China Life Insurance Co., Ltd.
Financial Statements
For the Three-month Periods Ended
31 March 2021 and 2020
With Review Report of Independent Auditors

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

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Review Report of Independent Auditors

English Translation of a Report Originally Issues in Chinese

To China Life Insurance Co., Ltd.

Introduction

We have reviewed the accompanying balance sheets of China Life Insurance Co., Ltd. (the "Company") as of 31 March 2021 and 2020, and the related statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2021 and 2020, and notes to the financial statements, including the summary of significant accounting policies (together "the financial statements"). Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and become effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March 2021 and 2020, and their financial performance and cash flows for the three-month periods ended 31 March 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/FUH, WEN-FUN

/s/CHANG, CHENG-TAO

Ernst & Young, Taiwan

6 May 2021

Notice to Readers:

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Balance sheets

As at 31 March 2021, 31 December 2020 and 31 March 2020

(31 March 2021 and 2020 reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in Thousands of New Taiwan Dollars)

		2021/3/31		2020/12/31		2020/3/31	
Assets	Notes	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	VI.1	$92,140,497	4	$101,376,515	5	$66,089,008	3
Receivables	VI.2	26,407,784	1	19,920,386	1	37,062,869	2
Current tax assets		526,131	0	526,131	0	526,131	0
Financial assets at fair value through profit or loss	VI.3	395,174,281	18	375,555,929	17	324,855,481	16
Financial assets at fair value through other comprehensive income	VI.4	397,411,820	18	482,873,124	22	366,258,863	19
Financial assets at amortized cost	VI.5	1,114,032,856	50	1,046,395,601	47	1,023,275,814	51
Investments accounted for using equity method	VI.7	69,652	0	69,863	0	-	-
Investment property	VI.8	36,837,475	1	36,838,917	2	23,126,967	1
Loans	VI.6	33,432,944	1	33,557,049	1	34,262,761	2
Reinsurance assets	VI.9	863,787	0	740,256	0	794,404	0
Property and equipment	VI.10	12,403,728	1	12,414,988	1	15,544,503	1
Right-of-use assets	VI.11	6,013,101	0	6,058,770	0	14,556,935	1
Intangible assets		261,780	0	234,530	0	184,029	0
Deferred tax assets	VI.29	10,520,109	1	10,861,287	0	8,203,119	1
Other assets	VI.12	13,224,075	1	7,724,396	0	6,945,111	0
Separate account product assets	VI.31	88,203,699	4	84,564,106	4	64,963,511	3
Total assets		$2,227,523,719	100	$2,219,711,848	100	$1,986,649,506	100

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Balance sheets - (continued)

As at 31 March 2021, 31 December 2020 and 31 March 2020

(31 March 2021 and 2020 reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in Thousands of New Taiwan Dollars)

		2021/3/31		2020/12/31		2020/3/31	
Liabilities and equity	Notes	Amount	%	Amount	%	Amount	%
Payables	VI.13	$21,307,037	1	$13,264,436	1	$28,345,333	2
Current tax liabilities		3,988,388	0	2,591,206	0	912,991	0
Financial liabilities at fair value through profit or loss	VI.15	10,181,997	1	7,931,359	0	3,879,382	0
Bonds payable	VI.14	10,000,000	1	10,000,000	1	-	-
Lease liabilities	VI.11	1,733,395	0	1,751,214	0	1,657,649	0
Insurance liabilities	VI.16	1,923,921,558	86	1,896,680,430	85	1,779,782,017	90
Foreign exchange valuation reserve	VI.17	3,893,775	0	4,023,007	0	3,808,037	0
Provisions	VI.18	193,993	0	212,754	0	161,315	0
Deferred tax liabilities	VI.29	3,047,264	0	10,126,831	1	1,517,077	0
Other liabilities		1,847,091	0	8,909,300	0	3,702,823	0
Separate account product liabilities	VI.31	88,203,699	4	84,564,106	4	64,963,511	3
Total liabilities		2,068,318,197	93	2,040,054,643	92	1,888,730,135	95
Share capital	VI.20						
Common stock		47,313,972	2	47,313,972	2	44,635,823	2
Capital surplus	VI.21	7,214,523	0	7,214,523	0	7,214,523	0
Retained earnings	VI.22						
Legal capital reserve		16,263,019	1	16,263,019	1	13,663,689	1
Special capital reserve		38,374,504	2	38,374,504	2	34,807,350	2
Unappropriated retained earnings		25,477,088	1	16,350,833	1	17,227,623	1
Other equity	VI.23	24,562,416	1	54,140,354	2	(19,629,637)	(1)
Total equity		159,205,522	7	179,657,205	8	97,919,371	5
Total liabilities and equity		$2,227,523,719	100	$2,219,711,848	100	$1,986,649,506	100

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.
Statements of comprehensive income
For the three-month periods ended 31 March 2021 and 2020
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	1 January-31 March 2021 Amount	%	1 January-31 March 2020 Amount	%
Operating revenue					
Direct premium income		$51,412,232	65	$58,832,848	83
Premium income		51,412,232	65	58,832,848	83
Deduct: Reinsurance expenses		(376,221)	(0)	(339,803)	(0)
Net changes in unearned premium reserve	VI.16	336,991	0	389,537	1
Retained earned premium	VI.26	51,373,002	65	58,882,582	84
Reinsurance commission received		62,443	0	59,483	0
Fee income		272,355	0	297,701	0
Net investment incomes (losses)					
Interest income	VI.24	13,967,907	18	14,071,398	20
Gains on financial assets and liabilities at fair value through profit or loss		2,700,132	4	(29,892,867)	(42)
Net gains from derecognition of financial assets at amortized cost	VI.5	4,869	0	1,313	0
Realized gains on financial assets at fair value through other comprehensive income		5,645,750	7	1,989,633	3
Share of profit of associates and joint ventures accounted for using equity method	VI.7	(212)	(0)	-	-
Foreign exchange losses		(22,026)	(0)	(3,197,312)	(5)
Net changes in foreign exchange valuation reserve	VI.17	129,232	0	(1,440,999)	(2)
Gains on investment property		149,176	0	99,043	0
Expected credit impairment losses and reversal on investments	VI.25	(3,780)	(0)	(9,867)	(0)
Other net investment incomes (losses)		(6,126)	(0)	(4,426)	(0)
Gains (losses) on reclassification using overlay approach	VI.3	936,949	1	35,560,075	50
Other operating revenue		-	-	23	0
Separate account product revenue	VI.31	3,514,686	5	(5,554,317)	(8)
Subtotal		78,724,357	100	70,861,463	100
Operating costs					
Insurance claim payments		(32,358,324)	(41)	(24,294,171)	(34)
Deduct: Claims recovered from reinsures		198,083	0	241,074	0
Retained claim payments	VI.27	(32,160,241)	(41)	(24,053,097)	(34)
Net changes in insurance liabilities	VI.16	(27,532,500)	(35)	(43,118,811)	(61)
Underwriting expenses		(2,485)	(0)	(1,141)	(0)
Commission expenses		(2,398,462)	(3)	(2,289,950)	(4)
Finance costs		(75,518)	(0)	(19,422)	(0)
Other operating costs		(77,118)	(0)	(111,782)	(0)
Separate account product expenses	VI.31	(3,514,686)	(5)	5,554,317	8
Subtotal		(65,761,010)	(84)	(64,039,886)	(91)
Operating expenses	VI.28				
General expenses		(842,849)	(1)	(927,780)	(1)
Administrative expenses		(1,195,812)	(2)	(634,913)	(1)
Employee training expenses		(4,549)	(0)	(3,625)	(0)
Non-investments expected credit impairment losses and reversal	VI.25	2,277	0	22	0
Subtotal		(2,040,933)	(3)	(1,566,296)	(2)
Operating income		10,922,414	13	5,255,281	7
Non-operating income and expenses		4,177	0	2,212	0
Income from continuing operations before income tax		10,926,591	13	5,257,493	7
Income tax expenses	VI.29	(1,084,824)	(1)	(798,635)	(1)
Net income from continuing operations		9,841,767	12	4,458,858	6
Net income		9,841,767	12	4,458,858	6
Other comprehensive income, net of tax	VI.23				
Items that will not be reclassified subsequently to profit or loss					
Valuation gains on equity instruments at fair value through other comprehensive income		406,043	1	(6,390,468)	(9)
Income taxes relating to items that are not be reclassified		497,368	1	761,898	(1)
Items that are or may be reclassified subsequently to profit or loss					
Gains on debt instruments at fair value through other comprehensive income		(36,129,273)	(46)	(13,424,261)	(19)
Other comprehensive income (loss) reclassified using overlay approach	VI.3	(936,949)	(1)	(35,560,075)	(50)
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		5,881,476	7	5,405,111	8
Other comprehensive income (loss), net of tax		(30,281,335)	(38)	(49,207,795)	(69)
Total comprehensive income (loss)		$(20,439,568)	(26)	$(44,748,937)	(63)
Earnings per share (In New Taiwan Dollars)	VI.30				
Basic earnings per share		$2.08		$0.94	

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

China Life Insurance Co., Ltd.

Statements of changes in equity

For the three-month periods ended 31 March 2021 and 2020

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

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings			Other equity			
Summary	Notes	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated retained earnings	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Property Revaluation surplus	Other comprehensive income reclassified using overlay approach	Total
Balance on 1 January 2020		$44,635,823	$7,214,523	$13,663,689	$34,807,350	$12,769,119	$27,493,197	$323,809	$1,762,051	$142,669,561
Net income for the three-month period ended 31 March 2020		-	-	-	-	4,458,858	-	-	-	4,458,858
Other comprehensive income for the three-month period ended 31 March 2020	VI.23	-	-	-	-	-	(16,033,837)	-	(33,173,958)	(49,207,795)
Total comprehensive income for the three-month period ended 31 March 2020		-	-	-	-	4,458,858	(16,033,837)	-	(33,173,958)	(44,748,937)
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	899	(899)	-	-	-
Net changes in special reserve		-	-	-	-	(1,253)	-	-	-	(1,253)
Balance on 31 March 2020		$44,635,823	$7,214,523	$13,663,689	$34,807,350	$17,227,623	$11,458,461	$323,809	$(31,411,907)	$97,919,371
Balance on 1 January 2021		$47,313,972	$7,214,523	$16,263,019	$38,374,504	$16,350,833	$51,562,386	$752,543	$1,825,425	$179,657,205
Net income for the three-month period ended 31 March 2021		-	-	-	-	9,841,767	-	-	-	9,841,767
Other comprehensive income for the three-month period ended 31 March 2021	VI.23	-	-	-	-	-	(29,343,481)	-	(937,854)	(30,281,335)
Total comprehensive income for the three-month period ended 31 March 2021		-	-	-	-	9,841,767	(29,343,481)	-	(937,854)	(20,439,568)
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	(703,397)	703,397	-	-	-
Net changes in special reserve		-	-	-	-	(12,115)	-	-	-	(12,115)
Balance on 31 March 2021		$47,313,972	$7,214,523	$16,263,019	$38,374,504	$25,477,088	$22,922,302	$752,543	$887,571	$159,205,522

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.
Statements of cash flows
For the three-month periods ended 31 March 2021 and 2020
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan Dollars)

