the Company and Subsidiaries' related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and are not those recognized in profit or loss or other comprehensive income and do not affect the Company and Subsidiaries' percentage of ownership interests in the associate or joint venture, the Company and Subsidiaries recognize such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock and the Company and Subsidiaries' interest in an associate or a joint venture is reduced or increased as the Company and Subsidiaries fail to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company and Subsidiaries dispose of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company and Subsidiaries. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company and Subsidiaries.

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, the Company and Subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired. If this is the case, the Company and Subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognize the amount in the "share of profit or loss of an associate" in the statement of comprehensive income as required by IAS 36 *Impairment of Assets*. If using the investment's value in use as the recoverable amount, the Company and Subsidiaries determine the value in use based on the following estimates:

A. Future cash flows that the Company and Subsidiaries expect to derive from the investment in the associate, including cash flows from the operation of the associate and from the ultimate disposal of such investment, or

B. Present value of the future cash flows from dividends expected to be received from the associate and from the disposal of the investment.

Because goodwill is included as part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing goodwill in IAS 36 *Impairment of Assets.*

Upon loss of significant influence over the associate or joint venture, the Company and Subsidiaries measure and recognize any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(10) 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 and Subsidiaries recognize 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 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	5～70 years
Computer equipment	3～5 years
Communication and transportation equipment	3～5 years
Other equipment	3～15 years
Leasehold improvements	5 years or lease term
Leased assets	3 years

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.

(11) Investment property

Investment properties are measured initially recognized 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. Subsequent to initial recognition, 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*.

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.

(12) Leases

The Company and Subsidiaries as a lessee

Finance leases which transfer to the Company and Subsidiaries 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 and Subsidiaries 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 and Subsidiaries as a lessor

Leases in which the Company and Subsidiaries do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policy for depreciable leased assets is consistent with the Company and Subsidiaries' normal depreciation policy for similar assets, and depreciation is calculated in accordance with IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*.

Lease income from operating leases is recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. 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.

Franchises

The franchises were acquired in business combination. The franchises value are amortized on a straight-line basis over the useful life (6.5 and 20 years).

Customer relationships

Customer relationships were acquired in business combination and are amortized on a straight-line basis over the useful life (5 to 14 years).

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 years).

Other intangible assets

Other intangible assets were acquired in business combination and are amortized on a straight-line basis over the useful life (3 to 8 years).

(14) Impairment of non-financial assets

The Company and Subsidiaries assess 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 and Subsidiaries estimate 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 and Subsidiaries estimate 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.

A cash-generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it first reduces the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(15) Guaranteed depository insurance payment

A. The Company

According to Article 141 of the R.O.C. Insurance Act (the "Insurance Act"), an amount equal to 15% of the Company's capital stock must be deposited in the form of a bond with the Central Bank of the Republic of China (the "Central Bank") as the "Guaranteed Depository Insurance".

B. Cathay Lujiazui Life

As provided by the China Insurance Regulatory Commission, an amount equal to 20% of the capital must be deposited in the form of time deposits.

(16) Insurance liabilities, reserve for insurance contracts with feature of financial instruments and foreign exchange volatility reserve

A. The Company

Business 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.

a. Unearned premium reserve

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

b. Reserve for claims

It is mainly a reserve for the unpaid claims and unreported claims. The unpaid claims reserve is assessed upon the basis that the 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 upon the past experiences and expenses occurred and in accordance with the actuarial principles for each injury insurance and health or life insurance with a policy period within 1 year.

c. Reserve for life insurance liabilities

Based upon the life table and projected interest rates in the manual provided by the authority for each type of insurance, life insurance reserve is calculated and recognized according to the calculation method provided in Article 12 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the manual of each insurance product reported to the competent authority and the relevant calculation methods approved by the competent authority.

Starting from policy year 2003, for valid insurance contract whose bonus calculation is stipulated by the regulations established by the competent authorities, the downward adjustments of bonus due to the offset between mortality gain (loss) and gain (loss) from difference of interest rates should be calculated and recognized according to the regulations provided by the competent authorities.

In accordance with Order No. Financial-Supervisory-Insurance-Corporate-10102500530 announced on 19 January 2012, life insurance enterprises shall reclassify allowance for doubtful account originally recognized in special reserve to “life insurance reserve – allowance for doubtful account pertinent to 3% of business tax cut” account. The allowance was recognized as a result of the 3% business tax cut. Also, life insurance enterprises shall reclassify the recoverable special reserve for major incidents defined in Article 19 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” to “life insurance reserve – recover from major incident reserve” account.

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 and decrease retained earnings. 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 doesn’t have to be increased.

d. Special reserve

(A) For the retained businesses with policy period within 1 year and injury insurance with policy period longer than 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 $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. The post-tax amount of the recovery determined in accordance with IAS 12 *Income Taxes* can be recorded in the special capital reserve for major incidents under equity.

(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 percent 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 total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for major incidents 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 percent of self-retention earned premium within one year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authority may designate or restrict the use of the recovered amount. The post-tax amount of written-down or recovery determined in accordance with IAS 12 *Income Taxes* can be recorded in the special capital reserve for fluctuation of risks under equity.

For special reserves addressed previously, the balance of the annual reserve net of tax needs to be recorded in special capital reserve under equity.

(B) 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.

(C) According to Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, if there are increments after estimating property in fair value, in addition to offsetting adverse effects of the first-time adoption of TIFRS on other accounts, the excess should be recognized as special reserve for revaluation increments of property under liabilities.

According to the regulations established by the authorities on 30 November 2012, the aforementioned special reserve for revaluation increments of property can be transferred to the reserve for life insurance liabilities – fair value of insurance contract liabilities after strengthening the reserve for life insurance liabilities calculated based on the regulations established by the authorities on 27 November 2012. If there is excess, 80% of it can be recovered in the first year or next five years and reserved to special capital reserve under equity. The amount which can be recovered and reserved to special capital reserve under equity each year, is limited to $10 billion.

e. Premium deficiency reserve

For the contracts over one year of life insurance, health insurance, or annuities contracts 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 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. Also, the premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the competent authority.

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.

f. Other reserve

Pursuant to IFRS 3 *Business Combinations*, the Company and Subsidiaries will recognize other reserve in a business combination to reflect the fair value of life insurance contract assumed as long as the identifiable assets and assumed liabilities acquired from the business combination are recognized at fair value.

g. Liability adequacy reserve

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

h. Reserves for insurance contract with feature of financial instruments

Reserve for non-separate account insurance product that is also classified as financial products without discretionary participation features follows “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and Depository Accounting.

i. Foreign exchange volatility reserve

The beginning balance of foreign exchange volatility reserve is $4,511,406 thousand which was appropriated in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Direction for foreign exchange volatility reserve by Life Insurance Enterprises”. As of 30 September 2015, the amount set aside was $17,567,304 thousand.

j. Liability adequacy test

Liability adequacy test is based on integrated insurance contract and related regulations following “ASP of IFRS 4 – *Contract classification and liability adequacy test*”. This test compares reserve for insurance contract net with deferred acquisition cost and related intangible assets and anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as expense and loss at that period is applicable.

B. Cathay Lujiazui Life

In accordance with the Insurance Act of the People's Republic of China, the insurance liabilities (including unearned premium reserves, claim reserves and life policy reserves) are required and are calculated based on the actuarial reports.

(17) Insurance premium income and expenses

A. The Company

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 finished, and subsequent session of collection, 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 contract with feature of financial instruments".

For separate account insurance product that is also classified as financial products without discretionary participation features, the balance of insurance revenue collected less preprocess expense or investment management fee, etc., is fully recognized on the balance sheet as separate account product liabilities. In terms of the investment management related deferred acquisition costs such as commissions and incremental costs directly attributable to the issue of new type of contracts, the amount is recognized on the balance sheet as "deferred acquisition costs" and amortized on a straight-line basis over the service period. The amortization is recognized as an expense under "other operating costs".

B. Cathay Lujiazui Life

In accordance with "The General Accounting System for Insurance Companies" issued by local government, Cathay Lujiazui Life records direct premiums as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

(18) Product categories

Insurance contract refers to the insurer accepting the insurance policyholder's transfer of significant insurance risk, and agrees to the uncertain future of a particular event (insured event) and the contract will compensate the policyholder for any damages occurred. The Company and Subsidiaries' definition of a significant insurance risk refers to any insured event that occurs and causes the Company and Subsidiaries to pay additional significant fees.

Insurance contract with features of financial instruments are contracts that transfer the financial risk. The definition of a financial risk refers to one or more specific interest rate, prices of financial instruments, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables that faces risk of possible future changes. If the above variables are not considered as a financial variable, then the variables exist in both sides under the contract.

When the original judgment meet the criteria of the policy under the insurance contract, before the right of ownership and obligations expired or extinguished, 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 and Subsidiaries, the Company and Subsidiaries will reclassify the contract as an insurance contract.

Insurance contracts and insurance contracts with features 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:

A. Additional payments as a percentage of total contractual payments may be more significant and take up a bigger portion.

B. In accordance with the contract, the amount and date of payment for additional payments are at the Company and Subsidiaries' discretion.

C. In accordance with the contract, additional payments are handed out based on one of the following matters:

a. Special combination of contracts or specific type of contractual performance.
b. The Company and Subsidiaries hold return on investment from a portfolio of specific assets.
c. Profit and loss from the Company and Subsidiaries, 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 and Subsidiaries will not need to separately list the embedded derivative product and the insurance contract.

(19) Reinsurance

The Company and Subsidiaries limit exposure to some events that may cause a certain amount of loss and this is done in accordance to sale's needs and the insurance laws and regulations for reinsurance. For reinsurance ceded, the Company and Subsidiaries may not refuse to fulfill its obligations to the insured because the re-insurer fails to fulfill their responsibility.

The Company and Subsidiaries hold the right over re-insurer for reinsurance reserve assets, claim 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 and Subsidiaries 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 and Subsidiaries 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 and Subsidiaries assess 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 and Subsidiaries 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 and Subsidiaries receive (or pay) 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.

(20) Provisions

Provisions are recognized when the Company and Subsidiaries have 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 and Subsidiaries expect 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company and Subsidiaries' consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to other equity in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. The date of the plan amendment or curtailment, and
B. The date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, 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 payment.

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

(22) Income taxes

Income tax expense (benefit) is the aggregate amount in respect of current tax and deferred tax. Current and deferred tax shall be recognized as income or an expense and included in profit or loss for the period, except for the extent that 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.

A. Current income tax

Current income tax is the amount of current income tax liabilities (assets) in respect of the taxable profit (tax loss) for the current period and any adjustments recognized in the period for income taxes payable of prior periods.

Current income tax for the current 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.

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.

B. 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 liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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. 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.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed corporation income tax returns and 10% surcharge on undistributed retained earnings since 2002 under the integrated income tax system. If there is any tax effect due to the adoption of the foregoing integrated income tax system, the parent company can proportionately allocate the effects on tax expense (benefit). Such effects on current tax and deferred tax are accounted for as receivables or payables.

(23) Separate account products

The Company and Subsidiaries sell separate account products, of which the applicant pays the premium according to the agreement 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. In accordance with the relevant regulations, the value of these specific accounts is determined based on their fair value on the applicable date.

In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities under the dedicated book, whether arising from an insurance contract or insurance policy with features of financial instruments, are to be accounted for separately as "separate account product assets" and "separate account product liabilities". To record related revenue and expenditures, this method is consistent with the definition of income and expenses of separate account insurance products in IFRS 4 *Insurance Contracts*, separately recognizing as "separate account product revenue" and "separate account product expenses".

(24)Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company and Subsidiaries acquire a business, they assess the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company and Subsidiaries' cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company and Subsidiaries at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgments, estimates and assumptions

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

(1) Judgment

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

A. Categories of financial assets

The management has to use their judgment to categorize financial assets. Different categories apply different measurements, which could have a significant effect on the Company and Subsidiaries' financial position and performance.

B. Investment property

Certain properties of the Company and Subsidiaries comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company and Subsidiaries account for the portions separately as investment property and property and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

C. Operating lease commitment – the Company and Subsidiaries as the lessor

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

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty 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:

A. Fair value of financial instruments

Where the fair value of financial instruments cannot be derived from an active market or a quoted price, it is determined using a valuation technique. Observable market data for similar financial instruments is utilized as inputs to measure fair value. If observable inputs are not available, prudent assumptions are used for estimating fair value. In applying valuation techniques, the Company and Subsidiaries adopt pricing models in accordance with its procedure for valuation. All models are adjusted to ensure that their results reflect actual data and market prices.

B. Fair value of investment property

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

C. Impairment of non-financial assets

An 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 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flow projections are derived from the budget for the next five years and do not include restructuring activities that the Company and Subsidiaries are 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.

D. Pension benefits

The cost 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 the determination of the discount rate, future salary increases, mortality rates and future pension increases.

E. 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, 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 own experiences from target markets.

Best estimates of future investment income from the assets backing such contracts are based on current market returns, as well as expectations about future economic developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Surrender rates are based on the Company's historical experience.

F. Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company and Subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which they operate. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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

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.

6. Cash and cash equivalents

	30 September 2015	31 December 2014	30 September 2014
Cash on hand and revolving funds	$217,735	$205,601	$223,116
Cash in banks	110,170,194	109,724,749	106,230,634
Time deposits	101,193,604	185,189,456	270,163,973
Cash equivalents	24,108,884	37,992,977	40,163,128
Total	$235,690,417	$333,112,783	$416,780,851

7. Receivables

	30 September 2015	31 December 2014	30 September 2014
Notes receivable – Net	$1,862,138	$2,133,174	$1,978,776
Premium receivable – Net	65,119	53,731	63,070
Other receivable – Net			
Other receivable	61,267,711	52,382,388	48,890,825
Less: Allowance for bad debts –			
Other receivable	(5,240)	(8,078)	(2,925)
Overdue receivable	74,224	69,155	77,409
Less: Allowance for bad debts –			
Overdue receivable	(74,224)	(69,155)	(77,409)
Total	$63,189,728	$54,561,215	$50,929,746

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

8. Financial assets at fair value through profit or loss

	30 September 2015	31 December 2014	30 September 2014
Designated at fair value through profit or loss at initial recognition			
Corporate bonds	$2,354,935	$3,649,136	$3,746,133
Held for trading			
Listed stocks	6,283,180	8,616,796	7,555,233
Overseas stocks	169,794	-	2,644,248
Beneficiary certificates	30,087,684	29,825,104	38,506,042
Overseas bonds	338,864	73,584	3,874,549
Government bonds	197,516	-	-
Derivative financial instruments	24,708,617	17,754,496	2,737,611
Structured time deposits	2,484,479	2,299,750	2,301,250
Subtotal	64,270,134	58,569,730	57,618,933
Total	$66,625,069	$62,218,866	$61,365,066

The financial assets at fair value through profit or loss held by the Company and Subsidiaries were not pledged.

9. Available-for-sale financial assets

	30 September 2015	31 December 2014	30 September 2014
Stocks	$289,764,152	$292,129,840	$280,362,914
Overseas stocks	194,076,361	187,760,657	139,120,005
Beneficiary certificates	209,590,745	191,867,569	145,978,267
Asset-backed securities	155,060	3,649,507	3,887,588
Exchange traded funds	2,275,626	1,616,743	2,505,371
Real estate investment trust	12,000,252	11,343,312	11,256,170
Financial debentures	78,334,566	107,402,955	123,255,168
Corporate bonds	21,498,739	41,047,679	47,673,803
Government bonds	173,403,993	184,042,406	191,250,218
Overseas bonds	283,349,793	293,918,835	283,053,523
Subtotal	1,264,449,287	1,314,779,503	1,228,343,027
Less: Litigation deposits	(1,462,557)	(35,719)	(44,804)
Less: Securities serving as deposits paid-bonds	(2,151,154)	(8,635,267)	(8,661,741)
Total	$1,260,835,576	$1,306,108,517	$1,219,636,482

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

An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with stocks, beneficiary certificates and asset-backed securities held by the Company and Subsidiaries. As of 30 September 2015, 31 December 2014 and 30 September 2014, the Company and Subsidiaries recognized impairment losses amounting to $196,673 thousand, $1,669,430 thousand and $1,669,430 thousand, respectively.

The available-for-sale financial assets held by the Company and Subsidiaries were not pledged.

10. Derivative financial assets for hedging

	30 September 2015	31 December 2014	30 September 2014
IRS	$387,698	$212,898	$146,267

The derivative financial assets for hedging held by the Company and Subsidiaries were not pledged.

11. Investments accounted for using the equity method

(1) Investments in unconsolidated subsidiaries:

Investees	30 September 2015	31 December 2014	30 September 2014
Cathay Insurance (Bermuda) Co., Ltd.	$128,962	$126,123	$120,470
Cathay Securities Investment Consulting Co., Ltd.	206,806	214,996	193,645
Total	$335,768	$341,119	$314,115

(2) Investments in associates:

Investees	30 September 2015	31 December 2014	30 September 2014
WK Technology Fund VI Co., Ltd.	$205,049	$279,946	$281,023
IBT Venture Capital Corp.	3,056	7,485	21,045
Da Sheng Venture Inc.	1,490,718	1,273,596	1,244,730
Symphox Information Co., Ltd.	436,689	450,352	426,070
Cathay Insurance Company Limited (China)	445,880	704,946	777,416
Rizal Commercial Banking Corporation	13,169,632	-	-
PT Bank Mayapada Internasional Tbk	5,535,604	-	-
CMG International One Co., Ltd.	671,534	-	-
CMG International Two Co., Ltd.	670,948	-	-
Total	$22,629,110	$2,716,325	$2,750,284

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

The Company and Subsidiaries' investments in associates are not significant. The aggregate amount of the Company and Subsidiaries' share of the investments in associates is as follows:

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014	2015	2014
Net profit (loss) from continuing operations	$198,817	$(55,576)	$227,271	$(63,760)
Other comprehensive income, net of tax	254,629	25,755	36,365	26,636
Total comprehensive income	$453,446	$(29,821)	$263,636	$(37,124)

As of 30 September 2015, 31 December 2014 and 30 September 2014, the carrying amount of investments in associates accounted for using the equity method amounted to $22,629,110 thousand, $2,716,325 thousand and $2,750,284 thousand, respectively. The share of the (losses) gains of associates accounted for using the equity method amounted to $198,817 thousand and $(55,576) thousand for the three-month periods ended 30 September 2015 and 2014, respectively. The share of the (losses) gains of associates accounted for using the equity method amounted to $227,271 thousand and $(63,760) thousand for the nine-month periods ended 30 September 2015 and 2014, respectively. The share of the other comprehensive (losses) income of associates accounted for using the equity method amounted to $254,629 thousand and $25,755 thousand for the three-month periods ended 30 September 2015 and 2014, respectively. The share of the other comprehensive (losses) income of associates accounted for using the equity method amounted to $36,365 thousand and $26,636 thousand for the nine-month periods ended 30 September 2015 and 2014, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unaudited amounted to $22,183,230 thousand and $1,972,868 thousand, as at 30 September 2015 and 2014, respectively. The share of the gains of these associates accounted for using the equity method amounted to $284,163 thousand and $1,891 thousand for the three-month periods ended 30 September 2015 and 2014, respectively. The share of the gains of these associates accounted for using the equity method amounted to $488,027 thousand and $7,902 thousand for the nine-month periods ended 30 September 2015 and 2014, respectively.

The aforementioned associates had no contingent liabilities, capital commitments or pledge as of 30 September 2015, 31 December 2014 and 30 September 2014.

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

12. Debt instrument investments for which no active market exists

	30 September 2015	31 December 2014	30 September 2014
Stocks	$6,037,285	$7,034,287	$7,487,287
Corporate bonds	10,153,092	6,800,248	14,997,107
Financial debentures	39,333,106	32,649,819	30,749,813
Overseas bonds	1,671,461,641	1,204,416,068	1,031,929,968
Time deposits	3,884,795	4,081,125	4,042,350
Beneficial right of real estate	300,000	200,000	200,000
Asset-backed securities	1,711,604	1,386,000	1,386,000
Total	$1,732,881,523	$1,256,567,547	$1,090,792,525

A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by the Company and Subsidiaries. As of 30 September 2015, 31 December 2014 and 30 September 2014, the Company and Subsidiaries recognized impairment losses amounting to $430,664 thousand, $412,334 thousand and $395,668 thousand, respectively.

The debt instrument investments for which no active market exists held by the Company and Subsidiaries were not pledged.

13. Held-to-maturity financial assets

	30 September 2015	31 December 2014	30 September 2014
Corporate bonds	$2,696,781	$2,696,541	$2,696,461
Government bonds	30,863,935	22,021,562	17,918,479
Overseas bonds	1,624,524	1,847,955	1,791,892
Subtotal	35,185,240	26,566,058	22,406,832
Less: Litigation deposits	(1,992,325)	-	-
Less: Securities serving as deposits paid-bonds	(6,961,111)	(625,428)	(625,387)
Total	$26,231,804	$25,940,630	$21,781,445

The held-to-maturity financial assets held by the Company and Subsidiaries were not pledged.

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

14. Other financial assets

	30 September 2015	31 December 2014	30 September 2014
Structured time deposits	$25,000,000	$39,200,000	$39,200,000

The other financial assets held by the Company and Subsidiaries were not pledged.