	1 January-31 March 2021	1 January-31 March 2020
Cash flows from operating activities		
Net income before tax	$10,926,591	$5,257,493
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	117,738	71,947
Amortization expense	35,945	31,051
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(1,492,232)	31,157,529
Net losses (gains) on financial assets at fair value through other comprehensive income	(5,565,563)	(1,968,862)
Interest expenses	75,518	19,422
Interest income	(13,967,907)	(14,071,398)
Dividend income	(1,270,414)	(1,271,993)
Net changes in insurance liabilities	27,206,772	41,518,440
Net changes in foreign exchange valuation reserve	(129,232)	1,440,999
Net changes in provisions	55	-
Expected credit impairment losses (reversal gains) on investments	3,780	9,867
Expected credit impairment losses (reversal gains) on non-investments	(2,277)	(22)
Share of profit (loss) of associates and joint ventures accounted for using equity method	212	-
(Gains) losses on reclassification using overlay approach	(936,949)	(35,560,075)
(Gains) losses on disposal or scrapping of property and equipment	46	25
(Gains) losses on disposal of investment property	-	(905)
Unrealized foreign exchange losses (gains)	970,022	4,140,263
(Gains) losses on valuation of investment property	16,403	-
Other items	(3,028)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	(16,317,847)	(40,962,124)
Decrease (increase) in notes receivable	75,789	162,876
Decrease (increase) in other receivables	(6,259,697)	(10,297,248)
Decrease (increase) in prepaid expenses and other prepayments	261,263	(8,643)
Decrease (increase) in refundable deposits	(5,768,556)	(17,747)
Decrease (increase) in reinsurance assets	(105,115)	(260,757)
Decrease (increase) in other assets	7,628	(42,203)
Increase (decrease) in notes payable	89	(830)
Increase (decrease) in life insurance proceeds payable	(4,086)	(1,121)
Increase (decrease) in other payables	8,049,338	9,358,264
Increase (decrease) in due to reinsurers and ceding companies	224,128	300,202
Increase (decrease) in commissions payable	(293,093)	(727,245)
Increase (decrease) in accounts collected in advance	(193,941)	(401,926)
Increase (decrease) in guarantee deposits received	(6,590,681)	(3,438,967)
Increase (decrease) in other liabilities	(277,586)	(214,404)
Increase (decrease) in provision for employee benefits	(18,816)	(48,014)
Cash generated from operations activities	(11,225,703)	(15,826,106)
Interest received	16,720,350	16,075,887
Dividends received	1,213,205	1,133,473
Interest paid	(3,024)	(19,240)
Income taxes refunded (paid)	(44,283)	(141,250)
Net cash provided by (used in) operating activities	6,660,545	1,222,764
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(7,860,543)	(30,657,714)
Disposal of financial assets at fair value through other comprehensive income	62,141,259	25,273,243
Return of capital from financial assets at fair value through other comprehensive income	165,570	13,067
Acquisition of financial assets at amortized cost	(112,465,323)	(79,539,759)
Disposal of financial assets at amortized cost	34,428,355	58,364,767
Maturity principal from financial assets at amortized cost	7,729,733	7,162,832
Acquisition of property and equipment	(67,933)	(1,409,115)
Acquisition of right-of-use assets	(40)	(40)
Acquisition of intangible assets	(55,638)	(17,525)
Decrease (increase) in loans	124,105	(228,890)
Acqusition of investment property	(14,961)	(818)
Disposal of investment property	-	11,661
Net cash provided by (used in) investing activities	(15,875,416)	(21,028,291)
Cash flows from financing activities		
Principle repayment of lease liabilities	(21,147)	(33,188)
Net cash provided by (used in) financing activities	(21,147)	(33,188)
Increase (decrease) in cash and cash equivalents	(9,236,018)	(19,838,715)
Cash and cash equivalents at the beginning of the year	101,376,515	85,927,723
Cash and cash equivalents at the end of the year	$92,140,497	$66,089,008

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Notes to financial statements

For the three-month periods ended 31 March 2021 and 2020

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

I. Organizations and business scope

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

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

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

The Company was informed by China Development Financial Holding Corp. (CDF), about the tender offer of the Company's ordinary shares and the Public Tender Offer Report on 16 August 2017. CDF started the tender offer from 17 August 2017 to 6 September 2017. CDF completed the tender to acquire 25.33% of the Company's common shares, totaling 880,000,000 shares, on 13 September 2017. The Company became a subsidiary of CDF as defined in the "Financial Holding Company Act". In addition, the Company was informed by CDF about the second tender offer of the Company's ordinary shares and the Public Tender Offer Report on 7 January 2021. CDF started the tender offer from 8 January 2021 to 2 February 2021. CDF completed the tender to acquire 21.13% of the Company's common shares, totaling 1,000,000,000 shares, on 5 February 2021. As of 31 March 2021, CDF and its subsidiary, KGI Securities (excluding KGI Securities' borrowing positions for securities undertaking), jointly held 55.95% of the Company's issued shares.

On 19 October 2017, the Board has resolved to pay $1 to acquire the traditional policies and riders spun off from Allianz Taiwan Life Insurance Co., Ltd. The transaction is approved by FSC on 27 February 2018 and settled on 18 May 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

The financial statements of the Company were authorized to issue in accordance with a resolution of the Company's board of directors on 6 May 2021.

III. 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 applied for the first time International Financial Reporting Standards, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2021. The aforementioned amendments are mainly due to the "Interest Rate Index Reform-Phase 2". The Company chose not to rewrite the previous period to reflect the application of these amendments. The relevant explanations are as follows:

(1) The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements, And provide practical expediency in the code:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

(2) The company's " Interest Rate Benchmark Reform - Phase 2" affects the application of IFRS 9 and IFRS 16, and the relevant accounting policies affected are detailed in Notes IV.6, and other disclosure details in Note IX.4.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, the Company has adopted the following standards in advance of the newly issued are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

This amendment extends the practical expedient in paragraph 46A of IFRS 16 Leases for one year. This amendment that are applicable for annual periods beginning on or after 1 April 2021 have no material impact on the Company.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

3. Standards or interpretations issued, revised or amended by International Accounting Standards Board ("IASB") which are not yet endorsed by FSC and adopted by the Company are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	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	To be determined by IASB
2	IFRS 17 "Insurance Contracts"	1 January 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
4	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
5	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	1 January 2023
6	Definition of Accounting Estimates (Amendment to IAS 8)	1 January 2023

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

IFRS 17 "Insurance contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

1. estimates of future cash flows;
2. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
3. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Regard to liability for remaining coverage, other than the General Model, the standard also provides :

1. a specific adaptation for contracts with direct participation features (the Variable Fee Approach); and
2. a simplified approach for short-duration contracts (Premium Allocation Approach).

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments defer the effective date by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021), provide additional transition reliefs, simplify a part of requirements to reduce costs incurred when applying IFRS 17, and revise a part of requirements to better explain the results. (IFRS 17 will replace the interim Standard – IFRS 4 Insurance Contracts immediately after the effective date.)

There are some narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update a reference to the Conceptual Framework for Financial Reporting. A clause which acquirer shall apply IFRIC 21 “Levies” to determine whether or not there is an obligation to incur levies payment liabilities on the acquisition date is also added in the amendments.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items these measured in accordance with IAS 2 “Inventory”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments stipulates that when assessing whether or not a contract is onerous, the “Cost of Fulfilling the Contract” should include the incremental cost of fulfilling the contract (for example, direct labor and raw materials) and the apportionment of other costs directly related to fulfilling the contract (for example, apportion of the depreciation expenses of the property, plant and equipment used to fulfil the contract).

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1
The amendment extends the scope of exemption to all cumulative translation differences of foreign subsidiaries. Subsidiaries that choose to adopt exemption can measure the cumulative translation differences by the book amount included in consolidated statement of its parent company on the date the parent company applied IFRSs.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies that when assessing whether the exchange or the modification of terms are substantially different from the original financial liability by testing if the discounted cash flow (including fees for modify or set up new contract) difference is more than 10%, the aforementioned fees should only include fees between loaner and loanee.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Disclosure Initiative - Accounting Policies – Amendments to IAS 1
The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

Definition of Accounting Estimates – Amendments to IAS 8
The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

IV. Summary of significant accounting policies

1. Statement of compliance

The financial statements 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 endorsed and became effective by the FSC.

2. Basis of preparation

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

3. Foreign currency transactions

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

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

(1) The foreign currency items which are applicable to IFRS 9 *Financial Instrument* should be dealt with the accounting policy of financial instruments.
(2) Exchange differences of monetary items arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When the investment is disposed of or sold, exchange differences are reclassified from other comprehensive income into profit or loss.

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

4. Product categories

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

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

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

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

These contractual rights have the following characteristics:

(1) Additional payments as a percentage of total contractual payments may be more significant and take up a bigger portion.
(2) In accordance with the contract, the amount and date of additional payments are at the Company’s discretion.
(3) In accordance with the contract, additional payments are handed out based on one of the following matters:
    a. Performance of a specific combination of contracts or specific type of contract
    b. The investment return of a specific asset portfolio the Company holds
    c. Profit and loss from the Company, funds, or other entities

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

5. <u>Cash and cash equivalents</u>

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

6. Financial instruments

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

(1) Initial recognition and subsequent measurement

The Company accounts for regular way purchase or sales of financial assets measured at fair value on the trade date, and of financial assets measured at amortized cost at the settlement date.

The Company categorized financial assets as financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on both of the followings:

A. the Company's business model for managing the financial assets.
B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

If both of the following conditions are met, a financial asset is measured at amortized cost and presented as note receivables, receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:
A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets which are not part of a hedging relationship, are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or recognization of the impairment gains or losses.

Interest revenue is recognized in profit or loss by calculating via the effective interest method (by applying the effective interest rate to the gross carrying amount) or the followings:

A. For those financial assets that are purchased or originated credit-impaired, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
B. For those financial assets that are not purchased or originated credit-impaired but subsequently became credit-impaired, the Company applies the effective interest rate to the amortized cost of the financial asset.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and presented as financial asset at fair value through other comprehensive income on balance sheet as at the reporting date:

A. the financial assets are held within a business model whose objective is achieved by collecting contractual cash flows and for sale.
B. the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is recognized in profit or loss by calculating via the effective interest method (by applying the effective interest rate to the gross carrying amount) or the followings:
   (a) For those financial assets that are purchased or originated credit-impaired, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
   (b) For those financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, the Company applies the effective interest rate to the amortized cost of the financial asset.

In addition, upon initial recognition, for those equity instruments within the scope of IFRS9 but neither categorized as held-for-trading nor applying to contingent consideration recognized by acquirers in IFRS 3 *"Business Combination"*, the Company elects irrevocably to report the subsequent measurement at fair value in other comprehensive income. Amounts reported in other comprehensive income cannot be subsequently transferred to profit or loss (when disposing of such equity instruments, the Company transfers the accumulated amounts in other equity directly into retained earnings) and are presented as financial assets at fair value through other comprehensive income on the balance sheets. Dividends on investments are recognized in profit or loss, except when the dividends clearly represent certain recovery of investment cost.

Financial assets at fair value through profit or loss

Except for those financial assets qualified for aforementioned conditions and classified as financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, the other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheets as at the reporting date.

Such assets are subsequently measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss.

(2) Impairment of financial assets

The Company measures expected credit losses and recognizes expected credit losses for loss allowance on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. the time value of money;
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. at an amount equal to 12-month expected credit losses: including the financial asset whose credit risk has not increased significantly since initial recognition or the financial asset determined to have low credit risk at the reporting date; and, additionally, the financial assets which the Company measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. at an amount equal to the lifetime expected credit losses: including the financial asset whose credit risk has increased significantly since initial recognition or the financial asset that is purchased or originated credit-impaired.

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

1. Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated .
2. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
3. Total unsecured portion of loans overdue and receivable on demand.
4. If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts.

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

As at each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note IX for further details on credit risk.

(3) Financial liabilities

Financial liabilities within the scope of IFRS 9 *"Financial Instruments"* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

<u>Financial liabilities at amortized cost</u>

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

(4) Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

(5) Offsetting financial instruments

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

(6) Derivative instruments and hedging transactions

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

(7) Interest Rate Benchmark Reform (Accounting from 1 January, 2021)

For financial assets measured at amortized cost or financial liability measured at amortized cost, when the basis for determining cash flow changes due to interest rate benchmark reform indicators, the Company updates the effective interest rate of financial assets or financial liabilities to reflect the gradual changes.

(8) Adoption of overlay approach on financial assets

The Company chose to express profit or loss of the designated financial assets in overlay approach in accordance with IFRS 4 *"Insurance Contract"* since the application of IFRS 9. To those designated financial assets, the Company classifies the amount from profit or loss to other comprehensive income, thus making the profit or loss of the designated financial assets as at the reporting date equal to as if they would have been accounted for under IAS 39. Accordingly, the reclassification amount is the difference of the following items:

A. The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and
B. The amount of profit or loss of the designated financial assets as if applied to IAS 39.

A financial asset is eligible for designation under overlay approach if qualifying for the following conditions:

A. In accordance with IFRS 9, the financial asset is measured at fair value through profit or loss. However, if the Company applies to IAS 39, the financial asset is not measured at fair value through profit or loss collectively; and
B. The financial asset is not held in respect of activities that is unconnected with contracts within the scope of IFRS 4 *"Insurance Contract"*.

A Financial asset is eligible for the overlay approach if either of the following conditions is met:

A. The asset is accounted for on initial recognition; or
B. The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 *"Insurance Contract"* but previously did not.

The Company shall continuously adopt overlay approach to those designated financial assets until derecognition. However, the Company shall remove the designated status when the financial assets held in respect of activities other than contracts within the scope of IFRS 4 *"Insurance Contract"*. In addition, at the beginning date of any annual reporting year, the Company is permitted to stop applying overlay approach to all designated financial assets; If it does, the change in the accounting policy is accounted for under IFRS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors"*.

7. Loans

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

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

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

8. Fair value measurement

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

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

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

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

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

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

9. Investments accounted for using the equity method

The Company used the equity method for accounting treatment for its associates with material influence and are they recognized at cost on acquisition. The carrying amount of investment in associates includes the goodwill identified in initial investment (less any accumulated impairment loss). From the date of the Company loses the significant influence, the equity method shall cease to be adopted, and use the book value at the time of the change as the cost.

After the acquisition date, the Company will recognize profit/loss according to the Company's share in the associate' profit or loss. Receipt of surplus distribution from the associate will reduce the carrying amount of the investment. When changes in other comprehensive profits and losses of the associate cause changes in the Company's rights and interests, the Company also relatively adjusts the investment book amount.

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

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 recognizes such parts as individual assets separately with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *"Property, Plant and Equipment"*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Buildings and construction	4～60 years
Computer equipment	3~15 years
Communication and transportation equipment	5~10 years
Other equipment	3~5 years
Leased assets	Depend on the age or the durable life of lease, whichever is shorter

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

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

11. Investment property

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

The Company's investment properties are measured at fair value, and gains or losses are recognized in profit or loss in accordance with the requirements of IAS 40 *"Investment Property"*, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"* and paragraph 53 of IAS 40 *"Investment Property"*. If investment properties are held by a lessee as right-of-use assets and are not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements 34 of IFRS 16.

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.

When the property meets or do not meet the definition of investment property and there is evidence showing change of use, the Company recognizes the property as investment property or transfers the property out of investment property.

12. Leases

At the day of establishment, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(1) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(1) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(2) variable lease payments that depend on an index or a rate, initially measured using the

index or rate as at the commencement date;

(3) amounts expected to be payable by the lessee under residual value guarantees;
(4) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 *"Impairment of Assets"* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the

lease term or another systematic basis.
For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted for it as a variable lease payment. The Company have applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

13. Intangible assets

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

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

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

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

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

Other intangible assets are computer software and are amortized on a straight-line basis over the estimated useful life (1 to 5 years).

14. Impairment of non-financial assets

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

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

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

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

15. Investment-linked insurance products

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

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

16. Post-employment benefits

The Company set up a pension plan and an independently administered pension fund committee according to Labor Standards Act. The Company deposits retirement reserve according to a certain percentage of wages to the specific account of Bank of Taiwan every month. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year. As the retirement reserves are deposited under the committee’s name in the specific bank account, the reserves are not associated with the Company. Therefore, retirement reserve is not included in the Company’s financial statements.

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

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

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

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

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

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

17. Provisions

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

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

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

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

(1) Unearned premium reserve

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

(2) Reserve for claims

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

(3) Reserve for life insurance liabilities

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

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

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

(4) Special reserve

① For the retained businesses with policy period within 1 year, the special reserve is classified into 2 categories, “Special Catastrophe Reserve” and “Special Reserve for Fluctuation of Risks.” The dollar amount of reserve required is addressed as follows:

A. Special catastrophe reserve

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.

B. Special reserve for fluctuation of risks

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

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

② 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. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Company shall set aside the same amount of special reserve.

③ The net impact from first adoption of fair value in subsequent measurement has been appropriated into dividend reserve for participating policy which relates to investment property. That reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contract's fair value approved by the authority and to set aside additional liabilities for the soundness of financial structure when complying with IFRS 17 "*Insurance Contract*" in the future implementation. By the time the related assets dispose, the reserve which comes from the changes of fair value due to the cumulative net value-added benefits can be processed according to the related distribution provision of participating policy.

(5) Premium deficiency reserve

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

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

(6) Other reserve

Pursuant to IFRS 3 *"Business Combination"*, the Company shall set aside other reserve for identifiable assets required and liabilities assumed recorded at fair value in order to reflect the fair value of the insurance contract assumed.

(7) Liability adequacy reserve

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

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

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

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

19. Foreign exchange valuation reserve

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets (do not include foreign currency non-investment-linked life insurance product assets) in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and "Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises". The beginning balance of foreign exchange valuation reserve was $1,745,679 thousand which has to recognize special capital reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special capital reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve is only used for capital increase or offset deficit. According to Article 9 of the "Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises" and the Order No. Financial-Supervisory-Securities-Corporate-1090490453 issued by the FSC on 17 February 2020, starting from the earning distribution of 2019, when insurance company set aside special capital reserve according to Article 9 of the "Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises", it shall set aside 10% of "net profit after tax plus Items other than net profit after tax that are included in the undistributed earnings of the year" as special reserve.

20. Insurance premium income and expenses

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

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

21. Reinsurance

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

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

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

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

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

22. <u>Share-based payment transactions</u>

For the equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The Company has determined the date of the subscription price and the number of shares as the grant-date and recognized the fair value of the equity instruments granted as expenses, with a corresponding increase in equity.

23. <u>Income taxes</u>

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

<u>Current income tax</u>

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

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

<u>Deferred tax</u>

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

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

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

The income tax expense for the mid-term period is accrued and disclosed at the tax rate applicable to the expected total income for the current year, means that using estimated annual tax rate with the pre-tax benefit for the mid-term period. The estimate of the annual tax rate only includes current income tax expense, the deferred income tax is measured in accordance with IAS 12 "Income Tax" and in consistent with the annual financial report. When tax rate changes, the impact on deferred income tax is recognized in profit or loss, other comprehensive income, or directly in equity.

24. Unconsolidated structured entities

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

V. Significant accounting judgments, estimates and assumptions

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

1. Judgment

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

(1) Categories of financial assets

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

(2) Categories of insurance contracts

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

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

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

2. Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Fair value of investment property

The fair value of investment property is derived from valuation techniques, including the income approach, comparison method, cost method, etc., and assumptions used in applying valuation techniques will have influence on the fair value of investment property.

(3) Impairment assessment of financial assets

The Company adopts expected credit loss model to assess impairment on debt instrument investments not measured at fair value through profit or loss. The measurement consider the credit risk of issuers or counterparties, estimate the future 12-month or the lifetime expected credit losses. The way of estimation is to multiply the future 12-month or the lifetime Probability of default (PD), and Loss given default (LGD) and Exposure at default (EAD). The Company also considers the effect of the time value of money to calculate 12-month expected credit losses or the lifetime expected credit losses respectively. The Company has taken historical experiences, market conditions and forward-looking adjustment into account to decide on the assumption and inputs of expected credit loss calculation.

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

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

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

(5) Income taxes

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

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

VI. Description of significant accounting items

1. Cash and cash equivalents

	2021.3.31	2020.12.31	2020.3.31
Cash on hand	$729	$657	$851
Revolving funds	1,055	1,065	1,143
Cash in banks	71,390,551	70,335,073	38,129,980
Time deposits	18,417,420	24,408,100	19,716,320
Cash equivalents－bond with resale agreement	2,330,742	6,631,620	8,240,714
Total	$92,140,497	$101,376,515	$66,089,008

2. Receivables

	2021.3.31	2020.12.31	2020.3.31
Notes receivable	$58,575	$134,364	$78,889
Other receivables			
Interest receivable	14,649,423	14,175,901	13,019,860
Securities settlement receivable	9,362,539	2,620,865	20,815,521
Financial institutions collection receivable	1,121,628	2,045,386	1,296,283
Separate account receivable	445,011	63,595	983,229
Others	771,407	881,082	870,666
Overdue receivable	4,585	6,872	7,821
Less: Allowance for bad debts－Other receivables	(5,384)	(7,679)	(9,400)
Subtotal	26,349,209	19,786,022	36,983,980
Total	$26,407,784	$19,920,386	$37,062,869

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI.25 for more details on impairment of receivables. Please refer to Note IX for more details on credit risk management.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

3. Financial assets at fair value through profit or loss

	2021.3.31	2020.12.31	2020.3.31
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments	$3,267,256	$12,108,158	$5,833,924
Domestic financial debentures	15,151,115	15,296,061	16,405,359
Domestic structured products	997,520	997,360	-
Domestic listed stocks	138,219,948	117,113,335	91,603,192
Domestic unlisted stocks	290,285	283,365	192,655
Domestic beneficiary certificates	96,144,401	102,669,517	107,187,718
Domestic real estate investment trust	2,299,977	2,224,345	2,064,425
Overseas corporate bonds	13,924,484	14,648,671	12,645,702
Overseas listed stocks	32,612,677	28,472,031	24,861,374
Overseas preferred stocks	6,027,084	5,975,498	1,353,684
Overseas financial debentures	24,626,487	15,936,712	15,859,074
Overseas beneficiary certificates	58,109,000	57,413,779	45,205,878
Overseas real estate investment trust	3,504,047	2,417,097	1,642,496
Total	$395,174,281	$375,555,929	$324,855,481

Financial assets at fair value through profit or loss were not pledged.