15. Structured notes

The financial asset investment portfolio belonging to structured notes amounted to $59,231,550 thousand, $26,270,253 thousand and $19,929,046 thousand as of 30 September 2015, 31 December 2014 and 30 September 2014, respectively. The details of structured notes are listed below:

	30 September 2015		
Items	Cost	Adjustment of valuation	Book value
Financial assets at fair value through profit or loss	$9	$2	$11
Available-for-sale financial assets	1,656,400	64,931	1,721,331
Debt instrument investments for which no active market exists	57,510,208	-	57,510,208
Total	$59,166,617	$64,933	$59,231,550

	31 December 2014		
Items	Cost	Adjustment of valuation	Book value
Financial assets at fair value through profit or loss	$48,461	$25,123	$73,584
Available-for-sale financial assets	5,867,830	156,191	6,024,021
Debt instrument investments for which no active market exists	20,172,648	-	20,172,648
Total	$26,088,939	$181,314	$26,270,253

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

	30 September 2014		
Items	Cost	Adjustment of valuation	Book value
Financial assets at fair value through profit or loss	$49,695	$24,381	$74,076
Available-for-sale financial assets	7,152,460	193,314	7,345,774
Debt instrument investments for which no active market exists	12,509,196	-	12,509,196
Total	$19,711,351	$217,695	$19,929,046

16. Investment property, Investment property under construction and Prepayments for buildings and land – Investments

	Investment property			Investment property under construction	Prepayments for buildings and land – Investments
	Land	Buildings	Total		
1 January 2015	$311,836,494	$85,976,108	$397,812,602	$12,437,283	$1,795,276
Additions from acquisitions	-	26,448,317	26,448,317	5,796,857	366,033
Additions from subsequent expenditure	-	3,561	3,561	369,928	-
Acquisitions through business combinations	2,472,177	112,347	2,584,524	-	25,021
Transfers from (to) property and equipment	-	(770,833)	(770,833)	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	-	16,046,785	16,046,785	(16,037,903)	(8,882)
Gains (losses) generated from fair value adjustments	13,730,300	(2,419,852)	11,310,448	-	-
Disposals	(1,072)	(1,835)	(2,907)	-	-
Exchange differences	84,837	1,243,138	1,327,975	-	-
30 September 2015	$328,122,736	$126,637,736	$454,760,472	$2,566,165	$2,177,448

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

	Investment property			Investment property under	Prepayments for buildings and
	Land	Buildings	Total	construction	land – Investments
1 January 2014	$277,804,325	$67,655,180	$345,459,505	$15,570,122	$5,173,152
Additions from acquisitions	-	15,665,223	15,665,223	3,348,494	7,744,573
Additions from subsequent expenditure	-	-	-	735,186	-
Transfers from (to) property and equipment	9,495,616	873,253	10,368,869	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	7,036,238	5,711,537	12,747,775	(1,728,968)	(11,079,221)
Gains (losses) generated from fair value adjustments	20,737,667	(4,371,019)	16,366,648	-	-
Disposals	(197,295)	-	(197,295)	-	-
Exchange differences	-	(240,143)	(240,143)	-	(1,162)
30 September 2014	$314,876,551	$85,294,031	$400,170,582	$17,924,834	$1,837,342

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014	2015	2014
Rental income from investment property	$2,330,378	$2,024,966	$6,854,990	$5,890,609
Less:				
Direct operating expenses from investment property generating rental income	(62,838)	(60,177)	(208,615)	(230,189)
Direct operating expenses from investment property without generating rental income	(17,269)	(13,677)	(52,370)	(62,705)
Total	$2,250,271	$1,951,112	$6,594,005	$5,597,715

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

Valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and valuation dates are 30 June 2015, 31 December 2014, and 30 June 2014. The appraisers have reviewed the original valuation reports issued on 30 June 2015 and 2014 and clarified that the valuation reports are in effect on 30 September 2015 and 2014. Please refer to original financial report for detail information of the appraisers and agencies.

Fair value has been supported by observable evidences in the market. The appraisal approaches used are mainly the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings and residences are valued using comparison approach and income approach mostly because of the market liquidity and comparable sales and rental cases in neighboring areas. Hotels, department stores, and marketplaces are valued using income approach mostly because of the stable rental income in the long run. Industrial factory buildings for rental are valued using comparison approach and direct capitalization method, and wholesale stores located in industrial and commercial integrated district are valued using cost approach since land is industrial land and buildings are constructed for specific purposes so that seldom similar transactions can be referred in the market. Vacant land that building permission obtained and under construction are valued using comparison approach and land development analysis of cost approach. Urban renewal land that building permission obtained and under construction are value based on rental long-held buildings, hotels, etc. which is received from urban renewal scheme.

The inputs used are as follows:

	30 September 2015	31 December 2014	30 September 2014
Direct capitalization rate (Net)	Mainly 1.5%~4.8%	Mainly 1.5%~4.8%	Mainly 1.5%~4.8%
Discount rate	3.3%~4.2%	3.3%~4.2%	3.3%~4.2%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, and then decide the direct capitalization rate and discount rate.

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

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

(1) The investment property are held mainly for lease business.

(2) All the lease agreements of the Company's lease business are operating leases. The primary terms of lease agreements are the same with general lease agreement.

(3) Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum.

(4) As at 30 September 2015, 31 December 2014 and 30 September 2014, no investment property were pledged as collateral.

17. Loans

	30 September 2015	31 December 2014	30 September 2014
Policy loans	$161,171,284	$159,707,042	$162,089,942
Automatic premium loans	9,580,780	7,982,476	7,913,571
Secured loans	483,591,774	525,405,645	505,823,300
Total	$654,343,838	$693,095,163	$675,826,813

(1) Policy loans were secured by policies issued by the Company and Subsidiaries.

(2) Policyholders may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the policy loan, if applicable) from the policyholders' policy value reserve after the second installment becomes overdue in order to maintain the insurance policy effective. Policyholders may also inform the insurer in writing to terminate the automatic premium loan option prior to the next due date of premium payment.

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

(3) Secured loans

	30 September 2015	31 December 2014	30 September 2014
Secured loans	$487,113,340	$525,807,918	$506,299,439
Secured loans – Related parties	928,932	3,552,926	3,476,356
Less:Allowance for bad debts	(4,638,055)	(4,127,745)	(4,004,758)
Subtotal	483,404,217	525,233,099	505,771,037
Overdue receivables	411,741	288,022	165,342
Less:Allowance for bad debts	(224,184)	(115,476)	(113,079)
Subtotal	187,557	172,546	52,263
Total	$483,591,774	$525,405,645	$505,823,300

Secured loans are secured by government bonds, stocks, corporate bonds and real estate.

The Company participated in the $57 billion loan tender of Taiwan Insurance Guaranty Fund and won line of credit $15 billion in 2013. According to regulation from FSC, the loan is essentially authorized by competent authority and booked in secured loan account. Also, the loan was evaluated and charged to allowance, pursuant to Article 5 of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”.

The movements in the provision for impairment of secured loans and overdue receivables are as follows (please refer to Note 46 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
1 January 2015	$1,049,697	$3,193,524	$4,243,221
Reversal for the current period	(944,200)	(68,248)	(1,012,448)
Write off	-	(531)	(531)
Minimum of statutory reserve	81,143	1,550,854	1,631,997
30 September 2015	$186,640	$4,675,599	$4,862,239

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

	Individually impaired	Collectively impaired	Total
1 January 2014	$1,518,673	$2,319,817	$3,838,490
(Reversal) charge for the current period	(324,422)	60,832	(263,590)
Write off	(274,798)	(11,315)	(286,113)
Minimum of statutory reserve	303,943	525,107	829,050
30 September 2014	$1,223,396	$2,894,441	$4,117,837

18. Reinsurance assets

(1)

	30 September 2015	31 December 2014	30 September 2014
Claims recoverable from reinsurers	$286,753	$4,140	$2,703
Due from reinsurers and ceding companies	294,394	53,670	327,756
Reinsurance reserve assets			
Ceded unearned premium reserve	152,483	137,914	121,073
Ceded reserve for claims	77,711	17,456	16,926
Ceded reserve for life insurance liabilities	167,271	74,461	-
Subtotal	397,465	229,831	137,999
Total	$978,612	$287,641	$468,458

Above reinsurance assets were not impaired.

(2) CNY co-reinsurance business

Authorized by FSC under Order No. Financial-Supervisory-Insurance-Corporate-10302112370, the Company signed a CNY co-reinsurance contract with Central Reinsurance Corporation in the year 2014. The Company discloses the succeeding information following related regulations:

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

A. Purpose, rationalization and expected benefit

Restricted by CNY investment amount limitation of Taiwan, the Company cedes partial of its CNY insurance through co-reinsurance to increase the Company's liquidity, raise the ability to insure and transfer relevant risk. The Company will transfer 50% of its insurance risk to Central Reinsurance Corporation.

B. Premiums ceded to reinsurers, claims recovered from reinsures and commission

	For the nine-month period ended 30 September 2015
Premiums ceded to reinsurers	$90,146
Claims recovered from reinsures	983
Reinsurance commission earned	9,945

C. Net income or loss from CNY co-reinsurance business

Reinsurance income of $19,193 thousand has occurred in the nine-month period ended 30 September 2015 from CNY co-reinsurance business. The amount is calculated as follows: Reinsurance commission earned $9,945 thousand + Claims recovered from reinsurers $983 thousand + Net change of reinsurance reserve assets $92,810 thousand + Foreign exchange gains $5,601 thousand － Premiums ceded to reinsurers $90,146 thousand.

D. Reason and effect to income or loss from change of co-reinsurance business or contract: None.

E. Accounting treatment for ceded CNY co-reinsurance business

On its balance sheet, the Company recognizes ceded reserve for life insurance liabilities, ceded premium deficiency reserve and related reinsurance reserve assets for asset, while it recognizes direct business reserve for liability. All ceded reserve should be eliminated at the time the co-reinsurance contract ceased.

F. Other notes designated by authorities: None.

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

19. Property and equipment

	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Cost:									
1 January 2015	$15,912,593	$20,468,172	$2,473,388	$16,229	$3,482,051	$156,309	$275,652	$195,913	$42,980,307
Additions from acquisitions	-	-	94,298	1,378	51,337	19,466	331	210	167,020
Additions from subsequent expenditure	-	-	-	-	-	-	-	27,809	27,809
Acquisitions through business combinations	36,190	7,535	77,565	800	5,897	60,913	-	-	188,900
Transfers	-	906,564	113	-	-	-	-	(136,108)	770,569
Disposals	-	-	(90,557)	(1,268)	(15,701)	-	-	-	(107,526)
Exchange differences	-	27,909	4,717	80	61	3,548	2	(7)	36,310
30 September 2015	$15,948,783	$21,410,180	$2,559,524	$17,219	$3,523,645	$240,236	$275,985	$87,817	$44,063,389

	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Cost:									
1 January 2014	$24,266,695	$21,594,487	$2,566,133	$16,097	$3,390,310	$149,039	$275,652	$254,369	$52,512,782
Additions from acquisitions	-	-	60,000	-	89,279	1,764	-	5,402	156,445
Additions from subsequent expenditure	-	-	-	-	-	-	-	51,380	51,380
Transfers	(8,354,102)	(1,187,768)	-	-	-	-	-	(85,909)	(9,627,779)
Disposals	-	-	(122,806)	-	(21,337)	-	-	-	(144,143)
Exchange differences	-	1,429	1,070	8	26	323	-	-	2,856
30 September 2014	$15,912,593	$20,408,148	$2,504,397	$16,105	$3,458,278	$151,126	$275,652	$225,242	$42,951,541

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

	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Depreciation and impairment:									
1 January 2015	$(105,610)	$(10,498,537)	$(2,234,413)	$(12,277)	$(3,036,149)	$(133,100)	$(166,539)	$-	$(16,186,625)
Depreciation	-	(314,007)	(59,869)	(768)	(65,062)	(10,945)	(51,685)	-	(502,336)
Disposals	-	-	90,330	1,141	14,963	-	-	-	106,434
Other	-	-	-	-	-	(92)	-	-	(92)
Exchange differences	-	(1,402)	(2,915)	(50)	(84)	(1,609)	-	-	(6,060)
30 September 2015	$(105,610)	$(10,813,946)	$(2,206,867)	$(11,954)	$(3,086,332)	$(145,746)	$(218,224)	$-	$(16,588,679)

	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Depreciation and impairment:									
1 January 2014	$(105,610)	$(10,233,389)	$(2,315,718)	$(11,213)	$(2,962,060)	$(117,593)	$(97,627)	$-	$(15,843,210)
Depreciation	-	(321,305)	(56,577)	(709)	(64,299)	(8,527)	(51,685)	-	(503,102)
Transfers	-	160,066	-	-	-	-	-	-	160,066
Disposals	-	-	119,376	-	20,954	-	-	-	140,330
Other	-	-	-	-	-	(39)	-	-	(39)
Exchange differences	-	(172)	(834)	(8)	(23)	(317)	-	-	(1,354)
30 September 2014	$(105,610)	$(10,394,800)	$(2,253,753)	$(11,930)	$(3,005,428)	$(126,476)	$(149,312)	$-	$(16,047,309)

	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Net carrying amount as at:									
30 September 2015	$15,843,173	$10,596,234	$352,657	$5,265	$437,313	$94,490	$57,761	$87,817	$27,474,710
31 December 2014	$15,806,983	$9,969,635	$238,975	$3,952	$445,902	$23,209	$109,113	$195,913	$26,793,682
30 September 2014	$15,806,983	$10,013,348	$250,644	$4,175	$452,850	$24,650	$126,340	$225,242	$26,904,232

Property and equipment held by the Company and Subsidiaries were not pledged.

Components of building that have different useful lives are the main building structures, air conditioning units and elevators, which are depreciated over 60 years, 8 years and 15 years, respectively.

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

20. Intangible assets

	Franchises	Trademarks	Goodwill	Customer relationships	Computer software	Other intangible assets	Total
Cost:							
1 January 2015	$-	$-	$-	$-	$1,781,423	$-	$1,781,423
Addition – Acquired separately	-	-	-	-	45,163	-	45,163
Acquisitions through business combinations	37,659,600	210,103	7,292,022	2,406,225	49,948	227,841	47,845,739
Transfer	-	-	-	-	264	-	264
Exchange differences	-	2,976	61,949	34,083	3,744	3,227	105,979
30 September 2015	$37,659,600	$213,079	$7,353,971	$2,440,308	$1,880,542	$231,068	$49,778,568

	Franchises	Trademarks	Goodwill	Customer relationships	Computer software	Other intangible assets	Total
Cost:							
1 January 2014	$-	$-	$-	$-	$1,732,150	$-	$1,732,150
Addition – Acquired separately	-	-	-	-	27,752	-	27,752
Exchange differences	-	-	-	-	780	-	780
30 September 2014	$-	$-	$-	$-	$1,760,682	$-	$1,760,682

	Franchises	Trademarks	Goodwill	Customer relationships	Computer software	Other intangible assets	Total
Amortization and impairment:							
1 January 2015	$-	$-	$-	$-	$(1,623,804)	$-	$(1,623,804)
Amortization	(519,846)	-	-	(6,205)	(39,349)	(1,865)	(567,265)
Exchange differences	-	-	-	(11)	(2,229)	(3)	(2,243)
30 September 2015	$(519,846)	$-	$-	$(6,216)	$(1,665,382)	$(1,868)	$(2,193,312)

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

	Franchises	Trademarks	Goodwill	Customer relationships	Computer software	Other intangible assets	Total
Amortization and impairment:							
1 January 2014	$-	$-	$-	$-	$(1,548,060)	$-	$(1,548,060)
Amortization	-	-	-	-	(37,683)	-	(37,683)
Exchange differences	-	-	-	-	(728)	-	(728)
30 September 2014	$-	$-	$-	$-	$(1,586,471)	$-	$(1,586,471)

	Franchises	Trademarks	Goodwill	Customer relationships	Computer software	Other intangible assets	Total
Net carrying amount as at:							
30 September 2015	$37,139,754	$213,079	$7,353,971	$2,434,092	$215,160	$229,200	$47,585,256
31 December 2014	$-	$-	$-	$-	$157,619	$-	$157,619
30 September 2014	$-	$-	$-	$-	$174,211	$-	$174,211

Amortization expense of intangible assets under the statements of comprehensive income:

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014	2015	2014
Operating expenses – Business expenses	$9,219	$7,983	$23,960	$24,164
Operating expenses –Administrative and general expenses	$533,248	$4,691	$543,305	$13,519

21. Other assets

	30 September 2015	31 December 2014	30 September 2014
Prepayment	$506,761	$398,620	$436,887
Deferred acquisition costs	35,678	36,352	38,265
Guarantee deposits paid	22,437,329	15,383,461	16,702,288
Other assets – Other	2,350,611	529,148	2,139,150
Total	$25,330,379	$16,347,581	$19,316,590

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

22. Deferred acquisition costs

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred acquisition costs related to investment management services of such contracts are summarized below:

	For the nine-month periods ended 30 September	
	2015	2014
Beginning balance	$36,352	$44,005
Addition	5,599	-
Amortization	(6,273)	(5,740)
Ending balance	$35,678	$38,265

23. Payables

	30 September 2015	31 December 2014	30 September 2014
Notes payable	$26,556	$1,066	$1,064
Life insurance proceeds payable	489,176	390,286	358,494
Commissions payable	2,061,391	2,374,215	2,289,839
Due to reinsurers and ceding companies	828,823	251,015	364,738
Other payables	17,811,478	20,981,821	29,458,606
Total	$21,217,424	$23,998,403	$32,472,741

24. Financial liabilities at fair value through profit or loss

	30 September 2015	31 December 2014	30 September 2014
Held for trading			
Derivatives that are not designated hedging			
Forward	$7,795,948	$6,769,518	$3,505,256
CS	57,482,743	42,989,311	12,780,781
IRS	119,503	24,759	13,193
Option	3,568	-	-
Total	$65,401,762	$49,783,588	$16,299,230

25. Preferred stock liabilities

(1) In accordance with the resolution made at the board of directors' meeting held on 6 November 2008, acting on behalf of the shareholders, the Company issued 300,000 thousand shares of Class A preferred stocks at par value of $10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on 18 November 2008.

Key terms and conditions of the privately offered Class A preferred stocks are listed as follows:

A. Issuance period covers from 25 December 2008, the issue date, to 25 December 2015, seven years in total.

B. Dividend yield is 3.50% per year based on the actual issue price of $50 per share. Unpaid dividends will accumulate and shall be paid in full with priority in the year with earnings.

C. The preference shares are not convertible to common stocks. When the shares mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Act. If the Company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period ended. Preferred shareholders' rights shall not be violated.

D. Preferred shareholders are not entitled to require the Company to redeem the shares. Five years after issuance, the Company may redeem the shares with the approval from the competent authorities.

(2) In accordance with the resolution made at the board of directors' meeting held on 29 October 2009, acting on behalf of the shareholders, the Company issued 200,000 thousand shares of Class B preferred stocks at par value of $10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on 14 December 2009.

Key terms and conditions of the privately offered Class B preferred stocks are listed as follows:

A. Issuance period covers from 16 December 2009, the issue date, to 16 December 2016, seven years in total.

B. Dividend yield is 2.90% per year based on the actual issue price of $50 per share. Unpaid dividends will accumulate and shall be paid in full with priority after class A in the year with earnings.

C. The preference shares are not convertible to common stocks. When the shares mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Act. If the Company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period ended. Preferred shareholders' rights shall not be violated.

D. Preferred shareholders are not entitled to require the Company to redeem the shares. Five years after issuance, the Company may redeem the shares with the approval from the competent authorities.

(3) In accordance with the resolution made at the board of directors' meeting held on 7 October 2011, acting on behalf of the shareholders, the Company issued 125,000 thousand shares of Class C preferred stocks at par value of $10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on 26 October 2011.

Key terms and conditions of the privately offered Class C preferred stocks are listed as follows:

A. Issuance period covers from 11 November 2011, the issue date, to 11 November 2018, seven years in total.

B. Dividend yield is 1.86% per year based on the actual issue price of $40 per share. Unpaid dividends will accumulate and shall be paid in full with priority after class A and class B in the year with earnings.

C. The preference shares are not convertible to common stocks. When the shares mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Act. If the Company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period ended. Preferred shareholders' rights shall not be violated.

D. Preferred shareholders are not entitled to require the Company to redeem the shares. Five years after issuance, the Company may redeem the shares with the approval from the competent authorities.

According to IAS 32 *Financial Instruments: Presentation*, the above mentioned preferred stocks issued shall be reported as "preferred stock liabilities".

26. Insurance contract and reserve for insurance contract with discretionary participation feature of financial instruments

The details of insurance contract and financial instruments with discretionary participation feature are summarized below:

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

(1) The Company

A. Reserve for life insurance liabilities

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance (Note 1)	$3,502,545,869	$5,695,668	$3,508,241,537
Injury insurance	7,765,675	-	7,765,675
Health insurance	444,102,768	-	444,102,768
Annuity insurance	1,378,210	51,865,033	53,243,243
Investment-linked insurance	885,111	-	885,111
Total	3,956,677,633	57,560,701	4,014,238,334
Less ceded reserve for life insurance liabilities:			
Life insurance	167,271	-	167,271
Net	$3,956,510,362	$57,560,701	$4,014,071,063

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,175,453,642	$6,423,897	$3,181,877,539
Injury insurance	7,962,275	-	7,962,275
Health insurance	367,435,224	-	367,435,224
Annuity insurance	1,329,511	63,532,669	64,862,180
Investment-linked insurance	1,030,061	-	1,030,061
Total	3,553,210,713	69,956,566	3,623,167,279
Less ceded reserve for life insurance liabilities:			
Life insurance	74,461	-	74,461
Net	$3,553,136,252	$69,956,566	$3,623,092,818

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

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,051,610,354	$13,008,484	$3,064,618,838
Injury insurance	7,932,066	-	7,932,066
Health insurance	354,091,609	-	354,091,609
Annuity insurance	1,264,505	70,937,363	72,201,868
Investment-linked insurance	1,063,000	-	1,063,000
Total	$3,415,961,534	$83,945,847	$3,499,907,381

Reserve for life insurance liabilities is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,553,210,713	$69,956,566	$3,623,167,279
Reserve	417,659,909	540,598	418,200,507
Recover	(157,124,124)	(14,170,485)	(171,294,609)
Losses (gains) on foreign exchange	28,856,759	(687,480)	28,169,279
Other (Note 2)	114,074,376	1,921,502	115,995,878
Ending balance	3,956,677,633	57,560,701	4,014,238,334
Less ceded reserve for life insurance liabilities:			
Beginning balance – Net	74,461	-	74,461
Increase	87,209	-	87,209
Gains (losses) on foreign exchange	5,601	-	5,601
Ending balance – Net	167,271	-	167,271
Total	$3,956,510,362	$57,560,701	$4,014,071,063

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

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,154,423,483	$139,787,775	$3,294,211,258
Reserve	348,739,957	2,060,001	350,799,958
Recover	(93,302,730)	(57,881,950)	(151,184,680)
Losses (gains) on foreign exchange	6,100,824	(19,979)	6,080,845
Ending balance	$3,415,961,534	$83,945,847	$3,499,907,381

Note 1: Recover from major incident reserve and reserve for operation losses are included.

Note 2: The amount is generated from acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on 1 July 2015.