The Company elected to express profit or loss of the designated financial assets in overlay approach under IFRS 4 "*Insurance Contracts*" since its application of IFRS 9. Financial assets designated to apply overlay approach by the Company for investing activities relating to insurance contracts are as follows:

	2021.3.31	2020.12.31	2020.3.31
Financial assets at fair value through profit or loss:			
Domestic financial debentures	$15,151,115	$15,296,061	$16,405,359
Domestic structured products	997,520	997,360	-
Domestic listed stocks	138,219,948	117,113,335	91,603,192
Domestic unlisted stocks	290,285	283,365	192,655
Domestic beneficiary certificates	96,144,401	102,669,517	107,187,718
Domestic real estate investment trust	2,299,977	2,224,345	2,064,425
Overseas corporate bonds	13,924,484	14,648,671	12,645,702
Overseas listed stocks	32,612,677	28,472,031	24,861,374
Overseas preferred stocks	6,027,084	5,975,498	1,353,684
Overseas financial debentures	24,626,487	15,936,712	15,859,074
Overseas beneficiary certificates	58,109,000	57,413,779	45,205,878
Overseas real estate investment trust	3,504,047	2,417,097	1,642,496
Total	$391,907,025	$363,447,771	$319,021,557

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reclassification of the financial assets designated to apply overlay approach from profit or loss to other comprehensive income for the three-month periods ended 31 March 2021 and 2020 are as follows:

	For the three-month periods ended 31 March	
	2021	2020
Gains (losses) due to applying IFRS 9 to profit or loss	$8,060,898	$(31,262,673)
Less: (Gains) losses if applying IAS 39 to profit or loss	(8,997,847)	(4,297,402)
Gains (losses) on reclassification using overlay approach	$(936,949)	$(35,560,075)

Due to the adoption of overlay approach, profits from financial assets at fair value through profits or loss are increased from $2,700,132 thousand to $3,637,081 thousand and loss are decreased from $29,892,867 thousand to profit $5,667,208 thousand for the three-month periods ended 31 March 2021 and 2020 respectively.

4. Financial assets at fair value through other comprehensive income

	2021.3.31	2020.12.31	2020.3.31
Debt instrument investments at fair value through other comprehensive income:			
Domestic government bonds	$67,573,497	$79,525,371	$73,766,830
Overseas government bonds	39,876,546	57,147,704	44,837,754
Overseas corporate bonds	124,869,878	162,690,370	105,214,361
Overseas financial debentures	109,618,109	125,977,597	107,380,725
Less: Refundable deposits	-	-	(9,842)
Subtotal	341,938,030	425,341,042	331,189,828
Equity instrument investments at fair value through other comprehensive income:			
Domestic listed stocks	22,896,843	23,253,351	10,350,132
Domestic unlisted stocks	3,486,591	3,153,281	2,378,168
Domestic preferred stocks	12,261,488	12,289,330	11,460,165
Overseas listed stocks	-	-	110,501
Overseas unlisted stocks	16,828,868	18,836,120	10,770,069
Subtotal	55,473,790	57,532,082	35,069,035
Total	$397,411,820	$482,873,124	$366,258,863

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note XIII for more details on financial assets at fair value through other comprehensive income under pledge.

Please refer to Note VI.25 for more details on gross carrying amount and accumulated impairment of debt instrument investments measured at fair value through other comprehensive income. Please refer to Note IX for more details on credit risk management.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three-month periods ended 31 March 2021 and 2020 are as follows:

	For the three-month periods ended 31 March	
	2021	2020
Related to investments held at the end of the reporting period	$78,370	$18,396
Dividends recognized during the period	78,370	18,396

Given the investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the three-month periods ended 31 March 2021 and 2020 are as follow:

	For the three-month periods ended 31 March	
	2021	2020
The fair value of the investments at the date of derecognition	$2,552,404	$58,659
The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings	(703,397)	899

5. Financial assets measured at amortized cost

	2021.3.31	2020.12.31	2020.3.31
Domestic government bonds	$65,597,756	$64,605,462	$63,637,890
Domestic corporate bonds	54,324,803	54,324,193	47,912,090
Domestic financial debentures	21,450,000	21,950,000	17,050,000
Domestic structured products	5,000,000	3,500,000	-
Overseas real estate mortgage bonds	10,719,910	14,508,160	44,911,263
Overseas government bonds	60,693,368	45,503,204	44,377,961
Overseas corporate bonds	353,296,442	311,415,838	235,942,798
Overseas financial debentures	550,107,134	537,737,846	576,252,318
Less: Refundable deposits	(7,092,199)	(7,092,185)	(6,698,318)
Less: Loss allowance	(64,358)	(56,917)	(110,188)
Total	$1,114,032,856	$1,046,395,601	$1,023,275,814

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company did not derecognized certain financial assets measured at amortized cost for the three-month periods ended 31 March 2021 and 2020.

Please refer to Note XIII for more details on financial assets measured at amortized cost under pledge.

Please refer to Note VI.25 for more details on gross carrying amount and accumulated impairment on financial assets measured at amortized cost. Please refer to Note IX for more details on credit risk management.

6. Loans

	2021.3.31	2020.12.31	2020.3.31
Policy loans	$27,065,470	$27,137,356	$27,678,458
Automatic premium loans	5,848,752	5,845,356	5,814,041
Secured loans－net	518,722	574,337	770,090
Secured loans	527,870	583,485	783,146
Less: Allowance for bad debts－secured loans	(9,148)	(9,148)	(13,056)
Overdue loans－net	-	-	172
Overdue loans	-	-	175
Less: Allowance for bad debts－overdue loans	-	-	(3)
Total	$33,432,944	$33,557,049	$34,262,761

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI.25 for more details on loss allowance.

7. Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

	2021.3.31		2020.12.31		2020.3.31	
Name of investee company:	Carring Amount	Percentage of ownership(%)	Carring Amount	Percentage of ownership(%)	Carring Amount	Percentage of ownership(%)
Shenhe Energy Co., Ltd.	$69,652	19.90%	$69,863	19.90%	$-	-

Please refer to Note XVIII.2 for more details on associates' investment information.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's investments in the individual associates were not individually material.
The aggregate financial information of the Company's investments in associates was as follows:

	2021.3.31
Profit or loss from continuing operations	$(212)
Other comprehensive income (net of tax)	-
Total comprehensive income	$(212)

The associates had no contingent liabilities or capital commitments as at 31 March 2021. Also, the investments in associates were not pledged.

8. Investment property

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

	For the three-month period ended 31 March 2021					
	Land	Buildings	Right-of-use asset -Land	Right-of-use asset – Superficies of Royalties	Prepayment for buildings	Total
Beginning balance	$16,009,402	$9,034,873	$1,275,780	$7,998,918	$-	$34,318,973
Purchase	-	14,961	-	-	-	14,961
Gains (losses) generated from adjustment fair value	-	(16,403)	-	-	-	(16,403)
Ending balance	$16,009,402	$9,033,431	$1,275,780	$7,998,918	$-	$34,317,531

	For the three-month period ended 31 March 2020					
	Land	Buildings	Right-of-use asset -Land	Right-of-use asset – Superficies of Royalties	Prepayment for buildings	Total
Beginning balance	$15,868,678	$4,747,164	$-	$-	$-	$20,615,842
Purchase	-	818	-	-	-	818
Disposals	(5,917)	(4,839)	-	-	-	(10,756)
Ending balance	$15,862,761	$4,743,143	$-	$-	$-	$20,605,904

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	For the three-month period ended 31 March 2021			
	Land	Buildings	Prepayment for buildings	Total
Costs:				
Beginning balance	$3,654,175	$-	$-	$3,654,175
Ending balance	$3,654,175	$-	$-	$3,654,175
Accumulated impairment:				
Beginning balance	$1,134,231	$-	$-	$1,134,231
Ending balance	$1,134,231	$-	$-	$1,134,231

	For the three-month period ended 31 March 2020			
	Land	Buildings	Prepayment for buildings	Total
Costs:				
Beginning balance	$3,654,175	$-	$-	$3,654,175
Ending balance	$3,654,175	$-	$-	$3,654,175
Accumulated impairment:				
Beginning balance	$1,133,112	$-	$-	$1,133,112
Ending balance	$1,133,112	$-	$-	$1,133,112

Net carrying amount:

	Land	Buildings	Right-of-use asset -Land	Right-of-use asset – Superficies of Royaltie	Prepayment for buildings	Total
2021.3.31	$18,529,346	$9,033,431	$1,275,780	$7,998,918	$-	$36,837,475
2020.12.31	$18,529,346	$9,034,873	$1,275,780	$7,998,918	$-	$36,838,917
2020.3.31	$18,383,824	$4,743,143	$-	$-	$-	$23,126,967

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

Valuation has been performed by appraisers from professional valuation agencies according to the Regulations on Real Estate Appraisal. Valuation reports are issued every six months whose fair value effectiveness are evaluated on the balance sheet date quarterly to determine whether valuation reports shall be reissued.The valuation date of the valuation reports for the reporting period is 31 December 2020 and 2019, and review reports on 31 March 2021 and 2020 are also acquired.

31 March 2021 and 31 December 2020:

(1) Repro Appraisers Firm: Wu Hong Hsu, Tsai Yu Hsiang, Hsu Hsiang Yi
(2) Gao Yuan Appraisers Joint Firm: Chen Pi Yuan

31 March 2020 and 31 December 2020:

(1) Hwan Yu Real Estate Appraisers Joint Firm: Lin Hsueh Chin, Chao Huei Mei
(2) Home Ban Appraisers Joint Firm: Li Ching Tang

The fair value of investment property is treated in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The fair value evaluation should adopt the discounted cash flow method of income approach or cost approach, excluding the investment property already stated on the account prior to May 11, 2020 which was subsequently measured by the fair value model , and the normal price should be used as the basis of fair value assessment.

For investment property acquired before May 11, 2020, the fair value was determined through the support of market evidence. Since the investment property of the Company comprises mainly commercial buildings and residential buildings that are with market liquidity and easy access to similar comparative cases and rental cases in the neighborhood, comparison approach and income approach, of which latter one uses the direct capitalization method, are mainly used for evaluations.

For investment property acquired after May 11, 2020, if a lease contract for more than one year has been entered into, it shall be evaluated by the discounted cash flow method of income approach. The cash flow, analysis period, and discount rate of the evaluation method shall meet the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises; if the investment property did not enter into a lease contract for more than a year or the contract has been terminated, cancelled, or invalidated for more than one year, cost approach should be adopted for evaluation.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The inputs mainly used are as follows:

	2021.3.31	2020.12.31	2020.3.31
	Mainly	Mainly	Mainly
Income capitalization rate	1.55%~4.38%	1.55%~4.38%	0.73%~4.98%
Discount rate (Note)	2.3%~2.75%	2.3%~2.75%	None
Overall capital interest rate(Note)	1.57%~3.47%	1.57%~3.47%	None

Note: The valuation method of investment property acquired by the Company after May 11, 2020 adopted the discounted cash flow method of income approach and cost approach, and the main parameters used were the discount rate and the overall capital interest rate.

The part of the investment property of the Company that is measured at fair value subsequent to initial recognition, the fair value is categorized at Level 3 of the fair value hierarchy. The fair value of investment property will decrease as the main inputs, income capitalization rate of direct capitalization approach, the discount rate of the discounted cash flow method and the overall capital interest rate, increases. On the contrary, the fair value of investment property will increase if the main input decrease.

The Company's Taipei Academy's superficies construction project was transferred from construction in progress to building, in 2020, and part of the buildings and the right-of-use assets were transferred to investment property in accordance with the nature of use.