B. Unearned premium reserve

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$480,923	$-	$480,923
Individual injury insurance	5,046,305	-	5,046,305
Individual health insurance	7,023,189	-	7,023,189
Group insurance	849,938	-	849,938
Investment-linked insurance	108,664	-	108,664
Total	13,509,019	-	13,509,019
Less ceded unearned premium reserve:			
Individual life insurance	98,650	-	98,650
Individual injury insurance	20,287	-	20,287
Individual health insurance	8,375	-	8,375
Group insurance	15,078	-	15,078
Total	142,390	-	142,390
Net	$13,366,629	$-	$13,366,629

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

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$425,156	$-	$425,156
Individual injury insurance	4,858,892	-	4,858,892
Individual health insurance	6,797,526	-	6,797,526
Group insurance	737,792	-	737,792
Investment-linked insurance	111,399	-	111,399
Total	12,930,765	-	12,930,765
Less ceded unearned premium reserve:			
Individual life insurance	126,920	-	126,920
Individual injury insurance	3,324	-	3,324
Total	130,244	-	130,244
Net	$12,800,521	$-	$12,800,521

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$401,931	$-	$401,931
Individual injury insurance	4,735,204	-	4,735,204
Individual health insurance	6,393,657	-	6,393,657
Group insurance	791,335	-	791,335
Investment-linked insurance	110,924	-	110,924
Total	12,433,051	-	12,433,051
Less ceded unearned premium reserve:			
Individual life insurance	114,382	-	114,382
Individual injury insurance	6,076	-	6,076
Group insurance	463	-	463
Total	120,921	-	120,921
Net	$12,312,130	$-	$12,312,130

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

Unearned premium reserve is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,930,765	$-	$12,930,765
Reserve	13,107,709	-	13,107,709
Recover	(12,930,765)	-	(12,930,765)
Losses (gains) on foreign exchange	(1)	-	(1)
Other (Note)	401,311	-	401,311
Ending balance	13,509,019	-	13,509,019
Less ceded unearned premium reserve:			
Beginning balance – Net	130,244	-	130,244
Decrease	(31,172)	-	(31,172)
Other (Note)	43,318	-	43,318
Ending balance – Net	142,390	-	142,390
Total	$13,366,629	$-	$13,366,629

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,302,905	$-	$12,302,905
Reserve	12,433,051	-	12,433,051
Recover	(12,302,905)	-	(12,302,905)
Ending balance	12,433,051	-	12,433,051
Less ceded unearned premium reserve:			
Beginning balance – Net	283,044	-	283,044
Decrease	(162,123)	-	(162,123)
Ending balance – Net	120,921	-	120,921
Total	$12,312,130	$-	$12,312,130

Note: The amount is generated from acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on 1 July 2015.

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

C. Reserve for claims

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$157,445	$-	$157,445
－Unreported claim	87,029	-	87,029
Individual injury insurance			
－Reported but not paid claim	101,616	-	101,616
－Unreported claim	1,407,591	-	1,407,591
Individual health insurance			
－Reported but not paid claim	168,777	-	168,777
－Unreported claim	2,143,834	-	2,143,834
Group insurance			
－Reported but not paid claim	41,693	-	41,693
－Unreported claim	941,347	-	941,347
Investment-linked insurance			
－Reported but not paid claim	4,451	-	4,451
－Unreported claim	2,404	-	2,404
Total	5,056,187	-	5,056,187
Less ceded reserve for claims:			
Individual life insurance	3,408	-	3,408
Individual injury insurance	12,768	-	12,768
Individual health insurance	19,240	-	19,240
Group insurance	41,579	-	41,579
Total	76,995	-	76,995
Net	$4,979,192	$-	$4,979,192

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

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$108,918	$797	$109,715
－Unreported claim	56,449	-	56,449
Individual injury insurance			
－Reported but not paid claim	97,056	-	97,056
－Unreported claim	1,216,604	-	1,216,604
Individual health insurance			
－Reported but not paid claim	140,552	-	140,552
－Unreported claim	1,837,114	-	1,837,114
Group insurance			
－Reported but not paid claim	13,882	-	13,882
－Unreported claim	825,580	-	825,580
Investment-linked insurance			
－Reported but not paid claim	5,820	-	5,820
Total	$4,301,975	$797	$4,302,772

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$173,173	$797	$173,970
－Unreported claim	60,100	-	60,100
Individual injury insurance			
－Reported but not paid claim	108,939	-	108,939
－Unreported claim	1,213,283	-	1,213,283
Individual health insurance			
－Reported but not paid claim	168,571	-	168,571
－Unreported claim	1,846,664	-	1,846,664
Group insurance			
－Reported but not paid claim	14,558	-	14,558
－Unreported claim	901,308	-	901,308
Investment-linked insurance			
－Reported but not paid claim	7,238	-	7,238
Total	$4,493,834	$797	$4,494,631

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

Reserve for claims is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,301,975	$797	$4,302,772
Reserve	4,595,325	-	4,595,325
Recover	(4,301,975)	(797)	(4,302,772)
Losses (gains) on foreign exchange	501	-	501
Other (Note)	460,361	-	460,361
Ending balance	5,056,187	-	5,056,187
Less ceded reserve for claims:			
Beginning balance－Net	-	-	-
Increase	7,407	-	7,407
Other (Note)	69,588	-	69,588
Ending balance－Net	76,995	-	76,995
Total	$4,979,192	$-	$4,979,192

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,168,697	$1,091	$4,169,788
Reserve	4,493,843	797	4,494,640
Recover	(4,168,697)	(1,091)	(4,169,788)
Losses (gains) on foreign exchange	(9)	-	(9)
Ending balance	$4,493,834	$797	$4,494,631

Note: The amount is generated from acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on 1 July 2015.

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

D. Special reserve

	30 September 2015			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$(37,257)	$-	$-	$(37,257)
Provision for risk of bonus	38,553	-	-	38,553
Special reserve for revaluation increments of property	-	-	27,946,619	27,946,619
Total	$1,296	$-	$27,946,619	$27,947,915

	31 December 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,631	$-	$-	$1,631
Special reserve for revaluation increments of property	-	-	35,416,619	35,416,619
Total	$1,631	$-	$35,416,619	$35,418,250

	30 September 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,492	$-	$-	$1,492
Special reserve for revaluation increments of property	-	-	37,946,619	37,946,619
Total	$1,492	$-	$37,946,619	$37,948,111

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

Special reserve is summarized below:

	For the nine-month period ended 30 September 2015			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$1,631	$-	$35,416,619	$35,418,250
Reserve for participating policies dividends reserve	25,350	-	-	25,350
Recover from participating policies dividends reserve	(1,122)	-	-	(1,122)
Reserve for provision for risk of bonus	(24,563)	-	-	(24,563)
Recover from special reserve for revaluation increments of property (Note 1)	-	-	(7,470,000)	(7,470,000)
Other-participating policies dividends reserve (Note 2)	(63,116)	-	-	(63,116)
Other-provision for risk of bonus (Note 2)	63,116	-	-	63,116
Ending balance	$1,296	$-	$27,946,619	$27,947,915

	For the nine-month period ended 30 September 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$1,931	$-	$45,416,619	$45,418,550
Reserve for participating policies dividends reserve	878	-	-	878
Recover from participating policies dividends reserve	(1,317)	-	-	(1,317)
Recover from special reserve for revaluation increments of property (Note 1)	-	-	(7,470,000)	(7,470,000)
Ending balance	$1,492	$-	$37,946,619	$37,948,111

Note 1: According to the regulations authorized by the FSC on 30 January 2015 and 29 January 2014, the Company can recover special reserve for revaluation increments of property by month, and the total recovered amount in 2015 and 2014 are both $10 billion.

Note 2: The amount is generated from acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on 1 July 2015.

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

E. Special capital reserve for major incidents and fluctuation of risks

	30 September 2015			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$135,073	$-	$-	$135,073
Individual injury insurance	3,122,127	-	-	3,122,127
Individual health insurance	5,008,929	-	-	5,008,929
Group insurance	3,619,099	-	-	3,619,099
Total	$11,885,228	$-	$-	$11,885,228

	31 December 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$124,236	$-	$-	$124,236
Individual injury insurance	2,922,343	-	-	2,922,343
Individual health insurance	4,395,734	-	-	4,395,734
Group insurance	3,283,263	-	-	3,283,263
Total	$10,725,576	$-	$-	$10,725,576

	30 September 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$114,720	$-	$-	$114,720
Individual injury insurance	2,140,681	-	-	2,140,681
Individual health insurance	3,978,139	-	-	3,978,139
Group insurance	2,959,300	-	-	2,959,300
Total	$9,192,840	$-	$-	$9,192,840

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

F. Premium deficiency reserve

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$19,130,902	$-	$19,130,902
Individual health insurance	1,957,733	-	1,957,733
Group insurance	9,117	-	9,117
Total	$21,097,752	$-	$21,097,752

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$16,583,715	$-	$16,583,715
Individual health insurance	710,087	-	710,087
Group insurance	762	-	762
Total	$17,294,564	$-	$17,294,564

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$17,658,322	$-	$17,658,322
Individual health insurance	624,383	-	624,383
Group insurance	938	-	938
Total	$18,283,643	$-	$18,283,643

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

Premium deficiency reserve is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$17,294,564	$-	$17,294,564
Reserve	2,441,139	-	2,441,139
Recover	(1,233,254)	-	(1,233,254)
Losses (gains) on foreign exchange	273,081	-	273,081
Other (Note)	2,322,222	-	2,322,222
Ending balance	$21,097,752	$-	$21,097,752

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$19,629,253	$-	$19,629,253
Reserve	303,195	-	303,195
Recover	(1,804,034)	-	(1,804,034)
Losses (gains) on foreign exchange	155,229	-	155,229
Ending balance	$18,283,643	$-	$18,283,643

Note: The amount is generated from acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on 1 July 2015.

G. Other reserve

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other (Note)	$1,995,759	$-	$1,995,759

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

Other reserve is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$-	$-	$-
Recover	(27,934)	-	(27,934)
Other (Note)	2,023,693	-	2,023,693
Ending balance	$1,995,759	$-	$1,995,759

Note: The amount is generated from acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on 1 July 2015.

H. Liability adequacy reserve

	Insurance contract and financial instruments with discretionary participation feature		
	30 September 2015	31 December 2014	30 September 2014
Reserve for life insurance liabilities	$4,014,238,334	$3,623,167,279	$3,499,907,381
Unearned premium reserve	13,509,019	12,930,765	12,433,051
Premium deficiency reserve	21,097,752	17,294,564	18,283,643
Other reserve	1,995,759	-	-
Total	$4,050,840,864	$3,653,392,608	$3,530,624,075
Book value of insurance liabilities	$4,050,840,864	$3,653,392,608	$3,530,624,075
Estimated present value of cash flows	$3,238,659,530	$2,936,336,508	$2,869,576,147
Balance of liability adequacy reserve	$-	$-	$-

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Reserve for claims and special reserve are not included in liability adequacy test. Reserve for claims is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: The Company has settled the acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. Thus, the value of acquired business, i.e. other reserve, shall be considered in the book value of insurance liability included in liability adequacy test.

(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:

	30 September 2015
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 30 September 2015. (2) Discount rate: The acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. was settled on 1 July 2015. Hence under assets allocation plan on 31 July 2015, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2014, with neutral assumption for discount rates after 30 years.

	31 December 2014
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 31 December 2014. (2) Discount rate: Under assets allocation plan on 30 September 2014, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2013, with neutral assumption for discount rates after 30 years.

	30 September 2014
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 30 September 2014. (2) Discount rate: Under assets allocation plan on 30 June 2014, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2013, with neutral assumption for discount rates after 30 years.

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

I. Reserve for insurance contracts with feature of financial instruments

The Company issues financial instruments without discretionary participation feature. As of 30 September 2015, 31 December 2014 and 30 September 2014, reserve for insurance contracts with feature of financial instruments is summarized below:

	30 September 2015	31 December 2014	30 September 2014
Life insurance	$49,274,286	$50,135,996	$50,448,785
Investment-linked insurance	8,207	4,037	1,295
Total	$49,282,493	$50,140,033	$50,450,080

	For the nine-month periods ended 30 September	
	2015	2014
Beginning balance	$50,140,033	$52,911,209
Insurance claim payments	(1,501,699)	(3,082,109)
Net provision of statutory reserve	644,072	620,969
Losses (gains) on foreign exchange	87	11
Ending balance	$49,282,493	$50,450,080

J. Foreign exchange volatility reserve

a. The hedge strategy and risk exposure

Based on the principle of risk control and to maintain the consistent level of foreign exchange volatility reserve, the Company consistently adjusts the hedge ratios and risk exposure position under the risk control.

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

b. Adjustment in foreign exchange volatility reserve

	For the nine-month periods ended 30 September	
	2015	2014
Beginning balance	$16,846,406	$10,482,181
Reserve		
Compulsory reserve	2,729,672	2,176,201
Extra reserve	5,783,111	3,892,579
Subtotal	8,512,783	6,068,780
Recover	(8,040,203)	(3,377,903)
Acquisitions through business combinations	248,318	-
Ending balance	$17,567,304	$13,173,058

c. Effects due to foreign exchange volatility reserve

	For the nine-month period ended 30 September 2015		
Items	Inapplicable amount (1)	Applicable amount (2)	Effects (2) - (1)
Net income attributable to equity holders of the parent	$37,480,662	$37,088,421	$(392,241)
Earnings per share	7.06	6.99	(0.07)
Foreign exchange volatility reserve	-	17,567,304	17,567,304
Equity attributable to equity holders of the parent	340,794,448	330,164,157	(10,630,291)

	For the nine-month period ended 30 September 2014		
Items	Inapplicable amount (1)	Applicable amount (2)	Effects (2) - (1)
Net income attributable to equity holders of the parent	$31,400,798	$29,167,371	$(2,233,427)
Earnings per share	5.92	5.50	(0.42)
Foreign exchange volatility reserve	-	13,173,058	13,173,058
Equity attributable to equity holders of the parent	301,677,410	294,488,239	(7,189,171)

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

(2) Cathay Lujiazui Life

A. Reserve for life insurance liabilities

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$4,756,769	$-	$4,756,769
Health insurance	377,533	-	377,533
Investment-linked insurance	4,144	-	4,144
Total	$5,138,446	$-	$5,138,446

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$4,228,315	$-	$4,228,315
Health insurance	276,260	-	276,260
Investment-linked insurance	7,508	-	7,508
Total	$4,512,083	$-	$4,512,083

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,914,447	$-	$3,914,447
Health insurance	206,821	-	206,821
Investment-linked insurance	6,665	-	6,665
Total	$4,127,933	$-	$4,127,933

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

Reserve for life insurance liabilities is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,512,083	$-	$4,512,083
Reserve	1,074,949	-	1,074,949
Recover	(545,370)	-	(545,370)
Losses (gains) on foreign exchange	96,784	-	96,784
Ending balance	$5,138,446	$-	$5,138,446

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,736,906	$-	$3,736,906
Reserve	810,397	-	810,397
Recover	(430,368)	-	(430,368)
Losses (gains) on foreign exchange	10,998	-	10,998
Ending balance	$4,127,933	$-	$4,127,933

B. Unearned premium reserve

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$14,512	$-	$14,512
Individual health insurance	713	-	713
Group insurance	357,224	-	357,224
Total	372,449	-	372,449
Less ceded unearned premium reserve:			
Individual life insurance	1,099	-	1,099
Individual injury insurance	4,326	-	4,326
Individual health insurance	4,518	-	4,518
Group insurance	150	-	150
Total	10,093	-	10,093
Net	$362,356	$-	$362,356

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

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$8,861	$-	$8,861
Individual health insurance	806	-	806
Group insurance	258,853	-	258,853
Total	268,520	-	268,520
Less ceded unearned premium reserve:			
Individual life insurance	65	-	65
Individual injury insurance	71	-	71
Individual health insurance	3,066	-	3,066
Group insurance	4,468	-	4,468
Total	7,670	-	7,670
Net	$260,850	$-	$260,850

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$11,106	$-	$11,106
Individual health insurance	1,010	-	1,010
Group insurance	324,427	-	324,427
Total	336,543	-	336,543
Less ceded unearned premium reserve:			
Individual life insurance	1	-	1
Individual injury insurance	1	-	1
Individual health insurance	61	-	61
Group insurance	89	-	89
Total	152	-	152
Net	$336,391	$-	$336,391

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

Unearned premium reserve is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$268,520	$-	$268,520
Reserve	347,728	-	347,728
Recover	(250,755)	-	(250,755)
Losses (gains) on foreign exchange	6,956	-	6,956
Ending balance	372,449	-	372,449
Less ceded unearned premium reserve:			
Beginning balance – Net	7,670	-	7,670
Increase	2,234	-	2,234
Gains (losses) on foreign exchange	189	-	189
Ending balance – Net	10,093	-	10,093
Total	$362,356	$-	$362,356

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$260,335	$-	$260,335
Reserve	288,353	-	288,353
Recover	(213,332)	-	(213,332)
Losses (gains) on foreign exchange	1,187	-	1,187
Ending balance	336,543	-	336,543
Less ceded unearned premium reserve:			
Beginning balance – Net	38,938	-	38,938
Decrease	(38,533)	-	(38,533)
Gains (losses) on foreign exchange	(253)	-	(253)
Ending balance – Net	152	-	152
Total	$336,391	$-	$336,391

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

C. Reserve for claims

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$15	$-	$15
－Unreported claim	1,224	-	1,224
Individual injury insurance			
－Reported but not paid claim	38	-	38
－Unreported claim	3,014	-	3,014
Individual health insurance			
－Reported but not paid claim	1,939	-	1,939
－Unreported claim	11,148	-	11,148
Group insurance			
－Reported but not paid claim	39,570	-	39,570
－Unreported claim	326,811	-	326,811
Total	383,759	-	383,759
Less ceded reserve for claims:			
Individual health insurance	716	-	716
Net	$383,043	$-	$383,043

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$2,748	$-	$2,748
－Unreported claim	2,206	-	2,206
Individual injury insurance			
－Reported but not paid claim	3,406	-	3,406
－Unreported claim	2,825	-	2,825
Individual health insurance			
－Reported but not paid claim	3,096	-	3,096
－Unreported claim	6,928	-	6,928
Group insurance			
－Reported but not paid claim	62,311	-	62,311
－Unreported claim	303,503	-	303,503
Total	387,023	-	387,023
Less ceded reserve for claims:			
Individual health insurance	17,456	-	17,456
Net	$369,567	$-	$369,567

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

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$2,774	$-	$2,774
－Unreported claim	2,227	-	2,227
Individual injury insurance			
－Reported but not paid claim	3,438	-	3,438
－Unreported claim	2,852	-	2,852
Individual health insurance			
－Reported but not paid claim	3,126	-	3,126
－Unreported claim	6,993	-	6,993
Group insurance			
－Reported but not paid claim	62,901	-	62,901
－Unreported claim	306,381	-	306,381
Total	390,692	-	390,692
Less ceded reserve for claims:			
Individual health insurance	16,926	-	16,926
Net	$373,766	$-	$373,766

Reserve for claims is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$387,023	$-	$387,023
Reserve	217,867	-	217,867
Recover	(228,410)	-	(228,410)
Losses (gains) on foreign exchange	7,279	-	7,279
Ending balance	383,759	-	383,759
Less ceded reserve for claims:			
Beginning balance – Net	17,456	-	17,456
Decrease	(16,770)	-	(16,770)
Gains (losses) on foreign exchange	30	-	30
Ending balance – Net	716	-	716
Total	$383,043	$-	$383,043

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

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$470,395	$-	$470,395
Reserve	253,629	-	253,629
Recover	(333,609)	-	(333,609)
Losses (gains) on foreign exchange	277	-	277
Ending balance	390,692	-	390,692
Less ceded reserve for claims:			
Beginning balance – Net	16,875	-	16,875
Increase	16	-	16
Gains (losses) on foreign exchange	35	-	35
Ending balance – Net	16,926	-	16,926
Total	$373,766	$-	$373,766

D. Liability adequacy reserve

	Insurance contract and financial instruments with discretionary participation feature		
	30 September 2015	31 December 2014	30 September 2014
Reserve for life insurance liabilities	$5,138,446	$4,512,083	$4,127,933
Unearned premium reserve	372,449	268,520	336,543
Total	$5,510,895	$4,780,603	$4,464,476
Book value of insurance liabilities	$5,510,895	$4,780,603	$4,464,476
Estimated present value of cash flows	$4,408,716	$3,824,483	$3,571,581
Balance of liability adequacy reserve	$-	$-	$-

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Reserve for claims is not included in liability adequacy test. Reserve for claims is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There are no instances of merger or transfer of insurance contract for Cathay Lujiazui Life. As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

(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:

	30 September 2015
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 30 September 2015. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2014, with neutral assumption for discount rates after 30 years.

	31 December 2014
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 31 December 2014. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2013, with neutral assumption for discount rates after 30 years.

	30 September 2014
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 30 September 2014. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2013, with neutral assumption for discount rates after 30 years.

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

E. Reserve for insurance contracts with feature of financial instruments

Cathay Lujiazui Life issues financial instruments without discretionary participation feature. As of 30 September 2015, 31 December 2014 and 30 September 2014, reserve for insurance contracts with feature of financial instruments is summarized below:

	30 September 2015	31 December 2014	30 September 2014
Life insurance	$5,040,946	$4,954,666	$4,695,802

	For the nine-month periods ended 30 September	
	2015	2014
Beginning balance	$4,954,666	$4,685,240
Premiums received	543,267	707,763
Insurance claim payments	(83,403)	(212,060)
Net recovery of statutory reserve	(469,069)	(494,808)
Losses (gains) on foreign exchange	95,485	9,667
Ending balance	$5,040,946	$4,695,802

(3) Cathay Life (Vietnam)

A. Reserve for life insurance liabilities

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$719,792	$-	$719,792
Investment-linked insurance	503	-	503
Total	$720,295	$-	$720,295

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

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$447,699	$-	$447,699
Investment-linked insurance	269	-	269
Total	$447,968	$-	$447,968

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$416,821	$-	$416,821
Investment-linked insurance	197	-	197
Total	$417,018	$-	$417,018

Reserve for life insurance liabilities is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$447,968	$-	$447,968
Reserve	277,028	-	277,028
Losses (gains) on foreign exchange	(4,701)	-	(4,701)
Ending balance	$720,295	$-	$720,295

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$374,898	$-	$374,898
Reserve	37,795	-	37,795
Losses (gains) on foreign exchange	4,325	-	4,325
Ending balance	$417,018	$-	$417,018

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

B. Unearned premium reserve

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$2,075	$-	$2,075
Individual health insurance	1,859	-	1,859
Total	$3,934	$-	$3,934

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,917	$-	$1,917
Individual health insurance	1,665	-	1,665
Total	$3,582	$-	$3,582

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,718	$-	$1,718
Individual health insurance	1,470	-	1,470
Total	$3,188	$-	$3,188

Unearned premium reserve is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,582	$-	$3,582
Reserve	400	-	400
Losses (gains) on foreign exchange	(48)	-	(48)
Ending balance	$3,934	$-	$3,934

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

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,967	$-	$2,967
Reserve	188	-	188
Losses (gains) on foreign exchange	33	-	33
Ending balance	$3,188	$-	$3,188

C. Reserve for claims

	30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$65	$-	$65
Individual injury insurance			
－Reported but not paid claim	1	-	1
－Unreported claim	227	-	227
Individual health insurance			
－Reported but not paid claim	73	-	73
－Unreported claim	207	-	207
Total	$573	$-	$573

	31 December 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$334	$-	$334
Individual injury insurance			
－Reported but not paid claim	3	-	3
－Unreported claim	214	-	214
Individual health insurance			
－Reported but not paid claim	99	-	99
－Unreported claim	193	-	193
Total	$843	$-	$843

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

	30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$246	$-	$246
Individual injury insurance			
－Unreported claim	195	-	195
Individual health insurance			
－Reported but not paid claim	45	-	45
－Unreported claim	174	-	174
Total	$660	$-	$660

Reserve for claims is summarized below:

	For the nine-month period ended 30 September 2015		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$843	$-	$843
Recover	(257)	-	(257)
Losses (gains) on foreign exchange	(13)	-	(13)
Ending balance	$573	$-	$573

	For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$901	$-	$901
Recover	(249)	-	(249)
Losses (gains) on foreign exchange	8	-	8
Ending balance	$660	$-	$660

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

D. Special reserve

	30 September 2015			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Other	$-	$-	$-	$-

	31 December 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Other	$4,008	$-	$-	$4,008

	30 September 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Other	$1,770	$-	$-	$1,770

Special reserve is summarized below:

	For the nine-month period ended 30 September 2015			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$4,008	$-	$-	$4,008
Recover	(3,929)	-	-	(3,929)
Losses (gains) on foreign exchange	(79)	-	-	(79)
Ending balance	$-	$-	$-	$-

	For the nine-month period ended 30 September 2014			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$1,751	$-	$-	$1,751
Losses (gains) on foreign exchange	19	-	-	19
Ending balance	$1,770	$-	$-	$1,770

E. Liability adequacy reserve

	Insurance contract and financial instruments with discretionary participation feature		
	30 September 2015	31 December 2014	30 September 2014
Reserve for life insurance liabilities	$720,295	$447,968	$417,018
Unearned premium reserve	3,934	3,582	3,188
Total	$724,229	$451,550	$420,206
Book value of insurance liabilities	$724,229	$451,550	$420,206
Estimated present value of cash flows	$91,387	$37,724	Negative value
Balance of liability adequacy reserve	$-	$-	$-

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Outstanding reserve for claims and special reserve are not included in liability adequacy test. Reserve for claims is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There are no instances of merger or transfer of insurance contract for Cathay Life (Vietnam). As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

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

27. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended 30 September 2015 and 2014 were $260,831 thousand and $269,528 thousand, respectively. Expenses under the defined contribution plan for the nine-month periods ended 30 September 2015 and 2014 were $732,566 thousand and $719,555 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the three-month periods ended 30 September 2015 and 2014 were $77,447 thousand and $43,459 thousand, respectively. Expenses under the defined benefit plan for the nine-month periods ended 30 September 2015 and 2014 were $232,340 thousand and $130,375 thousand, respectively.

28. Provisions

	Litigation liability	Employee benefit liability	Contingent liability	Total
1 January 2015	$145,445	$1,942,993	$-	$2,088,438
Reserve	-	92,321	-	92,321
Reserve – Acquisitions through business combinations	-	5,050	67,250	72,300
30 September 2015	$145,445	$2,040,364	$67,250	$2,253,059

29. Other liabilities

	30 September 2015	31 December 2014	30 September 2014
Accounts collected in advance	$329,326	$210,504	$2,349,108
Deferred handling fees	61,045	73,224	73,519
Guarantee deposits received	2,724,373	2,675,245	2,701,513
Other liabilities – Other	8,228,044	5,735,726	5,167,176
Total	$11,342,788	$8,694,699	$10,291,316

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

30. Deferred handling fees

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred handling fees related to investment management services of such contracts are summarized below:

	For the nine-month periods ended 30 September	
	2015	2014
Beginning balance	$73,224	$87,737
Addition	10,032	-
Amortization	(11,254)	(11,825)
Gains on foreign exchange	(10,957)	(2,393)
Ending balance	$61,045	$73,519

31. Common stock

As of 30 September 2015, 31 December 2014 and 30 September 2014, the total authorized thousand shares were all 5,306,527 at par value of $10.

32. Capital surplus

	30 September 2015	31 December 2014	30 September 2014
Additional paid-in capital	$13,000,000	$13,000,000	$13,000,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142	29,142
Changes in amount of associates and joint ventures accounted for using the equity method	(1,130)	-	-
Total	$13,028,012	$13,029,142	$13,029,142

According 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.

33. 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. Prior to 2007, this legal capital reserve was appropriated by 10% of the Company's after-tax net income according to the R.O.C. Company Act. When the Company incurs no loss, it 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 in proportion to the number of shares being held by each of them.

On 20 May 2015, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of $6,521,315 thousand. On 21 April 2014, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of $3,141,740 thousand.

(2) Special capital reserve

Pursuant to the regulations established by the R.O.C. Financial Supervisory Commission, the after-tax amount of released provision from the special claim reserves for contingency according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" are appropriated as special capital reserve when approved by stockholders' meeting in the following year.

Special reserve for major incidents and for fluctuation of risks in accordance with Section 18 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" is placed in the special capital reserve under retained earnings.

According to Article 17 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", when the company acquires real estates from its related parties, the differences between transaction price and valuation cost shall be recognized as special capital reserve.

After adopting IFRS, the Company followed the rule issued on 5 June 2012 by FSC. The rule indicates that the entity shall recognized additional special capital reserve at the time the entity distributes distributable earnings. The additional special capital reserve shall be recognized at the amount of the balance of special capital reserve recognized when first adopting IFRS less the net of deduction part of other equity recognized when first adopting IFRS. The entity could reverse partial of the recognized distributable retained earnings if the deduction part of other equity reverses.

The Company has elected to use the fair value of certain investment properties on the transition date to TIFRS as their deemed costs. In accordance with Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the incremental value from fair value revaluation can be used to offset the negative impact from transition and shall be set aside an equal amount of retained earnings; the residual amount should be recognized under special reserve. According to Order No. 10202508140 issued by Insurance Bureau, the abovementioned amount $2,994,565 thousand shall be set aside under special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10102508861.

The Company changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. In order to ensure the soundness and stability of the financial structure, the FSC as of 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 is $124,002,466 thousand. The amount could only be used as a surplus to reserve for life insurance liability accessed and approved by authorities as inadequate and the surplus to reserve when the Company applies Phase II of IFRS 4 *Insurance Contract* to stabilize financial structure. On 20 May 2015, the Company's board of directors, acting on behalf of the shareholders, recognized special capital reserve of $13,886,329 thousand, which is from the gain from fair value change in 2014.

In accordance with Order No. Financial-Supervisory-Insurance-Corporate-10402029590, the Company recognized special capital reserve amounting to $34,764,311 thousand. The amount was originally recognized in insurance liabilities.

On 20 May 2015, the Company's board of directors, acting on behalf of the shareholders, recognized special capital reserves of $27,957,776 thousand, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of $1,630,373 thousand had been recognized at the end of 2014 in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." The rest of the special capital reserve will be recognized in year 2015.

(3) Undistributed retained earnings

A. According to the Company's Articles of Incorporation, the Company's annual earnings, after paying tax and offsetting deficits, if any, shall be appropriated as legal capital reserve and special capital reserve according to law. The total remaining amount plus beginning undistributed earnings are the distributable earnings. The distributable earnings must be appropriated in accordance with the resolution by the stockholders' meeting, and 2% of the aforementioned amount shall be distributed as the employee bonus.

B. If there is any surplus earnings of the then current year not distributed by a profit-seeking enterprise, an additional profit-seeking income tax shall be levied at the rate of ten percent on such undistributed surplus earnings. Before the year 2004, the term "undistributed surplus earnings" as referred to in the preceding paragraph means the approved income. Beginning from the year 2005, the term shall denote the amount of income after tax as calculated by a profit-seeking enterprise in accordance with the Commercial Accounting Act. The income tax will only be levied on the undistributed surplus earnings once.

C. 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.

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

The Company plans to amend the pertinent Company's Articles of Incorporation in accordance with the abovementioned article in the 2016 annual meeting of shareholders. Please refer to Note 36 for more information of the estimation basis and recognition amounts of employee bonuses and remuneration of directors.

D. The Company's distribution of 2014 retained earnings has been approved by the Company's board of directors, acting on behalf of the shareholders. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

E. Special reserves for major incidents and special reserves for fluctuation of risks are recorded as special capital reserve under equity at the end of this year. As of 30 September 2015, the reserves amounted to $946,508 thousand.

(4) Non-controlling interests

	For the nine-month periods ended 30 September	
	2015	2014
Beginning balance	$1,966,533	$741,255
Net income attributable to non-controlling interests	313,487	105,810
Other comprehensive income attributable to non-controlling interests		
Exchange differences resulting from translating the financial statements of foreign operations	42,985	27,238
Unrealized valuation gains from available-for-sale financial assets	9,272	61,674
Capital increase by cash from non-controlling interests	-	966,820
Non-controlling interests from acquisition of subsidiaries	79,881	-
Ending balance	$2,412,158	$1,902,797

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

34. Retained earned premium

(1) The Company

	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$136,812,109	$37,730	$136,849,839	$138,461,422	$111,883	$138,573,305
Reinsurance premium income	54,816	-	54,816	75,692	-	75,692
Premium income	136,866,925	37,730	136,904,655	138,537,114	111,883	138,648,997
Less:						
Premiums ceded to reinsurers	(248,572)	-	(248,572)	(2,493,699)	-	(2,493,699)
Changes in unearned premium reserve	(210,575)	-	(210,575)	(172,095)	-	(172,095)
Subtotal	(459,147)	-	(459,147)	(2,665,794)	-	(2,665,794)
Retained earned premium	$136,407,778	$37,730	$136,445,508	$135,871,320	$111,883	$135,983,203

	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$374,996,740	$60,146	$375,056,886	$334,117,104	$856,385	$334,973,489
Reinsurance premium income	150,913	-	150,913	153,642	-	153,642
Premium income	375,147,653	60,146	375,207,799	334,270,746	856,385	335,127,131
Less:						
Premiums ceded to reinsurers	(664,007)	-	(664,007)	(9,614,926)	-	(9,614,926)
Changes in unearned premium reserve	(208,116)	-	(208,116)	(292,269)	-	(292,269)
Subtotal	(872,123)	-	(872,123)	(9,907,195)	-	(9,907,195)
Retained earned premium	$374,275,530	$60,146	$374,335,676	$324,363,551	$856,385	$325,219,936

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

(2) Cathay Lujiazui Life

	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$859,193	$-	$859,193	$692,917	$-	$692,917
Reinsurance premium income	-	-	-	-	-	-
Premium income	859,193	-	859,193	692,917	-	692,917
Less:						
Premiums ceded to reinsurers	(7,311)	-	(7,311)	348	-	348
Changes in unearned premium reserve	(90,018)	-	(90,018)	(93,955)	-	(93,955)
Subtotal	(97,329)	-	(97,329)	(93,607)	-	(93,607)
Retained earned premium	$761,864	$-	$761,864	$599,310	$-	$599,310

	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$2,263,439	$-	$2,263,439	$1,805,510	$-	$1,805,510
Reinsurance premium income	-	-	-	-	-	-
Premium income	2,263,439	-	2,263,439	1,805,510	-	1,805,510
Less:						
Premiums ceded to reinsurers	(19,711)	-	(19,711)	(12,596)	-	(12,596)
Changes in unearned premium reserve	(95,964)	-	(95,964)	(74,830)	-	(74,830)
Subtotal	(115,675)	-	(115,675)	(87,426)	-	(87,426)
Retained earned premium	$2,147,764	$-	$2,147,764	$1,718,084	$-	$1,718,084

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

(3) Cathay Life (Vietnam)

	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$76,913	$-	$76,913	$50,330	$-	$50,330
Reinsurance premium income	-	-	-	-	-	-
Premium income	76,913	-	76,913	50,330	-	50,330
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	(335)	-	(335)	(314)	-	(314)
Subtotal	(335)	-	(335)	(314)	-	(314)
Retained earned premium	$76,578	$-	$76,578	$50,016	$-	$50,016

	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$206,745	$-	$206,745	$127,307	$-	$127,307
Reinsurance premium income	-	-	-	-	-	-
Premium income	206,745	-	206,745	127,307	-	127,307
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	(399)	-	(399)	(188)	-	(188)
Subtotal	(399)	-	(399)	(188)	-	(188)
Retained earned premium	$206,346	$-	$206,346	$127,119	$-	$127,119

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

35. Retained claim payments

(1) The Company

	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$72,098,768	$4,541,762	$76,640,530	$51,840,846	$23,563,266	$75,404,112
Reinsurance claim payments	55,268	-	55,268	34,952	-	34,952
Insurance claim payments	72,154,036	4,541,762	76,695,798	51,875,798	23,563,266	75,439,064
Less:						
Claims recovered from reinsures	(166,840)	-	(166,840)	(1,239,507)	-	(1,239,507)
Retained claim payments	$71,987,196	$4,541,762	$76,528,958	$50,636,291	$23,563,266	$74,199,557

	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$190,854,034	$14,269,772	$205,123,806	$151,927,292	$58,131,030	$210,058,322
Reinsurance claim payments	119,357	-	119,357	96,392	-	96,392
Insurance claim payments	190,973,391	14,269,772	205,243,163	152,023,684	58,131,030	210,154,714
Less:						
Claims recovered from reinsures	(258,216)	-	(258,216)	(4,672,860)	-	(4,672,860)
Retained claim payments	$190,715,175	$14,269,772	$204,984,947	$147,350,824	$58,131,030	$205,481,854

(2) Cathay Lujiazui Life

	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$442,467	$-	$442,467	$259,811	$-	$259,811
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	442,467	-	442,467	259,811	-	259,811
Less:						
Claims recovered from reinsures	(639)	-	(639)	(7,787)	-	(7,787)
Retained claim payments	$441,828	$-	$441,828	$252,024	$-	$252,024

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

	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$985,429	$-	$985,429	$865,919	$-	$865,919
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	985,429	-	985,429	865,919	-	865,919
Less:						
Claims recovered from reinsures	(10,909)	-	(10,909)	(19,113)	-	(19,113)
Retained claim payments	$974,520	$-	$974,520	$846,806	$-	$846,806

(3) Cathay Life (Vietnam)

	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$9,934	$-	$9,934	$5,056	$-	$5,056
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	9,934	-	9,934	5,056	-	5,056
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$9,934	$-	$9,934	$5,056	$-	$5,056

	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$28,710	$-	$28,710	$16,921	$-	$16,921
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	28,710	-	28,710	16,921	-	16,921
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$28,710	$-	$28,710	$16,921	$-	$16,921

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

36. Personnel expenses, depreciation and amortization – The Company and Subsidiaries

Item	For the three-month period ended 30 September 2015			For the three-month period ended 30 September 2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$6,916,262	$1,118,489	$8,034,751	$7,199,707	$731,470	$7,931,177
Labor and health insurance expenses	427,668	127,324	554,992	480,925	112,882	593,807
Pension expenses	269,350	68,928	338,278	257,552	55,435	312,987
Other expenses	385,919	226,059	611,978	359,649	94,487	454,136
Depreciation	2,039	169,911	171,950	1,476	163,046	164,522
Amortization	-	542,467	542,467	-	12,674	12,674

Item	For the nine-month period ended 30 September 2015			For the nine-month period ended 30 September 2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$20,099,327	$3,021,063	$23,120,390	$19,678,839	$2,220,275	$21,899,114
Labor and health insurance expenses	1,319,854	327,945	1,647,799	1,349,548	306,504	1,656,052
Pension expenses	788,335	176,571	964,906	703,688	146,242	849,930
Other expenses	1,039,509	428,385	1,467,894	957,781	247,328	1,205,109
Depreciation	4,294	498,042	502,336	3,916	499,186	503,102
Amortization	-	567,265	567,265	-	37,683	37,683

The Company estimated the amounts of the employee bonuses and remunerations to directors and supervisors for the nine-month period ended 30 September 2015 based on actual profit of the year. The estimated employee bonuses and remunerations to directors and supervisors are recognized as operating costs or operating expenses for the period. If the board of directors modified the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income.

The Company estimated the amounts of the employee bonuses and remunerations to directors and supervisors for the nine-month period ended 30 September 2014 based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The estimated employee bonuses and remunerations to directors and supervisors are recognized as operating costs or operating expenses for the period. If the board of directors modified the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimation and the resolution of shareholders' meeting will be recognized in profit or loss of the subsequent year. The number of shares distributed as share dividends was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

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

37. Non-operating income and expenses

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014	2015	2014
(Losses) gains on disposal of property and equipment	$(224)	$(68)	$(359)	$32
Dividend on preferred stock liabilities	(228,866)	(228,866)	(679,134)	(679,134)
Other	408,923	458,747	1,532,108	1,805,531
Total	$179,833	$229,813	$852,615	$1,126,429

38. Components of other comprehensive income

	For the three-month period ended 30 September 2015				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods					
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – not to be reclassified to profit or loss in subsequent periods	$(6,411)	$-	$(6,411)	$1,090	$(5,321)
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations	1,399,742	-	1,399,742	-	1,399,742
Unrealized valuation losses from available-for-sale financial assets	(47,777,757)	5,754,685	(42,023,072)	1,497,288	(40,525,784)
Effective portion of gains on hedging instruments in cash flow hedges	205,406	(36,218)	169,188	(28,762)	140,426
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods	269,080	-	269,080	(6,608)	262,472
Total	$(45,909,940)	$5,718,467	$(40,191,473)	$1,463,008	$(38,728,465)

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

	For the three-month period ended 30 September 2014				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations	$(126,692)	$-	$(126,692)	$-	$(126,692)
Unrealized valuation losses from available-for-sale financial assets	(18,029,803)	(6,696,392)	(24,726,195)	225,380	(24,500,815)
Effective portion of losses on hedging instruments in cash flow hedges	(38,322)	(107,515)	(145,837)	24,793	(121,044)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods	27,796	-	27,796	-	27,796
Total	$(18,167,021)	$(6,803,907)	$(24,970,928)	$250,173	$(24,720,755)

	For the nine-month period ended 30 September 2015				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods					
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – not to be reclassified to profit or loss in subsequent periods	$(5,654)	$-	$(5,654)	$961	$(4,693)
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations	1,119,468	-	1,119,468	-	1,119,468
Unrealized valuation losses from available-for-sale financial assets	(37,159,699)	(27,732,042)	(64,891,741)	3,631,030	(61,260,711)
Effective portion of gains on hedging instruments in cash flow hedges	288,436	(112,633)	175,803	(29,886)	145,917
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods	47,502	-	47,502	29,447	76,949
Total	$(35,709,947)	$(27,844,675)	$(63,554,622)	$3,631,552	$(59,923,070)

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

	For the nine-month period ended 30 September 2014				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods					
Revaluation surplus	$902,335	$-	$902,335	$(74,726)	$827,609
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations	(370,050)	-	(370,050)	-	(370,050)
Unrealized valuation losses from available-for-sale financial assets	12,652,139	(21,076,564)	(8,424,425)	466,914	(7,957,511)
Effective portion of losses on hedging instruments in cash flow hedges	61,591	(377,256)	(315,665)	53,663	(262,002)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods	28,543	(13)	28,530	-	28,530
Total	$13,274,558	$(21,453,833)	$(8,179,275)	$445,851	$(7,733,424)

39. Income taxes

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

Income tax expense (benefit) recognized in profit or loss

	For the three-month periods ended 30 September	
	2015	2014
Current income tax expense (benefit)		
Current income tax charge	$(6,849,556)	$120,133
Adjustments in respect of current income tax of prior periods	208,190	(779)
Deferred tax expense (benefit)		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	6,805,316	(315,971)
Deferred tax expense relating to origination and reversal of tax loss and tax credit	386,680	1,607,562
Other		
Tax effect under basic tax systems	(607,860)	-
Tax effect under consolidated income tax systems	(315,437)	220,841
Total income tax (benefit) expense	$(372,667)	$1,631,786

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

	For the nine-month periods ended 30 September	
	2015	2014
Current income tax expense (benefit)		
Current income tax charge	$(6,336,048)	$309,901
Adjustments in respect of current income tax of prior periods	261,728	(55,954)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	11,252,295	4,254,981
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	-	(2,037,551)
Other		
Tax effect under basic tax systems	733,970	-
Tax effect under consolidated income tax systems	(270,269)	258,220
Total income tax expense	$5,641,676	$2,729,597

Income taxes relating to components of other comprehensive income

	For the three-month periods ended 30 September	
	2015	2014
Deferred tax expense (benefit)		
Unrealized valuation losses from available-for-sale financial assets	$(1,497,288)	$(225,380)
Effective portion of gains (losses) on hedging instruments in cash flow hedges	28,762	(24,793)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	5,518	-
Income taxes relating to components of other comprehensive income	$(1,463,008)	$(250,173)

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

	For the nine-month periods ended 30 September	
	2015	2014
Deferred tax expense (benefit)		
Revaluation surplus	$-	$74,726
Unrealized valuation losses from available-for-sale financial assets	(3,631,030)	(466,914)
Effective portion of gains (losses) on hedging instruments in cash flow hedges	29,886	(53,663)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(30,408)	-
Income taxes relating to components of other comprehensive income	$(3,631,552)	$(445,851)

Income taxes charged to equity

	For the three-month periods ended 30 September	
	2015	2014
Deferred tax expense (benefit)		
Capital surplus	$(231)	$-
Income taxes relating to components of equity	$(231)	$-

	For the nine-month periods ended 30 September	
	2015	2014
Deferred tax expense (benefit)		
Capital surplus	$(231)	$-
Income taxes relating to components of equity	$(231)	$-

Imputation credit information

	30 September 2015	31 December 2014	30 September 2014
Balances of imputation credit amounts	$1,519,579	$4,197,119	$3,294,739

The actual creditable ratio for 2014 and 2013 were 13.99% and 20.48%, respectively.

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

The assessment of income tax returns

As of 30 September 2015, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2009

Due to disagreements on premiums on bonds investment amortized to interest revenue, the Company has filed appeals for fiscal year of 2006 and 2007. As for the investment losses assessed and approved in 2009, the Company has filed appeals and applied for recheck lately. The appeals have no material impact on the Company as the amounts in dispute did not exceed tax losses reported for the years.

40. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

The Company and Subsidiaries did not issue dilutive potential common stock; therefore, the basic earnings per share need not be adjusted.