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

Rents from investment properties were $206,933 thousand and $121,927 thousand for the three-month periods ended 31 March 2021 and 2020. Related direct operating expenses were $37,690 thousand and $22,016 thousand. The direct operating expenses of investment properties generating no rents were $5,797 thousand and $1,773 thousand.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 March 2021, 31 December 2020 and 31 March 2020, no investment properties were pledged as collateral.

9. Reinsurance assets

	2021.3.31	2020.12.31	2020.3.31
Claims recoverable from reinsurers	$760,347	$646,949	$641,696
Due from reinsurers and ceding companies	2,434	10,718	82,953
Reinsurance reserve assets			
Ceded unearned premium reserve	64,998	61,774	55,471
Ceded reserve for claims	36,008	20,815	14,284
Subtotal	101,006	82,589	69,755
Total	$863,787	$740,256	$794,404

The above reinsurance assets are not impaired.

10. Property and equipment

	For the three-month period ended 31 March 2021							
	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayment for buildings and construction in progress	Total
Cost:								
1 January 2021	$7,077,678	$6,135,541	$477,220	$9,336	$551,864	$23,226	$148,206	$14,423,071
Additions	-	612	23,137	241	225	-	43,718	67,933
Disposals	-	-	(5,439)	(1,957)	(698)	-	-	(8,094)
Transfers	-	600	9,081	-	-	-	(17,237)	(7,556)
31 March 2021	$7,077,678	$6,136,753	$503,999	$7,620	$551,391	$23,226	$174,687	$14,475,354
Accumulated Depreciation:								
1 January 2021	$-	$616,859	$203,148	$5,688	$416,524	$22,781	$-	$1,265,000
Depreciation	-	38,391	20,217	377	12,515	91	-	71,591
Disposals	-	-	(5,394)	(1,957)	(697)	-	-	(8,048)
31 March 2021	$-	$655,250	$217,971	$4,108	$428,342	$22,872	$-	$1,328,543
Accumulated impairment:								
1 January 2021	$740,519	$2,564	$-	$-	$-	$-	$-	$743,083
31 March 2021	$740,519	$2,564	$-	$-	$-	$-	$-	$743,083

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the three-month period ended 31 March 2020							
	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayment for buildings and construction in progress	Total
Cost:								
1 January 2020	$6,617,371	$1,848,625	$460,948	$9,825	$542,956	$23,226	$6,523,265	$16,026,216
Additions	-	-	22,489	116	892	-	1,385,618	1,409,115
Disposals	-	-	(50,861)	(2,506)	(653)	-	-	(54,020)
Transfers	-	-	9,134	-	1,459	-	55,172	65,765
31 March 2020	$6,617,371	$1,848,625	$441,710	$7,435	$544,654	$23,226	$7,964,055	$17,447,076
Accumulated Depreciation:								
1 January 2020	$-	$563,180	$209,469	$7,623	$366,031	$22,417	$-	$1,168,720
Depreciation	-	11,181	17,582	237	14,802	91	-	43,893
Disposals	-	-	(50,836)	(2,506)	(653)	-	-	(53,995)
31 March 2020	$-	$574,361	$176,215	$5,354	$380,180	$22,508	$-	$1,158,618
Accumulated impairment:								
1 January 2020	$740,474	$3,481	$-	$-	$-	$-	$-	$743,955
31 March 2020	$740,474	$3,481	$-	$-	$-	$-	$-	$743,955
Net carrying amount								
2021.3.31	$6,337,159	$5,478,939	$286,028	$3,512	$123,049	$354	$174,687	$12,403,728
2020.12.31	$6,337,159	$5,516,118	$274,072	$3,648	$135,340	$445	$148,206	$12,414,988
2020.3.31	$5,876,897	$1,270,783	$265,495	$2,081	$164,474	$718	$7,964,055	$15,544,503

Property and equipment held by the Company are not pledged.

11. Leases

(1) Company as a lessee

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

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Amounts of right-of-use assets recognized in the balance sheet and the statements of comprehensive income

	For the three-month period ended 31 March 2021						
	Land	Royalty-surface rights	Buildings	Computer equipment	Transportation equipment	Other office equipment	Total
Cost:							
1 January 2021	$636,057	$5,392,024	$112,627	$131,384	$15,105	$49,475	$6,336,672
Additions	-	-	478	-	-	-	478
Write off	-	-	(566)	-	-	-	(566)
31 March 2021	$636,057	$5,392,024	$112,539	$131,384	$15,105	$49,475	$6,336,584
Accumulated Depreciation:							
1 January 2021	$23,351	$165,779	$67,092	$4,802	$3,896	$12,982	$277,902
Depreciation	2,445	20,722	11,553	6,524	730	4,173	46,147
Write off	-	-	(566)	-	-	-	(566)
31 March 2021	$25,796	$186,501	$78,079	$11,326	$4,626	$17,155	$323,483

	For the three-month period ended 31 March 2020						
	Land	Royalty-surface rights	Buildings	Computer equipment	Transportation equipment	Other office equipment	Total
Cost:							
1 January 2020	$2,098,517	$13,179,623	$94,329	$94,957	$13,735	$26,160	$15,507,321
Additions	201	-	11,552	-	1,721	-	13,474
Disposals	-	-	(972)	-	(396)	-	(1,368)
Revaluation	(544,307)	-	-	-	-	-	(544,307)
31 December 2020	$1,554,411	$13,179,623	$104,909	$94,957	$15,060	$26,160	$14,975,120
Accumulated Depreciation:							
1 January 2020	$32,243	$202,605	$31,107	$51,795	$3,636	$11,662	$333,048
Depreciation	6,886	50,651	10,746	12,948	964	3,379	85,574
Disposals	-	-	(41)	-	(396)	-	(437)
31 December 2020	$39,129	$253,256	$41,812	$64,743	$4,204	$15,041	$418,185
Net carrying amount:							
2021.3.31	$610,261	$5,205,523	$34,460	$120,058	$10,479	$32,320	$6,013,101
2020.12.31	$612,706	$5,226,245	$45,535	$126,582	$11,209	$36,493	$6,058,770
2020.3.31	$1,515,282	$12,926,367	$63,097	$30,214	$10,856	$11,119	$14,556,935

The depreciation expense on the right-of-use assets recognized for the three-month periods ended 31 March 2021 and 2020 is $46,147 thousand and $28,054 thousand.

Depreciation on the right-of-use assets is calculated through a straight-line basis over 1 to 70 years.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Amounts of lease liabilities recognized in the balance sheet and the statements of comprehensive income

	2021.3.31	2020.12.31	2020.3.31
Land	$1,537,973	$1,539,683	$1,544,659
Buildings	35,048	46,260	63,391
Computer equipment	114,233	115,975	24,205
Transportation equipment	10,577	11,299	10,930
Other office equipment	35,564	37,997	14,464
Total	$1,733,395	$1,751,214	$1,657,649

The interest expense on the lease liabilities recognized during the three-month period ended 31 March 2021 and 2020 is $13,875 and $183 thousand. Please refer to Note IX.2 Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 March 2021, 31 December 2020 and 31 March 2020.

C. Income and costs relating to leasing activities

	For the three-month periods ended 31 March	
	2021	2020
The expenses relating to short-term leases	$305	$127
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	40	38

For the rent concession incurred as a direct result of the Covid-19 pandemic, the Company increased $1,239 thousand from non-operating income and increased $1,790 thousand from investment property income for the three-month period ended 31 March 2021, reflecting the lease payment change of the expedient plan.

D. Cash outflow relating to leasing activities

During the three-month period ended 31 March 2021 and 2020, the Company's total cash outflows for leases amounting to $29,462 thousand and $33,470 thousand.

E. Other information relating to leasing activities

(a) Variable lease payments

Some of the Company's machine equipment lease agreements contain variable lease payment terms that exceed the standard quota. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Extension and termination options

Some of the Company's rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(2) Company as a lessor

Please refer to Note VI.8 for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the three-month periods ended 31 March	
	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$205,054	$119,994
Income relating to variable lease payments that do not depend on an index or a rate	1,879	1,933
Total	$206,933	$121,927

The remaining period of commercial property lease contracts the Company signed are within one year to fourteen years, and most of these lease contracts contain terms about adjusting rents according to market environment annually. The undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 March 2021, 31 December 2020 and 31 March 2020 are as follow:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2021.3.31	2020.12.31	2020.3.31
Less than one year	$657,929	$593,283	$417,784
More than one year but less than two years	646,420	649,803	353,723
More than two years but less than three years	588,310	576,483	193,153
More than three years but less than four years	546,602	543,230	155,289
More than four years but less than five years	530,109	512,403	137,298
More than five years	2,205,470	2,233,548	246,809
Total	$5,174,840	$5,108,750	$1,504,056

12. Other assets

	2021.3.31	2020.12.31	2020.3.31
Prepayments	$195,667	$456,930	$51,022
Refundable deposits	12,982,444	7,213,874	6,846,663
Other assets－others	45,964	53,592	47,426
Total	$13,224,075	$7,724,396	$6,945,111

13. Payables

	2021.3.31	2020.12.31	2020.3.31
Notes payable	$153	$64	$71
Life insurance proceeds payable	91,564	96,446	77,726
Commissions payable	1,274,648	1,567,741	901,470
Due to reinsurers and ceding companies	1,032,822	808,694	783,196
Other payables			
Salary payable	1,080,862	1,235,595	723,607
Tax payable	91,577	91,176	88,786
Collection payable	44,424	45,224	43,551
Payable on investments	10,188,710	1,550,534	18,248,348
Accrued expense and payable on insurance policies	7,034,356	7,514,630	7,153,539
Others	467,921	354,332	325,039
Subtotal	18,907,850	10,791,491	26,582,870
Total	$21,307,037	$13,264,436	$28,345,333

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. Bonds Payable

	2021.3.31	2020.12.31	2020.3.31
China Life Insurance Co., Ltd. 1st Perpetual cumulative Subordinated Corporate Bonds issued in 2020	$10,000,000	$10,000,000	$-

The issue was approved by Financial Supervisory Commission (“FSC”) under Order No. Jin-Guan-Bao-Shou-Zi-1090434160 and Taipei Exchange (“TPEx”) under Order No. Cheng-Gui-Chai-Zi-10900142481. The Company issued corporate bond on 28 December 2020. The issuance conditions are as follows:

1. Total issuance and face value: The total issuance is NT $10,000,000 thousand, and the per par value is NT $1,000 thousand.

2. Issue period and method: Perpetual bonds. Fully issued according to the face value.

3. Coupon rate: The annual coupon rate is fixed at 2.7%.

4. Interest payment: Since the issuance date, the interest will be calculated and paid once a year based on the coupon rate. The interest payment amount is calculated based on the face value of each bond and is rounded up to the nearest dollar if the decimal point is more than $0.5 and rounded off if less than $0.4. If the principal and interest payment date is the day when the place of payment bank ceases business, the principal and interest will be paid on the business day following the business closure day, and no additional interest will be paid. If the principal and interest are received after the principal and interest payment date, no deferred interest will be calculated and paid.

5. Redemption right: Ten years after the issuance date, the bonds may be redeemed in whole by China Life with regulator’s approval if the Company’s capital adequacy ratio (after the bond redemption) is one time higher than the minimum regulation requirement at the time of calculation. The redemption price will be equal to par value plus any accrued and unpaid interest payable up to the date of redemption.