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014(Adjusted)	2015	2014(Adjusted)
Basic earnings per share				
Profit attributable to ordinary equity holders of the Company	$7,966,071	$9,702,171	$37,088,421	$29,167,371
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	5,306,527	5,306,527	5,306,527	5,306,527
Basic earnings per share (in dollars)	$1.50	$1.83	$6.99	$5.50

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

If foreign exchange volatility reserve was not applied, basic earnings per share would be $2.39 and $2.19 for the three-month periods ended 30 September 2015 and 2014, respectively. If foreign exchange volatility reserve was not applied, basic earnings per share would be $7.06 and $5.92 for the nine-month periods ended 30 September 2015 and 2014, respectively. If gains from recovery of special reserve for revaluation increment of property was not included, basic earnings per share would be $1.03 and $1.36 for the three-month periods ended 30 September 2015 and 2014, respectively. If gains from recovery of special reserve for revaluation increment of property was not included, basic earnings per share would be $5.58 and $4.09 for the nine-month periods ended 30 September 2015 and 2014, respectively.

41. Separate account insurance products

(1) The Company

A. Separate account insurance products – Assets and liabilities

	Assets		
Items	30 September 2015	31 December 2014	30 September 2014
Cash in bank	$5,439,681	$1,141,076	$847,829
Financial assets at fair value through profit or loss	454,267,977	454,525,369	435,459,484
Other receivables	8,104,502	6,272,327	6,077,310
Total	$467,812,160	$461,938,772	$442,384,623

	Liabilities		
Items	30 September 2015	31 December 2014	30 September 2014
Other payables	$1,194,721	$409,870	$1,192,696
Reserve for separate account – Insurance contracts	310,849,051	365,651,055	363,102,986
Reserve for separate account – Investment contracts	155,768,388	95,877,847	78,088,941
Total	$467,812,160	$461,938,772	$442,384,623

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

B. Separate account insurance products – Revenue and expenses

	Expenses			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Items	2015	2014	2015	2014
Insurance claim payments	$6,566,178	$2,997,736	$25,295,584	$20,151,511
Cash surrender value	13,813,154	11,213,232	31,788,277	43,553,928
Dividends	79	43	196	494
(Recovery of) provision for separate account reserve	(22,361,457)	(11,639,744)	(55,235,437)	33,068,420
Administrative expenses	1,081,257	1,240,286	3,301,182	3,484,415
Non-operating income and expenses	(33,243)	(34,784)	(96,469)	(97,357)
Total	$(934,032)	$3,776,769	$5,053,333	$100,161,411

	Revenue			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Items	2015	2014	2015	2014
Premium income	$5,489,229	$14,016,084	$22,901,695	$89,709,740
Interest income	277	978	1,469	9,620
(Losses) gains from financial assets and liabilities at fair value through profit or loss	(20,164,445)	(6,806,014)	(14,916,923)	9,207,054
Foreign exchange (losses) gains	13,740,907	(3,434,279)	(2,932,908)	1,234,997
Total	$(934,032)	$3,776,769	$5,053,333	$100,161,411

C. The commission earned for the sales of separate account insurance products from counterparties for the three-month periods ended 30 September 2015 and 2014 were $330,710 thousand and $439,460 thousand, respectively. The commission earned for the sales of separate account insurance products from counterparties for the nine-month periods ended 30 September 2015 and 2014 were $1,038,608 thousand and $1,960,294 thousand, respectively.

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

(2) Cathay Lujiazui Life

A. Separate account insurance products – Assets and liabilities

Items	Assets 30 September 2015	31 December 2014	30 September 2014
Cash in bank	$22,356	$20,799	$31,207
Financial assets at fair value through profit or loss	157,839	307,026	299,216
Interest receivable	49	179	71
Other	261	-	-
Total	$180,505	$328,004	$330,494

Items	Liabilities 30 September 2015	31 December 2014	30 September 2014
Other payables	$460	$411	$3,176
Reserve for separate account	165,283	312,349	313,647
Other	14,762	15,244	13,671
Total	$180,505	$328,004	$330,494

B. Separate account insurance products – Revenue and expenses

	Expenses			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Items	2015	2014	2015	2014
Cash surrender value	$87,684	$28,901	$255,970	$74,208
Administrative expenses	914	1,075	3,267	3,376
Tax expenses	(4,077)	152	-	152
Interest expense	-	1	-	6
(Recovery of) provision for separate account reserve	(144,443)	426	(149,757)	(25,240)
Total	$(59,922)	$30,555	$109,480	$52,502

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

	Revenue			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Items	2015	2014	2015	2014
Premium income	$1,015	$406	$10,187	$14,233
Interest income	30	45	109	153
Tax expenses	765	(107)	765	-
(Losses) gains from financial assets and liabilities at fair value through profit or loss	(61,732)	30,211	98,419	38,116
Total	$(59,922)	$30,555	$109,480	$52,502

42. Business combinations

(1) Approved by the board of directors, the Company has participated and won the public auction for assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. The public auction holder, Taiwan Insurance Guaranty Fund, provided compensation of $30,300,000 thousand for the takeover. The price for acquiring the assets, liabilities and operations of the target firms would be adjusted based on the effect on the equity resulted from the amount changes in the designated accounts on 1 July 2015. Pursuant to IFRS 3 *Business Combinations*, the Company recognized goodwill at the excess of fair value of the identifiable net assets and the aggregation of the consideration transferred.

The assumed assets, liabilities and goodwill generated from the business combination on 1 July 2015 are disclosed as follows (reserved assets and liabilities are not assumed and thus are excluded):

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

	Fair value recognized on the acquisition date	
Purchase consideration (Compensation received)		$(30,300,000)
Cash and cash equivalents	$16,157,186	
Receivables	1,026,998	
Financial assets at fair value through profit or loss	463,179	
Available-for-sale financial assets	8,779,212	
Debt instrument investments for which no active market exists	54,801,260	
Investment property	2,609,545	
Loans	9,795,866	
Reinsurance assets	130,977	
Property and equipment	57,038	
Intangible assets (Franchises and computer software)	37,676,033	
Other assets	3,032,899	
Separate account product assets	431,208	
Payables	(503,929)	
Financial liabilities at fair value through profit or loss	(126,168)	
Insurance liabilities	(166,649,257)	
Foreign exchange volatility reserve	(248,318)	
Provisions	(5,220)	
Other liabilities	(215,691)	
Separate account product liabilities	(431,208)	
Identifiable net assets acquired at fair value	$(33,218,390)	
Acquisition ratio	100%	
Intangible assets (Goodwill)		$2,918,390

The fair value of the abovementioned receivables is $10,822,864 thousand. The Company and Subsidiaries expect that the assumed investments from business combination would be recovered from settlement or repayment when due.

In accordance with Order No. Financial-Supervisory-Insurance-Corporate-10402029590, the Company recognized special capital reserve amount to $34,764,311 thousand. The amount was originally recognized in insurance liabilities.

The goodwill of $2,918,390 thousand comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized. Due to the contractual terms imposed on acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets*. The goodwill recognized is expected to be fully deductible for income tax purposes.

From the acquisition date, the acquisition of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. has no effect on the revenue from the continuing operations or income from continuing operations before income tax of the Company and Subsidiaries. If the combination had taken place at the beginning of the year, revenue from the continuing operations would have been $544,850,635 thousand and income from continuing operations before income tax for the Company and Subsidiaries would have been $40,654,324 thousand.

(2) Acquisition of subsidiary

On 18 September 2015, the Company and Subsidiaries acquired 100% of the equity of Conning Holdings Limited with $7,839,676 thousand cash and have obtained control of Conning Holdings Limited. The Company and Subsidiaries have acquired Conning Holdings Limited because the acquisition accomplished the Company and Subsidiaries' vision for developing global asset management business to improve the efficiency of insurance fund allocation.

The fair value of the identifiable assets and liabilities of the subsidiaries mentioned above as at the date of acquisition were disclosed as follows:

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

	Fair value recognized on the acquisition date	
Purchase consideration		$7,839,676
Cash and cash equivalents	$861,131	
Receivables	859,351	
Debt instrument investments for which no active market exists	2,956	
Property and equipment	131,862	
Intangible assets (Except for goodwill)	2,877,684	
Other assets	139,081	
Payables	(955,402)	
Provisions	(253,643)	
Deferred tax liabilities	(32,530)	
Other liabilities	(85,681)	
Non-controlling interests	(78,765)	
Identifiable net assets acquired at fair value	$3,466,044	
Acquisition ratio	100%	
Intangible assets (Goodwill)		$4,373,632

From the acquisition date, the acquisition of Conning Holdings Limited has no effect on the revenue from the continuing operations or income from continuing operations before income tax of the Company and Subsidiaries. If the combination had taken place at the beginning of the year, revenue from the continuing operations would have been $538,242,583 thousand and the income from continuing operations before income tax for the Company and Subsidiaries would have been $43,047,731 thousand.

At the date of approval and issuance of the consolidated financial statements, the market value and pertinent amount have not yet been determined; therefore, the abovementioned amount are disclosed at managements' best estimate.

43. Risk management for insurance contracts and financial instruments

Risk management objectives, policies, procedures and methods:

(1) Objectives of risk management

The Company's risk management policy aims to promote operational efficiency, to ensure assets safety, to increase shareholder value, and to comply with any and all applicable laws and regulations for the purpose of steady growth and sustainable management.

(2) Framework of risk management, organization structure and responsibilities

A. Board of directors

a. The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and allocate resources in the most effective manner.

b. The board of directors together with senior management should promote and execute risk management policies and standards. Furthermore, they should keep the policies and standards in line with the Company's operational objective and strategy.

c. The board of directors should be aware of the risk arising from daily operations, ensure the effectiveness of risk management and bear the ultimate responsibility for risk management.

d. The board of directors should delegate authority to risk management department to deal with violation of risk limits by other departments.

B. Risk management committee

a. The committee should develop the risk management policies, framework and organizational function and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing such policies and standards to the board regularly and making necessary suggestions for improvement.

b. The committee should execute the risk management decisions made by the board of directors and evaluate the results of developing and executing risk management mechanisms.

c. The committee should assist and monitor the risk management activities.

d. The committee should adjust the risk category, risk limits and risk taking tendency according to the change of the environment.

e. The committee should enhance cross-department interaction and communication.

C. Chief Risk Officer

a. The Chief Risk Officer should maintain independence and should not concurrently play a business or financial role nor hold a position in any profit center of the Company.

b. The Chief Risk Officer should be able to access any and all information which may have an impact on risk overview of the Company.

c. The Chief Risk Officer should be in charge of overall risk management of the Company.

d. The Chief Risk Officer should participate in the company’s important decision-making process and express opinions from a risk management perspective.

D. Risk management department

a. The department is responsible for monitoring, measuring and evaluating daily risks and should perform its duties independently.

b. The department should perform the following functions with regard to different business activities:

(A) Propose and execute the risk management policies set by the board of directors.
(B) Suggest the risk limits based on risk appetite.
(C) Summarize the risk information provided by all departments, facilitate the execution of the policies and discuss the risk limits with departments respectively.
(D) Regularly generate risk management related reports.
(E) Regularly review all department’s risk limits and cope with the violation of such limits.
(F) Execute stress testing.
(G) Execute back testing if necessary.
(H) Manage other risk management related issues.

E. Business Units

a. Identify and measure risks and report risk exposure and potential influence against the Company on time.

b. Regularly review the risk limits and in the event of any excess of such limits, the designated person shall report such excess along with what actions have been taken against it.

c. Assist to develop the risk model and to ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.

d. Ensure that internal control procedure are executed effectively to comply with applicable laws and regulations and the Company's risk management policies.

e. Assist to collect operational risk related data.

f. Manager(s) of each business unit shall be responsible for daily risk management and risk reporting of such unit if necessary and take necessary measures in response to such risks.

g. Manager(s) of each business unit shall procure such unit to disclose risk management related information regularly to the risk management department.

F. Audit department

The department is required to oversee risk management policies execution among all departments pursuant to the applicable laws and regulations and the Company's risk management policies.

Each subsidiary's risk management department or related unit should develop risk management policies based on each subsidiary's operating nature and needs, and should provide risk management report to the Company's risk management department periodically. The Company's risk management department will summarize all subsidiaries' reports and provide them to risk management committee for future reference at regular intervals.

(3) The range and types of risk assessment and reporting

The Company's procedures for risk management include risk identification, risk measurement, risk control and risk reporting. The Company sets its management standards for a broad variety of risks as specified below, i.e. market risk, credit risk, sovereign risk, liquidity risk, operational risk, insurance risk, and assets/liability management, as well as for capital adequacy. The Company also develop methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

A. Market risk

This risk can be defined as the risk of losses in value of the Company's financial assets arising from adverse movements in market prices of financial instruments. The Company applies one-week 95% and 99% value-at-risk (VaR) to measuring market risk. The Company also use back testing regularly to ensure the accuracy of the market risk model. Furthermore, the Company applies scenario analysis and stress testing to evaluating the change in value of certain asset groups due to significant domestic and/or international events. In response to the enforcement of foreign exchange volatility reserve, the Company determines the ceiling of foreign exchange risk, implements early warning system and also monitors foreign exchange risk regularly.

B. Credit risk

This risk refers to the Company's losses due to the default of debtors. The measurements that the Company uses include credit rating, concentration analysis and value-at-risk (VaR) under 95% confidence level. Furthermore, the Company applies scenario analysis and stress testing to evaluating the change in value of the asset groups due to significant domestic and/or international events.

C. Sovereign risk

It means that the Company suffers losses from investment in a specific country as a consequence of market price fluctuation or government's default stemming from local political and/or economic situations. The Company takes international credit rating agencies' ratings and other economic indicators into consideration to measure the sovereign risk and to set the investment ceiling for specific countries. The Company reviews and adjusts the ceiling on a regular basis.

D. Liquidity risk

Liquidity risk includes “Funding liquidity risk” and “Market liquidity risk”. The former is the risk of insufficient funding to meet the Company’s commitment when due. The Company uses current ratio to measure funding liquidity risk and maintains the ratio below the index of high risk. Relevant business units have established funding communication system and the risk management department manages funding liquidity based on the information provided by such units. Furthermore, business units have also built up their own cash flow analysis models and monitor the result of the analysis. They also set the annual assets allocation plan to better maintain the liquidity of funding. “Market liquidity risk” occurs when drastic change of market price is triggered by market turmoil or lack of market depth. All investment departments have evaluated the market trading volumes and adequacy of holding positions based on the characteristics and objectives of current investment portfolio.

E. Operational risk

This risk occurs when there are errors caused by internal process, employee(s), system breakdown or external issues such as legislative risk; however, strategic risk and reputation risk are excluded. The Company had set the standard operating procedure based on all characteristics of operations and established losses reporting system as well to collect and manage information with respect to losses resulting from operational risk.

F. Insurance risk

The Company assumes that certain risks transfer from policy holders to the Company after collecting premiums from policy holders and, as a result, the Company may bear a loss for paying a claim due to unexpected changes. This risk generally happens because of the policy design, pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

G. Asset and liability matching risk

It happens when the changes in the value of assets and liabilities are not equal. The Company measures the risk with capital costs, duration, cash flow management and scenario analysis.

H. Risk-based capital (RBC) ratio

The RBC ratio regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies is the total capital of the Company divided by the Company's risk-based capital. The Company regards such ratio as an indicator for capital adequacy.

(4) The process of assuming, measuring, monitoring and controlling risks and the way to determine a proper risk classification, a premium level and underwriting policies

A. The process of assuming, measuring, monitoring and controlling risks

a. Promulgate the Company's risk management standards including the definitions and range of risks, management structure, risk management indexes and other risk management measures.

b. Establish methods to evaluate insurance risks.

c. Regularly provide the insurance risk management report to be reviewed by the risk management committee and as a reference to developing insurance risk management strategies.

d. When an exceptional risk event occurs, the affected departments should propose possible solutions to the risk management committee in the Company and that in the Cathay Financial Holdings.

B. The way to determine a proper risk classification, a premium level and underwriting policies

a. Underwriters should, at all times, comply with certain relevant rules of financial underwriting which includes checking insurance notification database for exceptional cases and consider the amount insured, type of insurance, age, family status, reason for insurance, employment status, financial situation etc. to determine whether an insurance policy is suitable and affordable for the potential policyholder.

b. The Company has an underwriting team dealing with controversial cases with regard to new contracts and changes of the terms and conditions and having the right to interpret relevant underwriting standards.

c. The Company has a special panel for major insurance projects to enhance risk management over such projects and avoid adverse selection and moral hazard.

(5) The scope of insurance risk assessment and management from a company-wise perspective

A. Insurance risk assessment covers the following topics:

a. Product design and pricing risk: This risk arises from improper design of products, terms and conditions and pricing attributable to using the unsuitable and/or inconsistent information and/or facing unexpected changes.

b. Underwriting risk: Unexpected losses arise from soliciting business, underwriting activities and approval, other expenditure activities, etc.

c. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk or a reinsurer fails to fulfill its responsibility that results in losses in premium, claims or non-reimbursed expenses.

d. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating and solvency.

e. Claim risk: This risk arises from mishandling claims.

f. Risk of insufficient reserve: It happens when the Company does not have sufficient reserves to fulfill its obligations owing to underestimating its liabilities.

B. The scope of management of insurance risk

a. Build up a top-down framework of the Company's insurance risk management and empower relevant parties to execute risk management.

b. Establish the Company's insurance risk management standards including the definitions and types of risks, management of the structure, risk management indexes and other risk management measures.

c. Develop action plans in consideration of the Company's growth strategy and the global financial environment.

d. Determine methods to measure insurance risks.

e. Regularly provide insurance risk management report for supervision and as a reference to initiate insurance management strategy.

f. Manage other risk management issues.

(6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The method that the Company mainly uses to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk is the reinsurance management plan which is made considering the Company's risk profiling and risk taking ability, legal issues and technical factors. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

(7) Asset/liability management

A. The Company has an asset/liability management committee to establish management structure, to ensure full application of the management policy, to integrate human capital and resources, to review the strategy and practice regularly and, furthermore, to reduce all types of risks.

B. Authorized departments will review the measurement of asset/liability management regularly and report to the asset/liability management committee regularly; following that, the results will be sent to the risk management committee of the Company. Furthermore, the annual report should be delivered to the risk management committee of the Cathay Financial Holdings.

C. When an exceptional situation occurs, the affected departments should propose possible solutions to the asset/liability management committee, the risk management committee in the Company and that in the Cathay Financial Holdings.

(8) The procedure to manage, monitor and control a special event which results in extra liability to be taken or extra owner equity to be committed

Pursuant to the applicable laws and regulations, the Company is required to maintain a certain Risk-based capital (RBC) ratio. In order to enhance the Company's capital management and to comply with such RBC ratio, the Company has established a set of capital adequacy management standards as follows:

A. Capital adequacy management

a. Regularly provide capital adequacy management reports and analysis to the finance department of the Cathay Financial Holdings.

b. Regularly provide the risk management committee the capital adequacy management analysis report.

c. Conduct scenario analysis to figure out how the use of funding, the changes of the financial environment or the amendments of applicable laws and regulations can affect RBC ratio.

d. Regularly review RBC ratio and related control standards to ensure a solid capital adequacy management.

B. Exception management process

When RBC ratio exceeds the standard given or other exceptions occur, the Company is required to notify the risk management department and finance department of the Cathay Financial Holdings together with the capital adequacy analysis report and possible solution(s).

(9) Risk mitigation and avoidance policies and risk monitoring procedures

A. The Company also enters into derivative transactions such as stock index options, index futures, interest rate future, interest rate swaps, currency forwards, cross currency swap and credit default swaps to hedge risks arising from investments, such as equity risk, interest rate risk, foreign exchange risk and credit risk; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

B. Hedging instrument against business risks and implementation are made preliminarily based on the risk tolerance levels. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

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

C. The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

(10) The policies and procedures against the concentration of credit and investment risks

Credit and investment limits to a group of companies are set by the Company. When such limits have been reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loan or make investment to such group in general. However, if there is any individual reason to require the Company to undertake it, the expected investment or loan needs to be reviewed by the loan review or investment decision committee and approved by the risk management department of the Cathay Financial Holdings.

44. Information of insurance risk

(1) Sensitivity of insurance risk – Insurance contracts and financial instruments with discretionary participation features

A. The Company

	For the nine-month period ended 30 September 2015		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	1,583,923	1,314,656
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	2,089,162	1,734,005
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	209,782	174,119
Rate of return	+0.1%	Increase 3,101,475	Increase 2,574,224
Rate of return	-0.1%	Decrease 3,103,762	Decrease 2,576,123

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

	For the nine-month period ended 30 September 2014		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	1,524,914	1,265,679
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,878,291	1,558,982
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	312,099	259,042
Rate of return	+0.1%	Increase 2,766,049	Increase 2,295,821
Rate of return	-0.1%	Decrease 2,768,089	Decrease 2,297,514

B. Cathay Lujiazui Life

	For the nine-month period ended 30 September 2015		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	94,110	70,582
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	64,019	48,014
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	20,416	15,312
Rate of return	+0.25%	Increase 334,723	Increase 251,042
Rate of return	-0.25%	Decrease 380,170	Decrease 285,128

	For the nine-month period ended 30 September 2014		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	74,254	55,690
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	59,220	44,415
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	23,627	17,720
Rate of return	+0.25%	Increase 238,815	Increase 179,112
Rate of return	-0.25%	Decrease 271,241	Decrease 203,431

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

C. Cathay Life (Vietnam)

	For the nine-month period ended 30 September 2015		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	173	135
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	8,221	6,413
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	735	573
Rate of return	+0.1%	Increase 2,945	Increase 2,297
Rate of return	-0.1%	Decrease 2,947	Decrease 2,299

	For the nine-month period ended 30 September 2014		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	85	67
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	6,999	5,459
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	393	306
Rate of return	+0.1%	Increase 2,643	Increase 2,062
Rate of return	-0.1%	Decrease 2,645	Decrease 2,063

a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the nine-month periods ended 30 September 2015 and 2014. The influence on equities of the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) is assumed that the income tax is calculated on pre-tax income at rates of 17%, 25% and 22% individually.

b. An increase (decrease) of 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity. The result of the test shows the Company's adequacy. However, if the discount rate keeps declining significantly, income before tax and equity will probably be affected.

c. Sensitivity Test

(A) Mortality/Morbidity test is executed by multiplying mortality, morbidity and the occurrence rate of injury insurance by the changes of assumptions and results in the corresponding changes in income before tax.

(B) Expense sensitivity is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by the changes of assumptions and results in the corresponding changes in income before tax.

(C) Surrender rate sensitivity test is executed by multiplying surrender rate by the changes of assumptions and results in the corresponding changes in income before tax.

(D) The rate of returns sensitivity test is executed by multiplying the rate of returns (Note 2) increases (decreases) by the changes of assumptions and results in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating expenses included in operating costs as well as business expenses, administration expenses and training expenses included in operating expenses.

Note 2: The rate of returns is measured by 2 x (net profits or losses on investment – finance costs) / (the beginning balance of usable capital + the ending balance of usable capital – net profits or losses on investment + finance costs) and it needs to be annualized.

(2) Interpretation of concentration of insurance risks

The Company's insurance business is mainly in Taiwan, Republic of China. All the insurance policies have similar risks of exposure, for example, the exposure of the unexpected changes in trend (ex: mortality, morbidity, and lapse rate), the exposure of multiple insurance contracts caused by single specific event (ex: the simultaneous exposure of life insurance, health insurance, and accidental insurance caused by one earthquake). The Company reduces the risk of exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

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

The Company reviews the profits and losses on compensation and the capability of assuming risk as a whole periodically. The Company will also evaluate the retention amount according to the risk features and approve by competent authority. For the excess of retention amount, the Company cedes this portion of amounts to reinsurers. At the same time, the Company takes the possibility of unexpected human and natural disasters into account periodically and estimates the reasonable maximum amount of losses from retained risks. The Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the range of losses. Hence, the insurance risk to some extent has been diversified to reduce the potential impact on unexpected losses.

Furthermore, according to “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the annual increase of after-tax amount of special capital reserve for major incidents and fluctuation of risks for the abnormal changes of the loss ratio of each type of insurance and claims needs to be recognized and recorded in special capital reserve of equity in accordance with IAS 12.

(3) Claim development trend

A. The Company

a. Direct business development trend

	Development year								Expected
Accident year	1	2	3	4	5	6	7	Ultimate claim	future payment
2009	18,936,765	22,174,762	22,467,101	22,555,725	22,612,133	22,644,896	22,663,763	22,702,551	38,788
2010	14,400,027	17,650,397	17,933,114	18,022,949	18,094,831	18,122,433	18,139,734	18,144,135	21,702
2011	15,168,943	18,795,885	19,145,224	19,243,043	19,297,878	19,329,595	19,348,002	19,353,460	55,582
2012	15,116,152	18,469,124	18,791,133	18,884,255	18,939,938	18,968,661	18,985,797	18,990,053	105,798
2013	14,163,099	17,585,826	17,907,950	17,982,797	18,024,214	18,047,223	18,062,242	18,066,366	158,416
2014	14,347,348	17,747,138	18,031,588	18,105,452	18,145,540	18,168,307	18,183,665	18,187,296	440,158
2015	14,678,915	17,907,683	18,187,924	18,260,081	18,298,757	18,321,029	18,336,273	18,340,152	3,819,020

Expected future payment	$4,639,464
Less: Expected reported but not paid claim	116,180
Add: Assumed reserve for incurred but not reported claim	58,921
Reserve for unreported claim	4,582,205
Add: Reported but not paid claim	473,982
Claims reserve balance	$5,056,187

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

b. Retained business development trend

Accident year	Development year								Expected future payment
	1	2	3	4	5	6	7	Ultimate claim	
2009	17,825,362	20,725,695	20,984,483	21,063,956	21,118,149	21,144,651	21,163,793	21,194,538	30,745
2010	12,547,076	15,122,349	15,319,936	15,392,411	15,463,216	15,491,250	15,508,814	15,512,059	20,809
2011	13,215,428	16,091,737	16,346,395	16,435,216	16,490,625	16,522,661	16,541,352	16,545,390	54,765
2012	13,287,366	16,026,940	16,316,886	16,409,137	16,465,547	16,494,659	16,512,142	16,515,517	106,380
2013	12,856,509	16,055,245	16,379,599	16,455,204	16,497,445	16,520,894	16,536,306	16,539,701	160,102
2014	14,332,897	17,744,652	18,031,266	18,105,484	18,146,171	18,169,258	18,184,901	18,187,877	443,225
2015	14,743,581	17,991,003	18,274,594	18,347,460	18,386,887	18,409,560	18,425,160	18,428,428	3,822,211

Note: Retained business equals direct business plus assumed reinsurance business less ceded reinsurance business.

Expected future payment	$4,638,237
Less: Expected reported but not paid claim	116,180
Add: Reported but not paid claim	457,135
Retained claims reserve balance	$4,979,192

B. Cathay Lujiazui Life

a. Direct business development trend

Accident year	Development year							Expected future payment
	1	2	3	4	5	6	7	
2008Q4~2009Q3	29	57	59	59	59	59	59	-
2009Q4~2010Q3	873	3,510	3,523	3,523	3,523	3,523	3,523	-
2010Q4~2011Q3	10,026	19,311	20,166	20,166	20,166	20,166	20,166	-
2011Q4~2012Q3	55,281	124,916	131,472	131,472	131,472	131,472	131,472	-
2012Q4~2013Q3	103,918	207,970	221,282	221,282	221,282	221,282	221,282	-
2013Q4~2014Q3	139,874	385,016	405,443	405,443	405,443	405,443	405,443	20,427
2014Q4~2015Q3	159,009	512,411	515,284	515,284	515,284	515,284	515,284	356,275

Expected future payment	$376,702
Less: Expected reported but not paid claim	(34,505)
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	342,197
Add: Reported but not paid claim	41,562
Claims reserve balance	$383,759

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

b. Retained business development trend

Accident year	Development year							Expected future payment
	1	2	3	4	5	6	7	
2008Q4~2009Q3	29	57	59	59	59	59	59	-
2009Q4~2010Q3	873	3,510	3,523	3,523	3,523	3,523	3,523	-
2010Q4~2011Q3	10,026	19,311	20,166	20,166	20,166	20,166	20,166	-
2011Q4~2012Q3	55,281	124,916	131,472	131,472	131,472	131,472	131,472	-
2012Q4~2013Q3	103,918	207,824	221,133	221,133	221,133	221,133	221,133	-
2013Q4~2014Q3	129,019	391,355	403,349	403,349	403,349	403,349	403,349	11,994
2014Q4~2015Q3	149,058	500,801	513,050	513,050	513,050	513,050	513,050	363,992

Note: Retained business equals direct business plus assumed reinsurance less ceded reinsurance business.

Expected future payment	$375,986
Less: Expected reported but not paid claim	(34,505)
Add: Reported but not paid claim	41,562
Retained claims reserve balance	$383,043

The Company and Cathay Lujiazui Life recognize claims 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 reserving for claim. 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. Some claims are delayed in notifying the Company and Cathay Lujiazui Life. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experiences. Thus, uncertainty exists that the estimated claims reserve for claim payments on the balance sheet date will not be equal to the final settled amount of claim payments. The claims reserve recorded on the book is estimated based upon the currently available information. However, the final amount probably will deviate from the original estimates because of the follow-up developments of the claim events.

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

The chart above has shown the development trend of claim payments. The event 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; the dollar amount showing above the diagonal line represents the settlement cases in that specific event year with the corresponding accumulated dollar amounts in the end of the year; the dollar amount shown below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each event year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for the claims reserve in current year will be different from that in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by this chart.

On 1 July 2015, the Company acquired assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd.. However, these three companies disclose claim payments differently in both calculation methods and disclosure period in the “direct business development trend table” and “retained business development trend table”. For the accumulated claims of each event year presented above the diagonal line in the table, the Company originally disclosed the actual amount from the 4th quarter of prior year to the 3rd quarter of current year for each corresponding year. Nonetheless, Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. disclosed the amount from the 1st quarter to the 4th quarter of current year for each year. In addition, both companies disclosed the amounts for 2015 with estimated annualized amounts and actual amounts for previous years. Also, both companies’ accumulated claim payments for 2009 included claims prior to 2009 while claims prior to 2009 is not included in that of the Company’s. On the other hand, the Company and Singfor Life Insurance Co., Ltd. recognized only the claims paid in accumulated claims though Global Life Insurance Co., Ltd. recognized both paid and unpaid claims in accumulated claims.

C. Cathay Life (Vietnam)

Direct business development trend (and retained business development trend)

	Development year				
Accident year	1	2	3	4	5
2010Q4~2011Q3	240	339	339	339	339
2011Q4~2012Q3	1,116	1,291	1,291	1,291	1,291
2012Q4~2013Q3	847	927	927	927	927
2013Q4~2014Q3	667	763	763	763	763
2014Q4~2015Q3	1,208	1,389	1,389	1,389	1,389

The chart above has shown the development trend of claim payments. The event 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; the dollar amount shown above the diagonal line represents the settlement cases in that specific event year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount shown below the diagonal line represents the accumulated estimated dollar amounts that need to be paid for each event year as time passes.

Cathay Life (Vietnam) recognizes claims reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). The estimation method of unreported claims is earned premium multiplied by the loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by Vietnam local authorities. Thus, the expected future payment amount for the settlement cases cannot be determined by this chart. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experiences. Thus, uncertainty exists that the estimated claims reserve for claim payments on the balance sheet date will not be equal to the final settled amount of claim payments.

45.Credit risk, liquidity risk, and market risk for insurance contracts

(1) Credit risk

This risk represents the Company’s financial loss due to the default of reinsurers; therefore, may cause impairment of reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of concentration of credit risk in reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company’s “Reinsurance Risk Management Plan” and “Evaluation Standards for Reinsurers”.

The credit ratings of the Company’s reinsurers are satisfactory and above certain level, complying with the Company’s internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company in terms of assets; therefore, no significant credit risks exist.

(2) Liquidity risk

The chart below is the analysis (undiscounted) of insurance contracts and net cash flows of liabilities of financial instruments with discretionary participation features. The figures shown in this chart are the total insurance payments and expenses of valid insurance contracts at specific times in the future on the balance sheet date. The actual future payment amounts will not be the same as expected due to the difference between the actual and expected experiences.

Unit: Billion

30 September 2015	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments with discretionary participation features	$(104.1)	$27.5	$15,276.8

Note: Separate account products are not included.

(3) Market risk

When the Company measures insurance liabilities, the discounted rate required by the regulator is applied. The regulator reviews the discount rate assumption which has been used for reserves periodically. However, the discount rate assumption does not move at the same time in the same direction with the market price and interest rate, and is only applied to new businesses. Thus, those possible variables in market risk to the Company's valid insurance contacts have slight impact on profit and loss or equity. When the regulator changes the discount rate assumption possibly and reasonably, this change will have the impact of different range on profit and loss or equity depending upon the level of change it has been made and the overall company product portfolio. Furthermore, the reasonably possible change on the market risk will probably have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonably possible changes of current market risk, it has little impact on the adequacy of current recognized insurance liabilities.

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

46. Credit risk, liquidity risk and market risk of financial instrument

(1) Credit risk analysis

A. Sources of credit risk

Credit risks from financial transactions include issuer credit risk, counterparty risk and underlying assets credit risk:

a. Issuer credit risk represents a risk that the Company may suffer financial losses for holding debt instruments or bank savings because the issuers (guarantors) or banks are not able to repay due to default, bankruptcy, liquidation or any other similar circumstances.

b. Counterparty credit risk refers to the risk that the counterparty will not meet its obligations to perform or pay as and when due and, as a result, the Company will bear financial losses.

c. Underlying asset credit risk means the risk that the Company may suffer losses arising from deterioration of the credit quality and/or credit rating, increase of credit risk premium or breach of any contract terms of any underlying assets to certain financial instruments.

B. Concentration risk

Regional distribution of credit risk exposure for financial assets of the Company:

30 September 2015

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$105,574,379	$2,038,653	$10,482,184	$96,716,745	$16,785,028	$231,596,989
Financial assets at fair value through profit or loss	14,569,603	557,047	7,115,779	7,841,983	-	30,084,412
Available-for-sale financial assets	267,946,184	25,782,260	61,444,015	138,289,508	54,083,949	547,545,916
Derivative financial assets for hedging	146,337	-	23,880	217,481	-	387,698
Debt instrument investments for which no active market exists	99,350,457	116,752,199	308,154,677	768,855,405	433,467,454	1,726,580,192
Held-to-maturity financial assets	24,607,280	-	-	-	-	24,607,280
Other financial assets	21,500,000	-	3,500,000	-	-	25,000,000
Total	$533,694,240	$145,130,159	$390,720,535	$1,011,921,122	$504,336,431	$2,585,802,487
Proportion	20.7%	5.6%	15.1%	39.1%	19.5%	100.0%

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

31 December 2014

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$155,570,924	$65,064	$15,377,951	$81,151,066	$78,106,409	$330,271,414
Financial assets at fair value through profit or loss	6,057,829	148,380	12,036,445	5,534,312	-	23,776,966
Available-for-sale financial assets	327,471,560	25,955,362	72,891,378	141,313,916	47,748,463	615,380,679
Derivative financial assets for hedging	67,020	-	60,579	85,299	-	212,898
Debt instrument investments for which no active market exists	74,913,829	85,686,191	252,923,226	508,886,440	330,452,150	1,252,861,836
Held-to-maturity financial assets	24,092,675	-	-	-	-	24,092,675
Other financial assets	35,700,000	-	3,500,000	-	-	39,200,000
Total	$623,873,837	$111,854,997	$356,789,579	$736,971,033	$456,307,022	$2,285,796,468
Proportion	27.3%	4.9%	15.6%	32.2%	20.0%	100.0%

30 September 2014

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$178,792,102	$58,875	$4,986,966	$89,014,677	$140,994,871	$413,847,491
Financial assets at fair value through profit or loss	6,168,316	1,477,065	2,702,897	2,288,091	-	12,636,369
Available-for-sale financial assets	357,360,233	30,424,080	68,549,107	138,022,935	40,132,362	634,488,717
Derivative financial assets for hedging	61,661	-	64,037	20,569	-	146,267
Debt instrument investments for which no active market exists	59,457,091	79,238,065	233,735,291	428,138,264	287,027,117	1,087,595,828
Held-to-maturity financial assets	19,989,553	-	-	-	-	19,989,553
Other financial assets	35,700,000	-	3,500,000	-	-	39,200,000
Total	$657,528,956	$111,198,085	$313,538,298	$657,484,536	$468,154,350	$2,207,904,225
Proportion	29.8%	5.0%	14.2%	29.8%	21.2%	100.0%

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

C. Credit Quality

Classification of credit quality for financial assets of the Company:

30 September 2015

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade or unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$231,596,989	$-	$-	$-	$-	$231,596,989
Financial assets at fair value through profit or loss	28,205,562	1,878,850	-	-	-	30,084,412
Available-for-sale financial assets	544,885,485	2,660,431	-	-	-	547,545,916
Derivative financial assets for hedging	387,698	-	-	-	-	387,698
Debt instrument investments for which no active market exists	1,705,782,779	20,797,413	-	430,664	(430,664)	1,726,580,192
Held-to-maturity financial assets	24,607,280	-	-	-	-	24,607,280
Other financial assets	25,000,000	-	-	-	-	25,000,000
Total	$2,560,465,793	$25,336,694	$-	$430,664	$(430,664)	$2,585,802,487
Proportion	99.0%	1.0%	-	0.0%	0.0%	100.0%

31 December 2014

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade or unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$330,271,414	$-	$-	$-	$-	$330,271,414
Financial assets at fair value through profit or loss	21,699,393	2,077,573	-	-	-	23,776,966
Available-for-sale financial assets	613,929,204	1,451,475	-	735,000	(735,000)	615,380,679
Derivative financial assets for hedging	212,898	-	-	-	-	212,898
Debt instrument investments for which no active market exists	1,244,093,897	8,767,939	-	412,334	(412,334)	1,252,861,836
Held-to-maturity financial assets	24,092,675	-	-	-	-	24,092,675
Other financial assets	39,200,000	-	-	-	-	39,200,000
Total	$2,273,499,481	$12,296,987	$-	$1,147,334	$(1,147,334)	$2,285,796,468
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

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

30 September 2014

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade or unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$413,847,491	$-	$-	$-	$-	$413,847,491
Financial assets at fair value through profit or loss	10,479,460	2,156,909	-	-	-	12,636,369
Available-for-sale financial assets	632,613,078	1,875,639	-	735,000	(735,000)	634,488,717
Derivative financial assets for hedging	146,267	-	-	-	-	146,267
Debt instrument investments for which no active market exists	1,081,830,667	5,765,161	-	395,668	(395,668)	1,087,595,828
Held-to-maturity financial assets	19,989,553	-	-	-	-	19,989,553
Other financial assets	39,200,000	-	-	-	-	39,200,000
Total	$2,198,106,516	$9,797,709	$-	$1,130,668	$(1,130,668)	$2,207,904,225
Proportion	99.6%	0.4%	-	0.1%	(0.1)%	100.0%

Note: Investment grade assets refer to those with credit rating of at least BBB- granted by a credit rating agency; non-investment grade assets are those with credit rating lower than BBB- granted by a credit rating agency.

D. Regional distribution of credit risk exposure for secured loans and overdue receivables:

30 September 2015

Location	Northern and eastern areas	Central area	Southern area	Overseas	Total
Secured loans	$347,928,029	$55,058,130	$85,056,113	$17,310,606	$505,352,878
Overdue receivables	263,770	104,636	43,335	-	411,741
Total	$348,191,799	$55,162,766	$85,099,448	$17,310,606	$505,764,619
Proportion	69%	11%	17%	3%	100%

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

31 December 2014

Location	Northern and eastern areas	Central area	Southern area	Overseas	Total
Secured loans	$377,723,395	$58,012,016	$93,625,433	$-	$529,360,844
Overdue receivables	146,055	102,032	39,935	-	288,022
Total	$377,869,450	$58,114,048	$93,665,368	-	$529,648,866
Proportion	71%	11%	18%	-	100%

30 September 2014

Location	Northern and eastern areas	Central area	Southern area	Overseas	Total
Secured loans	$362,635,079	$54,961,335	$92,179,381	$-	$509,775,795
Overdue receivables	60,580	87,687	17,075	-	165,342
Total	$362,695,659	$55,049,022	$92,196,456	-	$509,941,137
Proportion	71%	11%	18%	-	100%

E. Secured loans and overdue receivables

30 September 2015

Secured loans and overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	$238,174,301	$165,686,470	$46,374,202	$77,624	$3,727,582	$454,040,179	$4,424,927	$449,615,252
Corporate finance	46,186,572	4,249,341	997,047	-	291,480	51,724,440	437,312	$51,287,128
Total	$284,360,873	$169,935,811	$47,371,249	$77,624	$4,019,062	$505,764,619	$4,862,239	$500,902,380

31 December 2014

Secured loans and overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	$248,751,904	$173,044,802	$48,433,735	$110,559	$4,146,863	$474,487,863	$2,937,298	$471,550,565
Corporate finance	45,860,895	4,087,364	1,296,959	-	3,915,785	55,161,003	1,305,923	53,855,080
Total	$294,612,799	$177,132,166	$49,730,694	$110,559	$8,062,648	$529,648,866	$4,243,221	$525,405,645

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

30 September 2014

Secured loans and overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	$237,997,729	$165,563,637	$46,339,822	$171,703	$4,282,096	$454,354,987	$2,638,515	$451,716,472
Corporate finance	46,153,929	3,878,324	1,164,584	-	4,389,313	55,586,150	1,479,322	54,106,828
Total	$284,151,658	$169,441,961	$47,504,406	$171,703	$8,671,409	$509,941,137	$4,117,837	$505,823,300

F. Ageing analysis of past due but not impaired secured loans and overdue receivables:

Based on the historical default rate, the Company believes that provision for loans past due within a month is not necessary unless indicator of impairment exists.

	Past due but not impaired		
	Due in 1~2 months	Due in 2~3 months	Total
30 September 2015	$64,575	$13,049	$77,624
31 December 2014	67,555	43,004	110,559
30 September 2014	89,443	82,260	171,703

(2) Liquidity risk analysis

A. Sources of liquidity risk

Liquidity risks of the financial instruments are classified as “funding liquidity risk” and “market liquidity risk”. “Funding liquidity risk” represents the default risk that the Company is unable to turn assets into cash or obtain sufficient funds. “Market liquidity risk” represents the risk of significant changes in fair value that the Company faces when it sells or offsets its assets during market disorder.

B. Liquidity risk management

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.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situation. 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)

C. Maturity analysis of non-derivative financial liabilities:

The analysis of cash outflows to the Company and Subsidiaries is listed below and based on the residual term to maturity on balance sheet date. The disclosed amounts are in conformity of contract cash flows and the results of the differences from the disclosed amounts on consolidated balance sheet.

30 September 2015	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
Short-term debts	$354,356	$-	$-	$-	$-	$354,356
Payables	20,928,204	286,463	2,757	-	-	21,217,424
Preferred stock liability	15,122,260	-	10,466,859	5,173,005	-	30,762,124

31 December 2014	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
Short-term debts	$232,616	$-	$-	$-	$-	$232,616
Payables	19,631,268	4,366,995	140	-	-	23,998,403
Preferred stock liability	-	15,514,932	10,660,322	5,266,005	-	31,441,259

30 September 2014	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
Short-term debts	$209,198	$-	$-	$-	$-	$209,198
Payables	28,334,476	4,138,129	136	-	-	32,472,741
Preferred stock liability	-	228,866	15,897,931	15,543,328	-	31,670,125

D. Maturity analysis of derivative financial liability:

30 September 2015	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
IRS	$20,932	$23,849	$42,845	$29,123	$-	$116,749
Forward	7,031,925	435,600	-	-	-	7,467,525
CS	52,684,588	6,355,704	-	-	-	59,040,292
Option	3,568	-	-	-	-	3,568

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

31 December 2014	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
IRS	$19,020	$11,683	$17,492	$(28,827)	$-	$19,368
Forward	6,212,446	668,956	-	-	-	6,881,402
CS	35,156,563	9,210,915	69,380	-	-	44,436,858

30 September 2014	Less than six months	Due in 6~12 months	Due in 1~2 years	Due in 2~5 years	Over 5 years	Total
IRS	$4,443	$(23,766)	$(28,986)	$19,582	$59,822	$31,095
Forward	3,481,059	94,272	-	-	-	3,575,331
CS	12,141,198	2,015,091	-	-	-	14,156,289

(3) Market risk analysis

A. Sources of market risk

Market risk is the risk of losses or decrease in value of portfolio in positions arising from movements in exchange rate, product price, interest rate, credit spread, and stock price.

B. The Company and Subsidiaries assess, monitors, and manages market risks completely and effectively by applying Value at Risk (“VaR”) and stress testing consistently.

a. 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 and Subsidiaries use one-week 95% and 99% VaR to measures market risk.

b. Stress testing

The Company and Subsidiaries measure and evaluate potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models.

The Company and Subsidiaries perform 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 is to measure the dollar amount change for the portfolio value from the movement of specific risk factors.

(B) Scenario Analysis

Scenario Analysis is to measure the dollar amount changes for the total value of investment positions if possible future events occur. The types of scenario include:

(a) Historical scenario

In consideration of the fluctuation of risk factors when a specific historical event happened, 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.