6. Form：Issued in dematerialized form, and is registered with the Taiwan Depository & Clearing Corporation.

The Company's issuance of corporate bonds will recognize interest expenses of $66,575 thousand in 31 March 2021 and accounted as financial costs.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

15. Financial liabilities at fair value through profit or loss

	2021.3.31	2020.12.31	2020.3.31
Held for trading:			
Derivatives not designated as hedging instruments			
Swaps and forward foreign exchange contracts	$10,181,997	$7,931,359	$3,879,382
Total	$10,181,997	$7,931,359	$3,879,382

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

As at 31 March 2021, 31 December 2020 and 31 March 2020, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows.

	2021.3.31	2020.12.31	2020.3.31
Reserve for life insurance liabilities	$1,886,864,894	$1,859,860,159	$1,741,019,073
Unearned premium reserve	4,175,365	4,509,133	3,901,876
Reserve for claims	2,541,283	2,463,643	2,346,776
Special reserve	7,466,974	6,633,515	7,314,356
Premium deficiency reserve	3,884,342	4,139,991	5,830,970
Other reserve	18,988,700	19,073,989	19,368,966
Ending balance	$1,923,921,558	$1,896,680,430	$1,779,782,017

(1) Reserve for life insurance liabilities:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$1,526,369,114	$56,751,711	$1,583,120,825
Health insurance	146,742,539	-	146,742,539
Annuity insurance	650,789	154,440,600	155,091,389
Investment-linked insurance	1,768,158	-	1,768,158
Total (Note)	$1,675,530,600	$211,192,311	$1,886,722,911

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to $1,886,864,894 thousand as of 31 March 2021.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$1,499,223,671	$57,268,258	$1,556,491,929
Health insurance	144,514,146	-	144,514,146
Annuity insurance	641,776	156,307,556	156,949,332
Investment-linked insurance	1,763,565	-	1,763,565
Total (Note)	$1,646,143,158	$213,575,814	$1,859,718,972

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,859,860,159 thousand as of 31 December 2020.

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$1,382,322,473	$57,499,086	$1,439,821,559
Health insurance	135,847,160	-	135,847,160
Annuity insurance	670,878	162,747,910	163,418,788
Investment-linked insurance	1,786,724	-	1,786,724
Total (Note)	$1,520,627,235	$220,246,996	$1,740,874,231

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,741,019,073 thousand as of 31 March 2020.

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

Movement in reserve for life insurance liabilities is summarized below:

	For the three-month period ended 31 March 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,646,143,158	$213,575,814	$1,859,718,972
Reserve	53,997,796	1,757,554	55,755,350
Recover	(24,608,949)	(4,156,458)	(28,765,407)
Losses (gains) on foreign exchange	(1,405)	15,401	13,996
Ending balance (Note)	$1,675,530,600	$211,192,311	$1,886,722,911

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,886,864,894 thousand as of 31 March 2021.

	For the three-month period ended 31 March 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,476,881,001	$221,716,576	$1,698,597,577
Reserve	61,846,779	2,326,575	64,173,354
Recover	(16,852,475)	(3,879,357)	(20,731,832)
Losses (gains) on foreign exchange	(1,248,070)	83,202	(1,164,868)
Ending balance (Note)	$1,520,627,235	$220,246,996	$1,740,874,231

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,741,019,073 thousand as of 31 March 2020.

(2) Unearned premium reserve:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$934	$-	$934
Individual injury insurance	1,457,735	-	1,457,735
Individual health insurance	2,192,278	-	2,192,278
Group insurance	461,100	-	461,100
Investment-linked insurance	63,292	-	63,292
Annuity insurance	-	26	26
Total	4,175,339	26	4,175,365
Less ceded unearned premium reserve:			
Individual life insurance	17,105	-	17,105
Individual injury insurance	1,203	-	1,203
Individual health insurance	34,052	-	34,052
Group insurance	7,591	-	7,591
Investment-linked insurance	5,047	-	5,047
Total	64,998	-	64,998
Net amount	$4,110,341	$26	$4,110,367

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,003	$-	$1,003
Individual injury insurance	1,518,042	-	1,518,042
Individual health insurance	2,355,619	-	2,355,619
Group insurance	571,942	-	571,942
Investment-linked insurance	62,500	-	62,500
Annuity insurance	-	27	27
Total	4,509,106	27	4,509,133
Less ceded unearned premium reserve:			
Individual life insurance	16,630	-	16,630
Individual injury insurance	1,778	-	1,778
Individual health insurance	33,812	-	33,812
Group insurance	4,596	-	4,596
Investment-linked insurance	4,958	-	4,958
Total	61,774	-	61,774
Net amount	$4,447,332	$27	$4,447,359

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,022	$-	$1,022
Individual injury insurance	1,351,229	-	1,351,229
Individual health insurance	2,078,048	-	2,078,048
Group insurance	412,489	-	412,489
Investment-linked insurance	59,045	-	59,045
Annuity insurance	-	43	43
Total	3,901,833	43	3,901,876
Less ceded unearned premium reserve:			
Individual life insurance	15,970	-	15,970
Individual injury insurance	921	-	921
Individual health insurance	30,341	-	30,341
Group insurance	2,992	-	2,992
Investment-linked insurance	5,247	-	5,247
Total	55,471	-	55,471
Net amount	$3,846,362	$43	$3,846,405

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in unearned premium reserve is summarized below:

	For the three-month period ended 31 March 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,509,106	$27	$4,509,133
Reserve	793,509	26	793,535
Recover	(1,127,276)	(27)	(1,127,303)
Ending balance	4,175,339	26	4,175,365
Less ceded unearned premium reserve:			
Beginning balance	61,774	-	61,774
Increase	22,281	-	22,281
Decrease	(19,058)	-	(19,058)
Losses (gains) on foreign exchange	1	-	1
Ending balance	64,998	-	64,998
Net amount	$4,110,341	$26	$4,110,367

	For the three-month period ended 31 March 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,291,354	$75	$4,291,429
Reserve	683,317	43	683,360
Recover	(1,072,838)	(75)	(1,072,913)
Ending balance	3,901,833	43	3,901,876
Less ceded unearned premium reserve:			
Beginning balance	55,487	-	55,487
Increase	14,351	-	14,351
Decrease	(14,367)	-	(14,367)
Ending balance	55,471	-	55,471
Net amount	$3,846,362	$43	$3,846,405

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Reserve for claims:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$166,844	$4,377	$171,221
－Unreported claim	2,175	-	2,175
Individual injury insurance			
－Reported but not paid claim	37,338	-	37,338
－Unreported claim	593,815	-	593,815
Individual health insurance			
－Reported but not paid claim	124,210	-	124,210
－Unreported claim	1,010,185	-	1,010,185
Group insurance			
－Reported but not paid claim	135,031	-	135,031
－Unreported claim	414,336	-	414,336
Investment-linked insurance			
－Reported but not paid claim	17,371	-	17,371
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	30	35,525	35,555
－Unreported claim	-	46	46
Total	2,501,335	39,948	2,541,283
Less ceded reserve for claims:			
Individual life insurance	7,903	-	7,903
Individual injury insurance	490	-	490
Individual health insurance	14,867	-	14,867
Group insurance	12,748	-	12,748
Total	36,008	-	36,008
Net amount	$2,465,327	$39,948	$2,505,275

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$173,157	$3,935	$177,092
－Unreported claim	2,260	-	2,260
Individual injury insurance			
－Reported but not paid claim	42,446	-	42,446
－Unreported claim	532,065	-	532,065
Individual health insurance			
－Reported but not paid claim	114,688	-	114,688
－Unreported claim	988,920	-	988,920
Group insurance			
－Reported but not paid claim	98,924	-	98,924
－Unreported claim	446,078	-	446,078
Investment-linked insurance			
－Reported but not paid claim	19,724	-	19,724
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	-	41,382	41,382
－Unreported claim	-	64	64
Total	2,418,262	45,381	2,463,643
Less ceded reserve for claims:			
Individual life insurance	2,274	-	2,274
Individual injury insurance	2,237	-	2,237
Individual health insurance	10,304	-	10,304
Group insurance	6,000	-	6,000
Total	20,815	-	20,815
Net amount	$2,397,447	$45,381	$2,442,828

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$209,179	$82,494	$291,673
－Unreported claim	1,910	-	1,910
Individual injury insurance			
－Reported but not paid claim	35,056	-	35,056
－Unreported claim	479,064	-	479,064
Individual health insurance			
－Reported but not paid claim	85,119	-	85,119
－Unreported claim	864,887	-	864,887
Group insurance			
－Reported but not paid claim	102,416	-	102,416
－Unreported claim	429,529	-	429,529
Investment-linked insurance			
－Reported but not paid claim	12,753	-	12,753
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	-	44,247	44,247
－Unreported claim	-	122	122
Total	2,219,913	126,863	2,346,776
Less ceded reserve for claims:			
Individual life insurance	1,393	-	1,393
Individual injury insurance	-	-	-
Individual health insurance	8,771	-	8,771
Group insurance	3,800	-	3,800
Investment-linked insurance	320	-	320
Total	14,284	-	14,284
Net amount	$2,205,629	$126,863	$2,332,492

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in reserve for claims is summarized below:

	For the three-month period ended 31 March 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,418,262	$45,381	$2,463,643
Reserve	2,501,400	39,947	2,541,347
Recover	(2,418,262)	(45,381)	(2,463,643)
Losses (gains) on foreign exchange	(65)	1	(64)
Ending balance	2,501,335	39,948	2,541,283
Less ceded unearned premium reserve:			
Beginning balance	20,815	-	20,815
Increase	36,011	-	36,011
Decrease	(20,815)	-	(20,815)
Losses (gains) on foreign exchange	(3)	-	(3)
Ending balance	36,008	-	36,008
Net amount	$2,465,327	$39,948	$2,505,275

	For the three-month period ended 31 March 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,061,831	$163,516	$2,225,347
Reserve	2,220,739	126,667	2,347,406
Recover	(2,061,831)	(163,516)	(2,225,347)
Losses (gains) on foreign exchange	(826)	196	(630)
Ending balance	2,219,913	126,863	2,346,776
Less ceded unearned premium reserve:			
Beginning balance	13,755	-	13,755
Increase	14,284	-	14,284
Decrease	(13,755)	-	(13,755)
Ending balance	14,284	-	14,284
Net amount	$2,205,629	$126,863	$2,332,492

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(4) Special reserve:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$7,466,974	$-	$7,466,974
Dividend risk reserve	-	-	-
Total	$7,466,974	$-	$7,466,974

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$6,633,515	$-	$6,633,515
Dividend risk reserve	-	-	-
Total	$6,633,515	$-	$6,633,515

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$7,314,356	$-	$7,314,356
Dividend risk reserve	-	-	-
Total	$7,314,356	$-	$7,314,356

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in special reserve is summarized below:

	For the three-month periods ended 31 March	
	2021	2020
	Insurance contract	Insurance contract
Beginning balance	$6,633,515	$6,907,466
Reserve for participating policies dividend reserve	818,315	405,325
Recover for participating policies dividend reserve	-	-
Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income	15,144	1,565
Ending balance	$7,466,974	$7,314,356

(5) Special reserve for catastrophe and fluctuation of risks:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$2,028	$-	$2,028
Individual injury insurance	884,209	-	884,209
Individual health insurance	2,673,733	-	2,673,733
Group insurance	3,360,666	-	3,360,666
Annuity insurance	-	476	476
Total	$6,920,636	$476	$6,921,112

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$2,028	$-	$2,028
Individual injury insurance	884,209	-	884,209
Individual health insurance	2,673,733	-	2,673,733
Group insurance	3,360,666	-	3,360,666
Annuity insurance	-	476	476
Total	$6,920,636	$476	$6,921,112

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,743	$-	$1,743
Individual injury insurance	875,865	-	875,865
Individual health insurance	2,536,247	-	2,536,247
Group insurance	3,212,019	-	3,212,019
Annuity insurance	-	759	759
Total	$6,625,874	$759	$6,626,633

(6) Premium deficiency reserve:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$3,770,066	$-	$3,770,066
Individual health insurance	114,276	-	114,276
Total	$3,884,342	$-	$3,884,342

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$4,023,859	$-	$4,023,859
Individual health insurance	116,132	-	116,132
Total	$4,139,991	$-	$4,139,991

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$5,708,259	$-	$5,708,259
Individual health insurance	122,711	-	122,711
Total	$5,830,970	$-	$5,830,970

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in premium deficiency reserve is summarized below:

	For the three-month period ended 31 March 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,139,991	$-	$4,139,991
Reserve	150,322	-	150,322
Recover	(403,299)	-	(403,299)
Losses (gains) on foreign exchange	(2,672)	-	(2,672)
Ending balance	$3,884,342	$-	$3,884,342

	For the three-month period ended 31 March 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$6,627,546	$-	$6,627,546
Reserve	507,291	-	507,291
Recover	(1,258,531)	-	(1,258,531)
Losses (gains) on foreign exchange	(45,336)	-	(45,336)
Ending balance	$5,830,970	$-	$5,830,970

(7) Other reserve:

	2021.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other	$18,988,700	$-	$18,988,700

	2020.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other	$19,073,989	$-	$19,073,989

	2020.3.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other	$19,368,966	$-	$19,368,966

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in other reserve is summarized below:

	For the three-month period ended 31 March 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$19,073,989	$-	$19,073,989
Recover	(85,289)	-	(85,289)
Ending balance	$18,988,700	$-	$18,988,700

	For the three-month period ended 31 March 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$19,467,292	$-	$19,467,292
Recover	(98,326)	-	(98,326)
Ending balance	$19,368,966	$-	$19,368,966

The amount of other reserve is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

(8) Liability adequacy reserve:

	Insurance contract and financial instruments with discretionary participation feature		
	2021.3.31	2020.12.31	2020.3.31
Reserve for life insurance liabilities	$1,886,722,911	$1,859,718,972	$1,740,874,231
Unearned premium reserve	4,175,365	4,509,133	3,901,876
Premium deficiency reserve	3,884,342	4,139,991	5,830,970
Special reserve	7,466,974	6,633,515	7,314,356
Other reserve	18,988,700	19,073,989	19,368,966
Book value of insurance liabilities	$1,921,238,292	$1,894,075,600	$1,777,290,399
Estimated present value of cash flows	$1,523,499,192	$1,465,210,122	$1,383,761,141
Balance of liability adequacy reserve	$-	$-	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Liability adequacy testing methodology is as follows:

	2021.3.31	2020.12.31 and 2020.3.31
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Assumptions	Adopt the best estimated scenario investment return on the most recent actuarial report (the actuarial report of 2020).	Adopt the best estimated scenario investment return on the most recent actuarial report (the actuarial report of 2019), and discount rate evaluated with consideration of current information.

17. Foreign exchange valuation reserve

(1) The hedge strategy and risk exposure

The Company consistently adjusts the hedge ratios to establish an adequate risk exposure planning based on the new foreign exchange valuation exposure principle by integrating the exchange rate and interest rate trends of domestic and foreign financial markets. However, changes in the hedge and risk exposure ratios should follow the internal risk control to alert and adjust hedge strategy in advance to meet the optimal hedge considerations.

(2) Adjustment in foreign exchange valuation reserve:

	For the three-month periods ended 31 March	
	2021	2020
Beginning balance	$4,023,007	$2,367,039
Reserve		
Compulsory reserve	503,802	506,694
Extra reserve	415,058	1,049,471
Subtotal	918,860	1,556,165
Recover	(1,048,092)	(115,167)
Ending balance	$3,893,775	$3,808,037

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Effects due to foreign exchange valuation reserve:

	For the three-month period ended 31 March 2021		
Item	Inapplicable amount	Applicable amount	Effects
Net income	$9,738,381	$9,841,767	$103,386
Earnings per share (dollar)	2.06	2.08	0.02
Foreign exchange valuation reserve	-	3,893,775	3,893,775
Equity	160,977,479	159,205,522	(1,771,957)

	For the three-month period ended 31 March 2020		
Item	Inapplicable amount	Applicable amount	Effects
Net income	$5,611,657	$4,458,858	$(1,152,799)
Earnings per share (dollar)	1.19	0.94	(0.25)
Foreign exchange valuation reserve	-	3,808,037	3,808,037
Equity	99,622,739	97,919,371	(1,703,368)

18. Provisions

	2021.3.31	2020.12.31	2020.3.31
Provisions for employee benefits	$188,114	$206,930	$158,927
Litigation liabilities	5,879	5,824	2,388
Total	$193,993	$212,754	$161,315

The Company has an official policy to control and manage litigations. When a professional advice has been made and the loss can be reasonably estimated, the Company will make adjustments to recognize losses and any negative effects arising out of any financial claims. As at 31 March 2021, the Company has 69 unresolved legal suits.

19. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plans for the three-month periods ended 31 March 2021 and 2020 were $65,348 thousand and $68,838 thousand, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined benefit plans

Expenses under the defined benefit plans for the three-month periods ended 31 March 2021 and 2020 were $401 thousand and $542 thousand, respectively.

20. Common stock

(1) As of 31 March 2021, 31 December 2020 and 31 March 2020, the Company's authorized and issued capital were $47,313,972 thousand, $47,313,972 thousand and $44,635,823 thousand, divided into 4,731,397,242, 4,731,397,242 and 4,463,582,304 common shares at $10 par value.

(2) On 27 May 2020, the Company's shareholders' meeting decided to appropriate $2,678,149 thousand from 2019 distributable earnings to increase capital in shareholders' meeting, issuing 267,814,938 common shares at $10 par value. On 15 October 2020, the capital raising plan has been approved by the Competent Authority, with 7 November 2020 being the record date of the cash capital increase.

21. Capital surplus

	2021.3.31	2020.12.31	2020.3.31
Additional paid-in capital	$7,179,692	$7,179,692	$7,179,692
Treasury stock transactions	34,831	34,831	34,831
Total	$7,214,523	$7,214,523	$7,214,523

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

22. Retained earnings

(1) Legal capital reserve

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

(2) Special capital reserve

Pursuant to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" established by the R.O.C. Financial Supervisory Commission, the after-tax amount of released provision from the special reserves for fluctuation of risks are appropriated as special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-0910074195, after obtaining approval at the stockholders' meeting in the following year. The after-tax amount of released provision from the special reserves for contingency appropriated as special capital reserve for the year ended in 2019 was $528,243 thousand, resolved in the stockholders' meeting in 2020. The after-tax amount of released provision from the special reserves for contingency appropriated as special capital reserve for the year ended in 2020 was $520,252 thousand, expected to be resolved in the stockholders' meeting in 2021.

The Company set aside special reserves for catastrophe and fluctuation of risks for the retained businesses with policy period within 1 year in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". Please refer to Note IV.18 for the set-aside and release calculation. The after-tax amount of reserve and release for the special reserve is converted to special capital reserve at the end of current year. Special capital reserves for the year of 2020 and 2019 were set aside $939,217 thousand and $893,072 thousand, and released $644,740 thousand and $665,542 thousand, respectively.

The Company set aside special capital reserve $1,148,644 thousand in accordance with Financial-Supervisory-Securities-Corporate-1090414517, the amount were resolved in the stockholders' meeting in 2020.

In accordance with the "Personal Insurance Industry's Matters Needing Attention in Handling Interest Rate Change Insurance Products", the company plans to set aside a special capital reserve $296,700 thousand after the resolved in the shareholders' meeting in 2021.

In accordance with the Financial-Supervisory-Securities-Corporate-1100498861 dated 26 March, 2021, the Company has set aside special capital reserve for after-tax net profit of the current year that is part of the disability assistance insurance for the 2020 fiscal year. The Company has set aside special capital reserve in the amount of $41,278 thousand for 2020 in accordance with relevant regulations, and plans to set special capital reserve after resolution in the 2021 shareholders' meeting.

The Company adopts foreign exchange reserve mechanism and hence be required by law to provide special capital reserve. Please refer to Note IV.19. The Company set aside $2,974,390 thousand of special capital reserve of 2019; the amount were resolved in the stockholders' meeting in 2020. The Company set aside $3,825,180 thousand of special capital reserve of 2020, and reverse special capital reserve of $1,306,659 thousand set aside for saving hedging costs in previous years, and used for surplus to increase capital; the abovementioned amounts is expected to be resolved in the shareholders' meeting 2021.

The Company changed its accounting policy for subsequent measurement of investment property from cost to fair value starting from 2014. In order to ensure the soundness and stability of the financial structure, the Order No. Financial-Supervisory-Securities -Corporate-10402501001 issued by the FSC on 23 January 2015 requires insurance companies to set aside special capital reserve equal to the amount of the increase in retained earnings net of the increase in reserve for life insurance liabilities resulting from valid contracts' fair value approved by the authority. Hence, the amount set aside by the Company as special capital reserve was $8,394,443 thousand. The Company set aside $56,943 thousand from net gain of changes in fair value and reversed $290 thousand from sale for 2019. The abovementioned amounts were resolved in the shareholders' meeting in 2020. In accordance to the Order No. Financial-Supervisory-Securities-Corporate-10904917647, since 2020, insurance company should set aside special surpluses for "net after-tax impact of the first use of the fair value model in subsequent measurement" and "changes in after-tax accumulative net gain of fair value in subsequent periods" on investment property, the special reserve should not be distribute. The special capital reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contracts' fair value approved by the authority and to set aside additional liabilities for the soundness of financial structure when complying with IFRS 17 *"Insurance Contracts"* in the future implementation. In accordance with regulations, the Company has set aside an increase of $154,139 thousand for the net change in fair value in 2020, and plans to set aside a special capital reserve after the resolved in the shareholders' meeting in 2021.

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Pursuant to the Company Act, when distributing distributable profits, the Company shall set aside special reserve equal to the net deductions of other shareholders' equity at the reporting date for the current year. For any subsequent reversal of net deductions of other shareholders' equity, the amount reversed may be distributed. The Company reverse $4,904,181 thousand of special capital reserve based on there are no more net deductions of other shareholders' equity in 2019. The abovementioned amounts were resolved in the shareholders' meeting in 2020.

In order to cope with the trend in financial technology, to assist the transformation of employees in insurance industry and to protect the employees' rights, the Company has acted in accordance with the Order No. Financial-Supervisory-Securites-Corporate-10502066461 issued by the FSC on 13 July 2016 that companies shall set aside special capital reserve between the ranges from 0.5% to 1% of after-tax earnings while distributing earnings from 2016 to 2018. After the year of setting aside, the Company can reverse the special capital reserve base on the actual payment. In accordance with the Order No. Financial Supervisory-Securites-Corporate-10804932431 issued by the FSC on 30 July 2019, the Company should stop setting aside reserve since 2019. The Company incurred $29,455 thousand of actual related expense payment for 2019. The reverse were resolved in the shareholders' meeting in 2020.