Table of Stress Testing
For the nine-month period ended 30 September 2015

Risk Factors	Changes (+/-)	Gain (loss)
Equity risk (Stock index)	-10%	$(45,785,741)
Interest rate risk (Yield curve)	+20bps	(7,740,096)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(21,267,454)
Commodity risk (Price)	-10%	-

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

Table of Stress Testing
For the nine-month period ended 30 September 2014

Risk Factors	Changes (+/-)	Gain (loss)
Equity risk (Stock index)	-10%	$(46,262,447)
Interest rate risk (Yield curve)	+20bps	(7,361,518)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(19,794,802)
Commodity risk (Price)	-10%	-

Note 1: Impacts of credit spread changes are not included.
Note 2: Effects of hedging are considered.

c. Sensitivity Analysis

Summarization of Sensitivity Analysis
For the nine-month period ended 30 September 2015

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$3,294,338	$3,751,144
	CNY/CNH	appreciates 1%	1,749,092	255,635
	HKD	appreciates 1%	79,592	662,646
	EUR	appreciates 1%	240,111	121,848
	GBP	appreciates 1%	296,727	32,245
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	4,222	(133,061)
	Yield curve (AUD)	parallelly shifts up 1 bp	(59)	(3,354)
	Yield curve (EUR)	parallelly shifts up 1 bp	-	(1,592)
	Yield curve (NTD)	parallelly shifts up 1 bp	3,633	(235,930)
Equity price risk	Equity price increases 1%		66,788	4,534,981

Summarization of Sensitivity Analysis
For the nine-month period ended 30 September 2014

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$3,287,986	$2,736,760
	CNY/CNH	appreciates 1%	2,381,583	135,986
	HKD	appreciates 1%	39,807	438,116
	EUR	appreciates 1%	307,416	124,735
	GBP	appreciates 1%	203,346	43,440
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	33,837	(90,653)
	Yield curve (AUD)	parallelly shifts up 1 bp	(815)	(399)
	Yield curve (EUR)	parallelly shifts up 1 bp	(2,307)	(7,929)
	Yield curve (NTD)	parallelly shifts up 1 bp	5,143	(258,019)
Equity price risk	Equity price increases 1%		182,438	4,443,807

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

Note 1: Impacts of credit changes are not included.

Note 2: Effects of hedging are considered.

Note 3: Impacts of change in income are not included in the calculation of change in equity.

Note 4: Profit and loss on the changes in foreign currency risk sensitivity does not consider the impact from reserving or reversing foreign exchange volatility reserve.

47. Information of financial instruments

(1) Categories of financial instruments

Financial assets

Items	30 September 2015	31 December 2014	30 September 2014
Financial assets at fair value through profit or loss			
Designated at fair value through profit or loss at initial recognition	$2,354,935	$3,649,136	$3,746,133
Held for trading	64,270,134	58,569,730	57,618,933
Subtotal	66,625,069	62,218,866	61,365,066
Available-for-sale financial assets	1,260,835,576	1,306,108,517	1,219,636,482
Derivative financial assets for hedging	387,698	212,898	146,267
Held-to-maturity financial assets	26,231,804	25,940,630	21,781,445
Loans and receivables			
Cash and cash equivalents (Note)	235,472,682	332,907,182	416,557,735
Receivables	63,189,728	54,561,215	50,929,746
Debt instrument investments for which no active market exists	1,732,881,523	1,256,567,547	1,090,792,525
Other financial assets	25,000,000	39,200,000	39,200,000
Loans	654,343,838	693,095,163	675,826,813
Guarantee deposits paid	22,437,330	15,383,461	16,702,288
Subtotal	2,733,325,101	2,391,714,568	2,290,009,107
Total	$4,087,405,248	$3,786,195,479	$3,592,938,367

Note: Exclude cash on hand and revolving funds.

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

Financial liabilities

Items	30 September 2015	31 December 2014	30 September 2014
Financial liabilities at fair value through profit or loss			
Held for trading	$65,401,462	$49,783,588	$16,299,230
Derivative financial liabilities for hedging	-	-	13,397
Financial liabilities at amortized cost			
Short-term debts	354,356	232,616	209,198
Payables	21,217,424	23,998,403	32,472,741
Preferred stock liability	30,000,000	30,000,000	30,000,000
Guarantee deposits received	2,724,373	2,675,245	2,701,513
Subtotal	54,296,153	56,906,264	65,383,452
Total	$119,697,615	$106,689,852	$81,696,079

(2) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

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 following methods and assumptions were used by the Company and Subsidiaries to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivables, short-term debts and accounts payable approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

f. The Company evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Company will not default, the Company determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, 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 decides estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Company sets estimated loss given default at 60% by considering the experience of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.

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

B. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables and accounts payable whose carrying amount approximate their fair value, the fair value of the Company and Subsidiaries' financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount		
	30 September 2015	31 December 2014	30 September 2014
Financial assets			
Debt instrument investments for which no active market exists	$1,732,881,523	$1,256,567,547	$1,090,792,525
Held-to-maturity financial assets	26,231,804	25,940,630	21,781,445
Other financial assets	25,000,000	39,200,000	39,200,000

	Fair value		
	30 September 2015	31 December 2014	30 September 2014
Financial assets			
Debt instrument investments for which no active market exists	$1,710,946,003	$1,281,147,449	$1,106,690,779
Held-to-maturity financial assets	27,118,348	25,656,769	20,931,603
Other financial assets	24,821,712	39,200,000	39,200,000

(3) Hedge accounting disclosures

A. Cash flow hedges

The following table summarizes the terms of the Company and Subsidiaries' interest rate swaps for bonds used as hedging instruments as of 30 September 2015, 31 December 2014 and 30 September 2014:

30 September 2015				
Hedged item	Hedging instrument	Fair Value	Expected period of cash flow	Expected period of profit and loss recognized in the statement of comprehensive income
Floating rate bonds	IRS	$387,698	23 October 2015 ~ 26 May 2024	23 October 2015 ~ 26 May 2024

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

31 December 2014				
Hedged item	Hedging instrument	Fair Value	Expected period of cash flow	Expected period of profit and loss recognized in the statement of comprehensive income
Floating rate bonds	IRS	$212,898	23 January 2015 ~ 26 May 2024	23 January 2015 ~ 26 May 2024

30 September 2014				
Hedged item	Hedging instrument	Fair Value	Expected period of cash flow	Expected period of profit and loss recognized in the statement of comprehensive income
Floating rate bonds	IRS	$132,870	23 October 2014 ~ 26 May 2024	23 October 2014 ~ 26 May 2024

The terms of interest rate swap agreements are established based on the terms of the bonds hedged.

The Company and Subsidiaries' interest rate swap agreements are considered to be highly effective cash flow hedges. Amount of effective hedging instrument in cash flow hedges is as follows:

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014	2015	2014
Amount recognized in other comprehensive income	$169,188	$(145,837)	$175,803	$(315,665)
Amount reclassified from equity to profit or loss	778	(354)	(1,003)	(30)

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

B. Fair value hedges (Note)

The following table summarizes the terms of the Company and Subsidiaries' futures for bonds used as hedging instruments as of 30 September 2014:

30 September 2014		
Par value (USD)	Hedged item	Maturity date
$612,000	Debt instrument investments for which no active market exists	30 April 2036 ~ 27 June 2044

Note: As of 30 September 2015 and 31 December 2014, the Company and Subsidiaries did not engage in fair value hedge.

(4) Offsetting of financial assets and financial liabilities

The Company and Subsidiaries own financial instruments that do not offset in accordance with IAS 32 but it executed enforceable master netting arrangement or other similar agreements with counterparties. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting financial assets and financial liabilities is disclosed as follows:

30 September 2015

Financial assets bound by offsetting or enforceable master netting arrangement or similar agreement						
				Relevant amount that has not been offset on balance sheet		
Item	Gross amount of recognized financial assets	Gross amount of offset financial liabilities recognized on balance sheet	Net financial assets recognized on balance sheet	Financial instruments (Note)	Cash collateral received	Net amount
Derivative financial instrument	$24,989,393	$-	$24,989,393	$(24,989,393)	$-	$-

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

30 September 2015

Financial liabilities bound by offsetting or enforceable master netting arrangement or similar agreement

Item	Gross amount of recognized financial liabilities	Gross amount of offset financial assets recognized on balance sheet	Net financial liabilities recognized on balance sheet	Relevant amount that has not been offset on balance sheet: Financial instruments (Note)	Relevant amount that has not been offset on balance sheet: Cash collateral pledged	Net amount
Derivative financial instrument	$65,398,194	$-	$65,398,194	$(24,989,393)	$-	$40,408,801

31 December 2014

Financial assets bound by offsetting or enforceable master netting arrangement or similar agreement

Item	Gross amount of recognized financial assets	Gross amount of offset financial liabilities recognized on balance sheet	Net financial assets recognized on balance sheet	Relevant amount that has not been offset on balance sheet: Financial instruments (Note)	Relevant amount that has not been offset on balance sheet: Cash collateral received	Net amount
Derivative financial instrument	$17,855,720	$-	$17,855,720	$(17,855,720)	$-	$-

31 December 2014

Financial liabilities bound by offsetting or enforceable master netting arrangement or similar agreement

Item	Gross amount of recognized financial liabilities	Gross amount of offset financial assets recognized on balance sheet	Net financial liabilities recognized on balance sheet	Relevant amount that has not been offset on balance sheet: Financial instruments (Note)	Relevant amount that has not been offset on balance sheet: Cash collateral pledged	Net amount
Derivative financial instrument	$49,783,588	$-	$49,783,588	$(17,855,720)	$-	$31,927,868

30 September 2014

Financial assets bound by offsetting or enforceable master netting arrangement or similar agreement

Item	Gross amount of recognized financial assets	Gross amount of offset financial liabilities recognized on balance sheet	Net financial assets recognized on balance sheet	Relevant amount that has not been offset on balance sheet: Financial instruments (Note)	Relevant amount that has not been offset on balance sheet: Cash collateral received	Net amount
Derivative financial instrument	$2,775,890	$-	$2,775,890	$(2,775,890)	$-	$-

30 September 2014

Financial liabilities bound by offsetting or enforceable master netting arrangement or similar agreement						
				Relevant amount that has not been offset on balance sheet		
Item	Gross amount of recognized financial liabilities	Gross amount of offset financial assets recognized on balance sheet	Net financial liabilities recognized on balance sheet	Financial instruments (Note)	Cash collateral pledged	Net amount
Derivative financial instrument	$16,312,627	$-	$16,312,627	$(2,775,890)	$-	$13,536,737

Note: Master netting arrangement and non-cash collateral are included.

48. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset 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 the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

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

(2) Fair value measurement hierarchy of the Company and Subsidiaries' assets and liabilities

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

	30 September 2015			
Items	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Designated at fair value through profit or loss at initial recognition	$2,354,935	$2,354,935	$-	$-
Held for trading				
Stocks	6,452,974	6,452,974	-	-
Bonds	536,380	-	536,380	-
Other	32,572,163	30,087,684	2,484,479	-
Available-for-sale financial assets				
Stocks	483,840,513	473,033,325	2,009,720	8,797,468
Bonds	552,973,380	11,252,054	541,721,326	-
Other	224,021,683	178,953,886	16,291,475	28,776,322
Investment property (Note)	451,917,130	-	-	451,917,130
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	24,708,617	57,905	24,650,712	-
Derivative financial assets for hedging	387,698	-	387,698	-
Liabilities				
Financial liabilities at fair value through profit or loss	65,401,762	-	65,401,762	-

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

	31 December 2014			
Items	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Designated at fair value through profit or loss at initial recognition	$3,649,136	$3,649,136	$-	$-
Held for trading				
Stocks	8,616,796	8,616,796	-	-
Bonds	73,584	-	73,584	-
Other	32,124,854	29,825,104	2,299,750	-
Available-for-sale financial assets				
Stocks	479,890,497	469,234,658	1,804,071	8,851,768
Bonds	617,740,889	10,151,309	607,589,580	-
Other	208,477,131	164,742,971	21,139,679	22,594,481
Investment property (Note)	394,969,260	-	-	394,969,260
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	17,754,496	15,658	17,738,838	-
Derivative financial assets for hedging	212,898	-	212,898	-
Liabilities				
Financial liabilities at fair value through profit or loss	49,783,588	-	49,783,588	-

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

	30 September 2014			
Items	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Designated at fair value through profit or loss at initial recognition	$3,746,133	$3,746,133	$-	$-
Held for trading				
Stocks	6,453,348	6,453,348	-	-
Bonds	7,620,682	6,543,529	1,077,153	-
Other	40,807,292	38,506,042	2,301,250	-
Available-for-sale financial assets				
Stocks	419,482,919	409,804,843	111,308	9,566,768
Bonds	636,526,167	7,577,076	628,949,091	-
Other	163,627,396	123,646,992	20,711,390	19,269,014
Investment property (Note)	394,993,792	-	-	394,993,792
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	2,737,611	-	2,737,611	-
Derivative financial assets for hedging	146,267	-	146,267	-
Liabilities				
Financial liabilities at fair value through profit or loss	16,299,230	-	16,299,230	-
Derivative financial liabilities for hedging	13,397	-	13,397	-

Note: Amount of investment property excludes the parts which were measured at cost.

A. Transfers between Level 1 and Level 2

For the nine-month period ended 30 September 2015, the Company and Subsidiaries transferred stock recognized as held for trading under fair value through profit or loss, an asset measured at fair value on a recurring basis, from Level 2 to Level 1. A total of $60,383 thousand was transferred as its market price was obtainable. For the nine-month period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

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

B. Reconciliation for fair value measurements in Level 3 for movements

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

	Available-for-sale financial assets	Investment property
1 January 2015	$31,446,249	$394,969,260
Total gains (losses) recognized		
Amount recognized in profit or loss		
Realized gains from available-for-sale financial assets	2,212,501	-
Gains from investment property	-	11,310,448
Amount recognized in other comprehensive income		
Unrealized valuation gains from available-for-sale financial assets	3,365,561	-
Exchange differences resulting from translating the financial statements of foreign operations	-	1,327,975
Acquisitions or issuances	6,038,795	29,036,402
Transfers to property and equipment	-	(770,833)
Transfers from investment property under construction	-	16,037,903
Transfers from prepayments for buildings and land – Investments	-	8,882
Disposals or settlements	(4,618,100)	(2,907)
Transfers to Level 3	19,440	-
Transfers out of Level 3	(890,656)	-
30 September 2015	$37,573,790	$451,917,130

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

	Available-for-sale financial assets	Investment property
1 January 2014	$18,519,776	$340,085,420
Total gains (losses) recognized		
Amount recognized in profit or loss		
Realized gains from available-for-sale financial assets	658,068	-
Gains from investment property	-	16,366,648
Amount recognized in other comprehensive income		
Unrealized valuation gains from available-for-sale financial assets	1,586,942	-
Exchange differences resulting from translating the financial statements of foreign operations	-	(240,143)
Acquisitions or issuances	9,911,666	15,665,223
Transfers from property and equipment	-	10,368,869
Transfers from investment property under construction	-	1,730,148
Transfers from prepayments for buildings and land – Investments	-	11,017,627
Disposals or settlements	(3,094,202)	-
Transfers to Level 3	1,509,106	-
Transfers out of Level 3	(255,574)	-
30 September 2014	$28,835,782	$394,993,792

Total gains (losses) recognized in profit or loss in the table above contain unrealized gains and losses related to assets on hand as of 30 September 2015 and 2014 in the amount of $11,310,448 thousand and $16,366,648 thousand, respectively.

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:

	30 September 2015			
	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
Financial assets				
Available-for-sale				
Stocks	Market approach	discount for lack of marketability	3%~28%	The higher the discount for lack of marketability, the lower the fair value of the stocks
	Income approach	discount for lack of marketability	15%~20%	The higher the discount for lack of marketability, the lower the fair value of the stocks
		growth rate of adjusted net profit after tax	-65%~85%	The higher the growth rate of adjusted net profit after tax, the higher the fair value of the stocks
		dividend payout ratio	0%~90%	The higher the dividend payout ratio, the higher the fair value of the stocks
Investment property	Refer to Note 16			

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

The Company and Subsidiaries' Risk Management Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company and Subsidiaries' accounting policies at each reporting date.

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

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

	30 September 2015			
	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value for which only the fair value is disclosed				
Debt instrument investments for which no active market exists	$1,710,946,003	$3,884,795	$1,707,058,210	$2,998
Held-to-maturity financial assets	27,118,348	152,250	26,966,098	-
Other financial assets	24,821,712	-	24,821,712	-

49. Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	30 September 2015		
	Foreign Currency	Exchange Rate	NTD
Financial Assets			
Monetary Items			
USD	55,413,500	33.128000	1,835,738,424
AUD	1,426,217	23.216102	33,111,189
EUR	682,423	37.201088	25,386,878
GBP	591,698	50.175669	29,688,832
CNH	30,954,307	5.218364	161,530,837
Non-Monetary Items			
USD	8,149,484	33.128000	269,976,097
HKD	15,502,105	4.274553	66,264,570
Investments accounted for using the equity method			
CNY	85,562	5.211200	445,880
USD	3,893	33.128000	128,962
PHP	18,580,181	0.708800	13,169,632
IDR	2,447,216,622	0.002262	5,535,604

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

	31 December 2014		
	Foreign Currency	Exchange Rate	NTD
Financial Assets			
Monetary Items			
USD	43,706,336	31.718000	1,386,277,565
AUD	975,407	25.959597	25,321,162
EUR	645,638	38.550057	24,889,392
GBP	(Note)	(Note)	(Note)
CNH	37,971,921	5.103418	193,786,595
Non-Monetary Items			
USD	7,870,375	31.718000	249,632,544
HKD	11,662,606	4.089716	47,696,751
Investments accounted for using the equity method			
CNY	137,887	5.112500	704,946
USD	3,976	31.718000	126,123

	30 September 2014		
	Foreign Currency	Exchange Rate	NTD
Financial Assets			
Monetary Items			
USD	40,707,679	30.436000	1,238,978,920
AUD	1,071,012	26.620847	28,511,247
EUR	796,232	38.608066	30,740,983
GBP	415,401	49.507198	20,565,340
CNH	47,080,855	4.937462	232,459,955
Non-Monetary Items			
USD	5,611,494	30.436000	170,791,428
HKD	11,461,437	3.920447	44,933,960
Investments accounted for using the equity method			
CNY	156,819	4.957400	777,416
USD	3,958	30.436000	120,470

Note: The amount did not have significant influence.

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

50. Assets and liabilities are distinguished based on expectations regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date:

	30 September 2015		
Items	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$235,690,417	$-	$235,690,417
Receivables	62,775,658	414,070	63,189,728
Financial assets at fair value through profit or loss	1,457,163	65,167,906	66,625,069
Available-for-sale financial assets	67,544,535	1,193,291,041	1,260,835,576
Derivative financial assets for hedging	-	387,698	387,698
Investments accounted for using the equity method – Net	-	22,964,878	22,964,878
Debt instrument investments for which no active market exists	30,838,303	1,702,043,220	1,732,881,523
Held-to-maturity financial assets	-	26,231,804	26,231,804
Other financial assets – Net	-	25,000,000	25,000,000
Investment property	-	454,760,472	454,760,472
Investment property under construction	-	2,566,165	2,566,165
Prepayments for buildings and land – Investments	-	2,177,448	2,177,448
Loans	62,186	654,281,652	654,343,838
Reinsurance assets	-	978,612	978,612
Property and equipment	-	27,474,710	27,474,710
Intangible assets	-	47,585,256	47,585,256
Deferred tax assets	-	16,977,876	16,977,876
Other assets	1,188,701	24,141,678	25,330,379
Separate account product assets	13,566,588	454,426,077	467,992,665
Total assets			$5,133,994,114

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to consolidated financial statements-continued

For the nine-month periods ended 30 September 2015 and 2014

(30 September 2015 and 2014 reviewed only, not audited in accordance with the generally accepted auditing standards)

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

	30 September 2015		
Items	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$354,356	$-	$354,356
Payables	21,214,667	2,757	21,217,424
Financial liabilities at fair value through profit or loss	2,883	65,398,879	65,401,762
Preferred stock liability	15,000,000	15,000,000	30,000,000
Insurance liabilities	-	4,090,464,422	4,090,464,422
Reserve for insurance contracts with feature of financial instruments	-	54,323,439	54,323,439
Foreign exchange volatility reserve	-	17,567,304	17,567,304
Provisions	37,104	2,215,955	2,253,059
Deferred tax liabilities	-	40,500,580	40,500,580
Other liabilities	287,915	11,054,873	11,342,788
Separate account product liabilities	1,195,181	466,797,484	467,992,665
Total liabilities			$4,801,417,799

	31 December 2014		
Items	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$333,112,783	$-	$333,112,783
Receivables	54,286,327	274,888	54,561,215
Financial assets at fair value through profit or loss	662,160	61,556,706	62,218,866
Available-for-sale financial assets	83,466,066	1,222,642,451	1,306,108,517
Derivative financial assets for hedging	5,399	207,499	212,898
Investments accounted for using the equity method – Net	-	3,057,444	3,057,444
Debt instrument investments for which no active market exists	43,299,643	1,213,267,904	1,256,567,547
Held-to-maturity financial assets	-	25,940,630	25,940,630
Other financial assets – Net	-	39,200,000	39,200,000
Investment property	-	397,812,602	397,812,602
Investment property under construction	-	12,437,283	12,437,283
Prepayments for buildings and land – Investments	-	1,795,276	1,795,276
Loans	45,080	693,050,083	693,095,163
Reinsurance assets	-	287,641	287,641
Property and equipment	-	26,793,682	26,793,682
Intangible assets	-	157,619	157,619
Deferred tax assets	-	13,002,962	13,002,962
Other assets	444,877	15,902,704	16,347,581
Separate account product assets	7,434,381	454,832,395	462,266,776
Total assets			$4,704,976,485

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

	31 December 2014		
Items	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$232,616	$-	$232,616
Payables	23,998,263	140	23,998,403
Financial liabilities at fair value through profit or loss	5,796	49,777,792	49,783,588
Preferred stock liability	15,000,000	15,000,000	30,000,000
Insurance liabilities	-	3,698,737,657	3,698,737,657
Reserve for insurance contracts with feature of financial instruments	-	55,094,699	55,094,699
Foreign exchange volatility reserve	-	16,846,406	16,846,406
Provisions	-	2,088,438	2,088,438
Deferred tax liabilities	-	28,851,307	28,851,307
Other liabilities	25,734	8,668,965	8,694,699
Separate account product liabilities	410,281	461,856,495	462,266,776
Total liabilities			$4,376,594,589

	30 September 2014		
Items	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$416,780,851	$-	$416,780,851
Receivables	50,677,296	252,450	50,929,746
Financial assets at fair value through profit or loss	672,010	60,693,056	61,365,066
Available-for-sale financial assets	83,886,044	1,135,750,438	1,219,636,482
Derivative financial assets for hedging	30,685	115,582	146,267
Investments accounted for using the equity method – Net	-	3,064,399	3,064,399
Debt instrument investments for which no active market exists	53,145,608	1,037,646,917	1,090,792,525
Held-to-maturity financial assets	-	21,781,445	21,781,445
Other financial assets – Net	-	39,200,000	39,200,000
Investment property	-	400,170,582	400,170,582
Investment property under construction	-	17,924,834	17,924,834
Prepayments for buildings and land – Investments	-	1,837,342	1,837,342
Loans	36,166	675,790,647	675,826,813
Reinsurance assets	-	468,458	468,458
Property and equipment	-	26,904,232	26,904,232
Intangible assets	-	174,211	174,211
Deferred tax assets	-	10,277,905	10,277,905
Other assets	447,808	18,868,782	19,316,590
Separate account product assets	6,956,417	435,758,700	442,715,117
Total assets			$4,499,312,865

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

	30 September 2014		
Items	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$209,198	$-	$209,198
Payables	32,472,605	136	32,472,741
Financial liabilities at fair value through profit or loss	8,514	16,290,716	16,299,230
Derivative financial liabilities for hedging	-	13,397	13,397
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	3,578,344,621	3,578,344,621
Reserve for insurance contracts with feature of financial instruments	-	55,145,882	55,145,882
Foreign exchange volatility reserve	-	13,173,058	13,173,058
Provisions	-	752,999	752,999
Deferred tax liabilities	-	23,504,270	23,504,270
Other liabilities	9,186	10,282,130	10,291,316
Separate account product liabilities	1,195,872	441,519,245	442,715,117
Total liabilities			$4,202,921,829

51. Related party transactions

Significant transactions with related parties

(1) Property transactions

Property transactions between the Company and Subsidiaries and related parties are in the nature of undertaking contracted projects, trade, and lease transactions. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

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

A. Significant transactions of undertaking contracted projects with related parties are listed below:

	For the nine-month period ended 30 September 2015	
Name	Items	Amount
Other related party		
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	$27,609
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,445,323
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	155,181
Ally Logistic Property Co., Ltd.	Jui-Fang Logistic Park	1,112,846
Total		$2,740,959

	For the nine-month period ended 30 September 2014	
Name	Items	Amount
Other related party		
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	$54,561
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	496,540
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	9,407
Ally Logistic Property Co., Ltd.	Jui-Fang Logistic Park	504,882
Total		$1,065,390

The total amounts of contracted projects for real estate as of 30 September 2015, 31 December 2014 and 30 September 2014, between the Company and Subsidiaries and Lin Yuan Property Management Co., Ltd. were $23,723 thousand, $42,443 thousand and $42,460 thousand, respectively.

The total amounts of contracted projects for real estate as of 30 September 2015, 31 December 2014 and 30 September 2014, between the Company and Subsidiaries and San Ching Engineering Co., Ltd. were $7,294,139 thousand, $5,575,823 thousand and $5,662,922 thousand, respectively.

The total amounts of contracted projects for real estate of 30 September 2015, 31 December 2014 and 30 September 2014, between the Company and Subsidiaries and Cathay Real Estate Development Co., Ltd. were $1,708,592 thousand, $49,306 thousand and $49,306 thousand, respectively.

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

The total amounts of contracted projects for real estate of 30 September 2015, 31 December 2014 and 30 September 2014, between the Company and Subsidiaries and Ally Logistic Property Co., Ltd. were $2,756,476 thousand, $2,756,476 thousand and $1,408,380 thousand, respectively.

B. Real-estate rental income (from related parties)

	Rental income			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Parent company				
Cathay Financial Holding Co., Ltd.	$9,547	$9,326	$27,947	$26,918
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	2,210	2,210	6,631	6,633
Associate				
Symphox Information Co., Ltd.	8,595	7,813	25,809	19,991
Cathay Insurance Company Limited (China)	5,216	4,915	15,499	14,767
Subtotal	13,811	12,728	41,308	34,758
Other related party				
Cathay United Bank	107,898	99,247	319,267	298,800
Cathay Century Insurance Co., Ltd.	25,178	26,177	75,563	77,665
Cathay Securities Investment Trust Co., Ltd.	10,438	10,229	30,676	30,566
Cathay Securities Co., Ltd.	8,185	7,567	23,491	20,299
San Ching Engineering Co., Ltd.	992	1,420	3,360	4,193
Cathay General Hospital	10,830	10,946	99,925	99,831
Cathay Real Estate Development Co., Ltd.	4,233	4,935	11,698	13,621
Cathay Healthcare Inc.	13,230	12,317	39,510	35,383
Cathay Hospitality Management Co., Ltd.	48,077	34,834	139,264	100,053
Ally Logistic Property Co., Ltd.	25,959	9,303	66,479	27,337
Subtotal	255,020	216,975	809,233	707,748
Total	$280,588	$241,239	$885,119	$776,057

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

	Guarantee deposits received		
Name	30 September 2015	31 December 2014	30 September 2014
Parent company			
Cathay Financial Holding Co., Ltd.	$8,046	$8,046	$8,046
Associate			
Symphox Information Co., Ltd.	8,343	8,343	8,355
Cathay Insurance Company Limited (China)	5,572	5,466	5,300
Subtotal	13,915	13,809	13,655
Other related party			
Cathay United Bank	101,764	99,771	99,771
Cathay Century Insurance Co., Ltd.	23,976	22,465	24,157
Cathay Securities Investment Trust Co., Ltd.	17,856	9,270	9,270
Cathay Securities Co., Ltd.	7,501	6,744	6,746
Cathay General Hospital	10,166	10,166	10,166
Cathay Real Estate Development Co., Ltd.	3,751	4,028	4,028
Cathay Healthcare Inc.	8,691	8,593	8,593
Subtotal	173,705	161,037	162,731
Total	$195,666	$182,892	$184,432

Lease periods are usually between 2 to 5 years and rental incomes are collected on a monthly basis.

C. Real-estate rental expenses (to related parties)

	Rental expense			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Other related party				
Cathay Real Estate Development Co., Ltd.	$1,927	$1,963	$5,853	$5,889
Cathay United Bank	15,522	14,724	45,314	44,232
Total	$17,449	$16,687	$51,167	$50,121

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

	Guarantee deposits paid		
Name	30 September 2015	31 December 2014	30 September 2014
Other related party			
Cathay United Bank	$16,285	$15,293	$15,293

According to contracts, leasing periods are generally 3 years, and rentals are usually paid on a monthly basis.

(2) Cash in banks

Name	Items	30 September 2015	31 December 2014	30 September 2014
Other related party				
Cathay United Bank	Time deposit	$7,482	$4,482	$4,482
	Cash in bank	23,463,854	29,939,658	21,554,165
Indovina Bank Limited	Cash in bank	30,380	9,086	23,569
Total		$23,501,716	$29,953,226	$21,582,216

Interest income from Cathay United Bank for the three-month periods ended 30 September 2015 and 2014 were $5,379 thousand and $5,319 thousand, respectively.

Interest income from Cathay United Bank for the nine-month periods ended 30 September 2015 and 2014 were $18,283 thousand and $16,437 thousand, respectively.

Interest income from Indovina Bank Limited for the three-month periods ended 30 September 2015 and 2014 were $98 thousand and $65 thousand, respectively.

Interest income from Indovina Bank Limited for the nine-month periods ended 30 September 2015 and 2014 were $180 thousand and $150 thousand, respectively.

As of 30 September 2015, 31 December 2014 and 30 September 2014, time deposit pledged were $4,482 thousand, $4,482 thousand and $4,482 thousand, respectively.

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

(3) Debt instrument investments for which no active market exists

Name	30 September 2015	31 December 2014	30 September 2014
Other related party			
Cathay United Bank	$-	$3,000	$3,000

(4) Secured loans

	For the nine-month period ended 30 September 2015		
Name	Maximum amount	Rate	Ending balance
Other related party			
Cathay General Hospital	$2,634,550	2.01%~2.55%	$-
Other	938,335	1.34%~3.78%	928,932
Total			$928,932

	For the nine-month period ended 30 September 2014		
Name	Maximum amount	Rate	Ending balance
Other related party			
Cathay General Hospital	$2,926,691	2.01%~2.55%	$2,708,180
Other	833,196	1.34%~3.78%	768,176
Total			$3,476,356

Interest income from Cathay General Hospital for the three-month periods ended 30 September 2015 and 2014 were $0 thousand and $15,200 thousand, respectively.

Interest income from Cathay General Hospital for the nine-month periods ended 30 September 2015 and 2014 were $19,895 thousand and $46,783 thousand, respectively.

Interest income from Other for the three-month periods ended 30 September 2015 and 2014 were $4,698 thousand and $3,661 thousand, respectively.

Interest income from Other for the nine-month periods ended 30 September 2015 and 2014 were $12,833 thousand and $10,567 thousand, respectively.

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

(5) Financial assets at fair value through profit or loss (beneficiary certificates)

Name		30 September 2015	31 December 2014	30 September 2014
Other related party				
Cathay Securities Investment	Market value	$1,873,674	$3,031,486	$2,799,661
Trust Co., Ltd. managed funds	Cost	$1,826,036	$2,871,270	$2,671,270

(6) Discretionary account management balance

Name	30 September 2015	31 December 2014	30 September 2014
Other related party			
Cathay Securities Investment Trust Co., Ltd.	$195,763,910	$210,144,489	$213,549,042

(7) Other receivables

Name	30 September 2015	31 December 2014	30 September 2014
Parent company			
Cathay Financial Holding Co., Ltd. (Note)	$6,595,524	$8,926,622	$7,896,466
Other related party			
Cathay Century Insurance Co., Ltd.	165,135	264,638	232,087
Cathay Securities Investment Trust Co., Ltd.	21,812	23,758	25,170

Note: Receivables are refundable tax under the consolidated income tax system.

(8) Reinsurance assets

Name	30 September 2015	31 December 2014	30 September 2014
Subsidiary			
Cathay Insurance (Bermuda) Co., Ltd.	$30,191	$25,206	$23,630

(9) Guarantee deposits paid

Name	30 September 2015	31 December 2014	30 September 2014
Other related party			
Cathay Futures Co., Ltd.	$1,389,044	$515,748	$573,524

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

For the three-month periods ended 30 September 2015 and 2014, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were $432 thousand and $214 thousand, respectively.

For the nine-month periods ended 30 September 2015 and 2014, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were $761 thousand and $778 thousand, respectively.

(10) Guarantee deposits received

Name	30 September 2015	31 December 2014	30 September 2014
Other related party			
Cathay Healthcare Inc.	$3,599	$3,599	$3,599
Lin Yuan Property Management Co., Ltd.	5,000	5,000	5,000
Ally Logistic Property Co., Ltd.	238,500	18,000	18,000
Total	$247,099	$26,599	$26,599

(11) Other payables

Name	30 September 2015	31 December 2014	30 September 2014
Parent company			
Cathay Financial Holding Co., Ltd. (Note)	$679,134	$4,366,995	$4,138,129
Subsidiary			
Cathay Insurance (Bermuda) Co ., Ltd.	16,107	-	-
Associate			
Symphox Information Co., Ltd.	31,177	3,520	28,744
Other related party			
Cathay United Bank	518,638	455,244	490,864
Cathay Century Insurance Co., Ltd.	11,544	3,084	15,807
Cathay Securities Investment Trust Co., Ltd.	9,653	15,336	14,753
Lin Yuan Property Management Co., Ltd.	51,808	1,984	55,920
San Ching Engineering Co., Ltd.	-	7,479	-

Note: The payables consist of interest expenses accrued from preferred stock liability.

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

(12) Preferred stock liability

Name	30 September 2015	31 December 2014	30 September 2014
Parent company			
Cathay Financial Holding Co., Ltd.	$30,000,000	$30,000,000	$30,000,000

(13) Premium income

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Other related party				
Cathay United Bank	$18,922	$18,316	$62,633	$48,236
Cathay Century Insurance Co., Ltd.	4,561	4,450	12,319	11,721
Cathay General Hospital	10,253	10,106	31,151	30,572
Cathay Securities Co., Ltd.	1,797	1,481	4,579	4,324
Other	65,001	45,852	128,902	104,635
Total	$100,534	$80,205	$239,584	$199,488

(14) Handling fees earned

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Other related party				
Cathay Securities Investment Trust Co., Ltd.	$21,166	$50,467	$69,480	$100,248

(15) Insurance expenses

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Other related party				
Cathay Century Insurance Co., Ltd.	$13,238	$32,052	$134,444	$153,772

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

(16) Indemnity income

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Other related party				
Cathay Century Insurance Co., Ltd.	$-	$-	$-	$7,836

(17) Reinsurance income

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$37,193	$59,714	$98,051	$99,535

On 1 April 2000, Cathay Insurance (Bermuda) Co., Ltd. engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the nine-month periods ended 30 September 2015 and 2014, the Company assumed 90% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd.

(18) Reinsurance service expenses

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$2,012	$3,303	$5,426	$7,602

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

(19) Reinsurance claim payments

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$49,594	$31,833	$104,227	$83,704

(20) Reinsurance commission expenses

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$1,670	$1,984	$2,531	$3,229

(21) Other operating costs

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Other related party				
Cathay United Bank	$137,591	$107,510	$438,005	$353,673
Cathay Securities Investment Trust Co., Ltd.	2,516	46,514	94,548	129,065
Total	$140,107	$154,024	$532,553	$482,738

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

(22) Operating expenses

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Associate				
Symphox Information Co., Ltd.	$78,701	$61,614	$215,314	$194,028
Other related party				
Seaward Card Co., Ltd.	22,857	23,898	69,760	67,401
Cathay United Bank	1,781,713	1,158,723	4,824,092	2,650,470
Cathay Venture Inc.	-	-	-	9,223
Lin Yuan Property Management Co., Ltd.	174,546	180,008	505,184	543,086
Cathay Real Estate Development Co., Ltd.	2,841	4,054	8,920	12,585
Cathay Healthcare Inc.	2,456	1,836	5,987	5,480
Subtotal	1,984,413	1,368,519	5,413,943	3,288,245
Total	$2,063,114	$1,430,133	$5,629,257	$3,482,273

(23) Non-operating income

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Parent company				
Cathay Financial Holding Co., Ltd.	$362	$362	$3,852	$3,839
Other related party				
Cathay Century Insurance Co., Ltd.	343,686	408,330	1,064,104	1,169,536
Cathay United Bank	29,800	27,422	102,491	116,886
Cathay Securities Investment Trust Co., Ltd.	11,030	4,388	21,881	14,171
Cathay General Hosital	1,154	922	3,921	3,689
Subtotal	379,993	441,062	1,186,720	1,304,282
Total	$380,355	$441,424	$1,190,572	$1,308,121

Non-operating income is mainly generated from the Company and Subsidiaries' integrated marketing activities.

(24) Non-operating expense

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
Name	2015	2014	2015	2014
Parent company				
Cathay Financial Holding Co., Ltd.	$228,866	$228,866	$679,134	$679,134

Non-operating expenses are interest expenses accrued from preferred stock liability.

(25) Other

As of 30 September 2015, 31 December 2014 and 30 September 2014, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below(USD in thousands):

Item	30 September 2015	31 December 2014	30 September 2014
CS contracts	USD 2,663,000	USD 250,000	USD 830,000

(26) Key management personnel compensation

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2015	2014	2015	2014
Short-term employee benefits	$10,745	$11,919	$52,975	$61,862
Post-employment benefits	440	793	1,341	1,809
Total	$11,185	$12,712	$54,316	$63,671

The management of the Company includes directors, senior vice general managers and the above.

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

52. Pledged assets

(1) The Company

As of 30 September 2015, 31 December 2014 and 30 September 2014, the Company provided cash, time deposits and government bonds to its lessees as guarantees for the guarantee deposits received and bonds pledged with courts in legal as guarantee of litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the "Guaranteed Depository Insurance". Details are as follows:

Items	30 September 2015	31 December 2014	30 September 2014
Guarantee deposits paid – Government bonds	$12,567,147	$9,296,415	$9,331,932
Guarantee deposits paid – Time deposits	607,882	512,482	512,482
Guarantee deposits paid – Others	109,043	25,836	25,095
Total	$13,284,072	$9,834,733	$9,869,509

Pledged assets are summarized based on the net carrying amounts.

(2) Cathay Lujiazui Life

Item	30 September 2015	31 December 2014	30 September 2014
Guarantee deposits paid	$1,928,144	$1,636,000	$1,834,238

According to the requirement of the China Insurance Regulatory Commission, the guaranteed deposit is 20% of the registered capital. The guaranteed deposits of Cathay Lujiazui Life are time deposits.

53. Commitment and Contingencies

Legal claim contingency

The Company has its own response policies to legal claims. Once the losses can be reasonable estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial affairs resulting from the claims.

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

54. Significant disaster damages

None.

55. Significant subsequent events

None.

56. Others matters

(1) Discretionary account management

A. As of 30 September 2015, 31 December 2014 and 30 September 2014, the Company contracts with securities investment trust business for discretionary investments management. The investment details are disclosed as follows:

	30 September 2015	
Items	Carrying amount	Fair value
Listed stocks	$105,205,500	$105,205,500
Overseas stocks	38,351,473	38,351,473
Repurchase bonds	13,600,070	13,600,070
Cash in banks	36,289,076	36,289,076
Beneficiary certificates	2,455,105	2,455,105
Futures and options	1,585,444	1,585,444
Total	$197,486,668	$197,486,668

	31 December 2014	
Items	Carrying amount	Fair value
Listed stocks	$125,190,176	$125,190,176
Overseas stocks	44,606,537	44,606,537
Repurchase bonds	14,093,000	14,093,000
Cash in banks	23,123,022	23,123,022
Beneficiary certificates	5,615,021	5,615,021
Futures and options	746,019	746,019
Total	$213,373,775	$213,373,775

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

Items	30 September 2014	
	Carrying amount	Fair value
Listed stocks	$124,010,613	$124,010,613
Overseas stocks	49,855,932	49,855,932
Repurchase bonds	13,848,000	13,848,000
Cash in banks	21,738,344	21,738,344
Beneficiary certificates	5,881,690	5,881,690
Futures and options	687,225	687,225
Corporate bonds	727,602	727,602
Total	$216,749,406	$216,749,406

B. As of 30 September 2015, the Company entered into discretionary account management contracts in the amounts of NT$121,800,000 thousand, US$1,277,000 thousand, and HK$1,780,000 thousand. As of 31 December 2014, the Company entered into discretionary account management contracts in the amounts of NT$130,000,000 thousand, US$1,175,000 thousand and HK$1,550,000 thousand. As of 30 September 2014, the Company entered into discretionary account management contracts in the amounts of NT$132,000,000 thousand, US$1,470,000 thousand, and HK$1,550,000 thousand.

(2) Revenue and expenses arising from business transactions, promotion activities and information sharing between parent company and other subsidiaries are allocated to the Company and its affiliates based on the attribution of the transactions.

(3) Capital management

A. Objectives

In order to enhance the Company's capital structure and business growth, the Company has established a set of capital adequacy management standards and complies with laws and regulation to maintain its capital adequacy ratio in a certain range in order to reduce all types of risks.

B. Policies

In order to assume all types of risks, the Company applies capital adequacy ratio as the indicator for capital adequacy. The Company calculates capital adequacy ratio periodically and aperiodically to monitor the status of capital adequacy in the short and mid-term. The Company sets business objectives and plans asset allocation based on the ratio.

C. Procedures

a. Periodically

The Company regularly reviews the capital adequacy ratio. The Company uses assets and liabilities model based on cash flow of current contracts and assets, expected new contracts, and the best estimated scenario to estimate the capital adequacy ratio in the future year and analyzes solvency. If the expected ratio deviates from related control standards, the Company decreases the risk exposures or increases capital.

b. Aperiodically

The Company conducts scenario analysis for capital adequacy ratio focusing on the Company's use of funding, business development, reinsurance arrangement, or changes of the financial environment including updates of laws and regulations.

D. Capital adequacy ratio

Capital adequacy ratio of the Company, which is defined by Insurance Act and Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past two years, and complies with the regulations.

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

(4) Structured entities

A. Consolidated structured entities

The Company owns real estate investment and management organizations as consolidated structured entities. As of 30 September 2015, the Company and Subsidiaries provided loans of non-contractual obligation amounting to GBP$345,000 thousand to the consolidated structured entities.

B. Unconsolidated structured entities

a. The Company and Subsidiaries do not provide financial support or other support to the unconsolidated structured entities. The Company and Subsidiaries' maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets the Company and Subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Types of structured entity	Nature and purpose	Interests owned
Private equity fund	Investment in private equity funds to receive returns	Investment in shares or limited partnership interests issued by the fund
Securitization vehicle	Investment in asset-backed security to receive returns	Investment in securitization vehicles issued by the entity

b. As of 30 September 2015, the carrying amount of assets recognized by the Company and Subsidiaries relating to it interests in unconsolidated structured entities is disclosed as follows:

	Private equity funds	Asset-backed securities
Available-for-sale financial assets	$25,550,247	$125,393,684
Debt instrument investments for which no active market exists	-	194,467,673
Total	$25,550,247	$319,861,357

57. Information regarding investment in Mainland China

On 25 December 2002 and 24 July 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 thousand to US$48,330 thousand approved by MOEAIC on 20 December 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on 16 May 2008. MOEAIC authorized the Company to remit US$3,400 thousand as the registered capital again on 2 April 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY$200,000 thousand to avoid currency risk on 14 September 2013. The total registered capital was US$110,730 thousand. On 25 September 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on 29 December 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on 12 August 2014. The Company has remitted US$48,330 thousand to the subsidiary as of 31 December 2009. The Company injected additional US$29,880 thousand on 29 September 2010 and CNY$200,000 thousand on 8 May 2014. As of 30 September 2015, the Company’s remittances to the subsidiary totaled approximately CNY$200,000 thousand and US$78,210 thousand.

On 17 October 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on 8 October 2007. On 6 March 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On 15 August 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on 26 August 2008. On 28 May 2013, MOEAIC authorized the Company to remit CNY$200,000 thousand to increase the share capital. As of 30 September 2015, the Company’s remittances to this general insurance company totaled approximately CNY$200,000 thousand and US$28,140 thousand.

On 1 November 2011 and 11 April 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit CNY$300,000 (US$47,000) thousand and CNY$500,000 (US$80,000) thousand, respectively. A total of US$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on 15 August 2012. On 1 April 2013, MOEAIC authorized the Company to remit CNY$700,000 (US$111,000) thousand to increase the share capital. As of 30 September 2015, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY$1,500,000 thousand.

58. Segment information

The Company and Subsidiaries abide by the provisions of insurance law for insurance business operations. In accordance with IFRS 8, the Company and Subsidiaries provide insurance policy products and the overall business decision-makers make decisions based on resource allocation of the Company as a whole, making the entire company one functioning entity.