In accordance with the Order No. Financial-Supervisory-Securities-Corporate-10804501381 issued by the FSC on 25 June 2019, the Company set aside or withdraw special capital reserve based on gains or losses arising from derecognition of the unexpired bond investments since 1 January 2019. Except the one that the remaining maturity period cannot be determined, can be amortized in 10 years, the remaining should be amortized through maturity period and released as a distributable surplus on an annual basis. The Company set aside special capital reserve of $3,498,382 thousand upon the resolution of the shareholders' meeting in 2020. The amount of changes in 2020 is included in the special capital reserve of $4,473,111 thousand, and expected to be resolved in the stockholders' meeting in 2021.

Changes of gains or losses arising from derecognition of the unexpired bond investments through 2020 are shown below:

Amount in NT$ thousand

Gains or losses arising from derecognition of the unexpired bond investments	Amount
Beginning balance	$3,498,382
Current period set aside amount based on realized capital gain (loss) $6,118,277 and deduction of tax $1,223,656	4,894,621
Amount that can be amortized in current period	421,510
Ending Balance	$7,971,493

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 March 2021, the special capital reserve based on the mechanism is $3,498,382 thousand. The Company set aside special capital reserve of $4,473,111 thousand following resolution of the shareholders' meeting in 2021. The balance will be $7,971,493 thousand after setting aside the special reserve.

The balance of amortizable amount in the end of previous year and set aside or withdraw in current year are shown below：

Year	Amortizable amount in the end of previous year (1)	Current year set aside or withdraw amount (2)	Amortizable amount in the end of current period (1)+(2)
2020	$225,756	$195,754	$421,510
2021	225,756	195,754	421,510
2022	217,467	195,754	413,221
2023	216,510	195,178	411,688
2024	210,328	195,178	405,506
2025	194,558	195,178	389,736
2026	181,843	195,178	377,021
2027	170,853	195,178	366,031
2028	163,276	193,195	356,471
2029	104,508	193,195	297,703
2030~2039	980,733	1,645,028	2,625,761
2040~2049	482,516	1,215,713	1,698,229
2050~2110	124,278	84,338	208,616
Total	$3,498,382	$4,894,621	$7,971,493

Note：Evaluation is based on 2020, total of (1) + (2) column does not include the amount of 2020.

(3) According to the Articles of Incorporation of the Company, the information about earnings distribution is as follows:

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

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

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

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

(5) Earnings appropriation for the year of 2019 and 2018 is as follows:

	Appropriation of earnings		Dividends per share(NT$)	
	2020	2019	2020	2019
Set aside Legal capital reserve	$3,020,899	$2,599,330	$-	$-
Set aside (reverse) Special capital reserve	8,298,479	3,500,206	-	-
Common stock-cash dividend	1,892,559	2,678,149	0.40	0.60
Common stock-stock dividend	1,892,559	2,678,149	0.40	0.60

Earnings appropriation for the year of 2019 was resolved by shareholders' meeting on 27 May 2020. Earnings appropriation for the year of 2020 was approved by Board of Director's meeting on 14 April 2021, but not yet resolved by the shareholder's meeting.

Please refer to Note VI.28 for more details on employees' compensation and remuneration to directors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

23. Components of other comprehensive income

	For the three-month period ended 31 March 2021			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	$406,043	$ -	$497,368	$903,411
To be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income	(30,563,710)	(5,565,563)	5,882,381	(30,246,892)
Other comprehensive income reclassified using overlay approach	6,419,573	(7,356,522)	(905)	(937,854)
Total	$(23,738,094)	$(12,922,085)	$6,378,844	$(30,281,335)

	For the three-month period ended 31 March 2020			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	$(6,390,468)	$-	$761,898	$(5,628,570)
To be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income	(11,455,400)	(1,968,861)	3,018,994	(10,405,267)
Other comprehensive income reclassified using of overlay approach	(33,061,696)	(2,498,379)	2,386,117	(33,173,958)
Total	$(50,907,564)	$(4,467,240)	$6,167,009	$(49,207,795)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

24. Interest income

	For the three-month periods ended 31 March	
	2021	2020
Interest income		
Financial assets at fair value through other comprehensive income	$3,236,089	$3,056,508
Financial assets at amortized cost	10,267,647	10,476,725
Loans	437,803	458,958
Other	26,368	79,207
Total	$13,967,907	$14,071,398

25. Expected credit impairment losses and reversal on investments and non-investments

	For the three-month periods ended 31 March	
	2021	2020
Operating revenue－expected credit impairment losses and reversal on investment		
Financial assets at fair value through other comprehensive income	$(3,643)	$2,433
Financial assets at amortized cost	7,441	7,219
Other receivables	(18)	215
Subtotal	3,780	9,867
Operating expenses－expected credit impairment losses and reversal on non-investment		
Other receivables	(2,277)	(22)
Total	$1,503	$9,845

Please refer to Note IX for more detail on credit risk management.

The Company’s financial assets at fair value through other comprehensive income and at amortized cost along with related other receivable are assessed to have no credit risk significantly increased at 31 March 2021, 31 December 2020 and 31 March 2020. Meanwhile, the loss allowance is measured at an amount equal to 12-month expected credit losses and the loss ratios are 0.00%~0.04%, 0.00%~0.04% and 0.00%~0.09%.

The gross carrying amounts of the Company’s debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable as of 31 March 2021, 31 December 2020 and 31 March 2020 are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Measured at fair value through other comprehensive income	Measured at amortized cost	Other receivable
31 March 2021			
Gross carrying amount	$327,229,039	$1,121,189,413	$12,401,450
31 December 2020			
Gross carrying amount	$374,506,422	$1,053,544,703	$12,120,952
31 March 2020			
Gross carrying amount	$312,792,847	$1,030,084,320	$13,245,563

Note: The balance includes refundable deposits.

Movement of the loss allowances of debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable for the three-month periods ended 31 March 2021 and 2020 are as follow:

	Measured at fair value through other comprehensive income	Measured at amortized cost	Other receivable
1 January 2021	$24,319	$56,917	$805
Financial instruments derecognized during the period	(3,933)	(2,143)	(398)
Financial instruments originated or acquired during the period	183	7,273	368
Changes in models/risk parameters	124	2,307	12
Foreign exchange and other movements	(17)	4	-
31 March 2021	$20,676	$64,358	$787

	Measured at fair value through other comprehensive income	Measured at amortized cost	Other receivable
1 January 2020	$39,460	$102,968	$1,362
Financial instruments derecognized during the period	(1,946)	(7,046)	(648)
Financial instruments originated or acquired during the period	3,471	11,122	847
Changes in models/risk parameters	1,235	3,159	24
Foreign exchange and other movements	(329)	(15)	(8)
31 March 2020	$41,891	$110,188	$1,577

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month periods ended 31 March 2021 and 2020, the change in loss allowance for the debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost mostly came from the impact of recent financial environment, forward-looking factors used for estimation, the derecognition and acquisition of investments.

The gross carrying amounts of the Company's secured loans and related other receivable under credit risk rating as of 31 March 2021, 31 December 2020 and 31 March 2020 are as follows:

As at 31 March 2021:

Credit risk rating	Measurement method for expected credit losses	Secured loans	Other receivable
Low credit risk	12-month expected credit losses	$519,901	$436
Credit risk significantly increased	Lifetime expected credit losses	1,919	8
Credit-impaired	Lifetime expected credit losses	6,050	6
Gross carrying amount		$527,870	$450

As at 31 December 2020:

Credit risk rating	Measurement method for expected credit losses	Secured loans	Other receivable
Low credit risk	12-month expected credit losses	$575,133	$488
Credit risk significantly increased	Lifetime expected credit losses	2,002	9
Credit-impaired	Lifetime expected credit losses	6,350	6
Gross carrying amount		$583,485	$503

As at 31 March 2020:

Credit risk rating	Measurement method for expected credit losses	Secured loans	Other receivable
Low credit risk	12-month expected credit losses	$771,606	$772
Credit risk significantly increased	Lifetime expected credit losses	3,203	17
Credit-impaired	Lifetime expected credit losses	8,512	19
Gross carrying amount		$783,321	$808

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement of the loss allowance of secured loans for the three-month periods ended 31 March 2021 and 2020 is summarized below:

	12-month expected credit losses	Lifetime expected credit losses-Collectively assessed	Lifetime expected credit losses-Individually assessed	Subtotal of impairment charged in accordance with IFRS 9	Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	Total
1 January 2021	$8	$384	$444	$836	$8,312	$9,148
Changes due to financial instruments recognized as at 1 January:						
Transfer to Lifetime expected credit losses	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-
Financial assets derecognized during the period	-	-	-	-	-	-
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	-	-	-	-	(813)	(813)
Foreign exchange and other movements	(1)	835	(21)	813	-	813
31 March 2021	$7	$1,219	$423	$1,649	$7,499	$9,148

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	12-month expected credit losses	Lifetime expected credit losses- Collectively assessed	Lifetime expected credit losses- Individually assessed	Subtotal of impairment charged in accordance with IFRS 9	Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	Total
1 January 2020	$53	$347	$709	$1,109	$11,951	$13,060
Changes due to financial instruments recognized as at 1 January:						
Transfer to Lifetime expected credit losses	-	-	-	-	-	-
Transfer to 12-month expected credit losses	26	-	(26)	-	-	-
Financial assets derecognized during the period	(2)	-	-	(2)	-	(2)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	-	-	-	-	(889)	(889)
Foreign exchange and other movements	(29)	944	(25)	890	-	890
31 March 2020	$48	$1,291	$658	$1,997	$11,062	$13,059

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For account receivables arising from other transactions, the Company measures the loss allowance at an amount equal to lifetime expected credit losses. The movement of loss allowance of receivables for the three-month periods ended 31 March 2021 and 2020 is as follows:

	For the three-month periods ended 31 March	
	2021	2020
Beginning balance	$6,874	$7,845
Charge (reversal) for the current period	(2,277)	(22)
Write off	-	-
Ending balance	$4,597	$7,823

26. Retained earned premium

	For the three-month period ended 31 March 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$50,472,942	$939,290	$51,412,232
Reinsurance premium income	-	-	-
Premium income	50,472,942	939,290	51,412,232
Less:			
Reinsurance expenses	376,221	-	376,221
Net changes in unearned premium reserve	(336,990)	(1)	(336,991)
Subtotal	39,231	(1)	39,230
Retained earned premium	$50,433,711	$939,291	$51,373,002

	For the three-month period ended 31 March 2020		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$57,540,501	$1,292,347	$58,832,848
Reinsurance premium income	-	-	-
Premium income	57,540,501	1,292,347	58,832,848
Less:			
Reinsurance expenses	339,803	-	339,803
Net changes in unearned premium reserve	(389,506)	(31)	(389,537)
Subtotal	(49,703)	(31)	(49,734)
Retained earned premium	$57,590,204	$1,292,378	$58,882,582

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

27. Retained claim payments

	For the three-month period ended 31 March 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$28,224,512	$4,133,499	$32,358,011
Reinsurance claim payments	313	-	313
Insurance claim payments	28,224,825	4,133,499	32,358,324
Less:			
Claims recovered from reinsures	198,083	-	198,083
Retained claim payments	$28,026,742	$4,133,499	$32,160,241

	For the three-month period ended 31 March 2020		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$20,418,007	$3,876,164	$24,294,171
Reinsurance claim payments	-	-	-
Insurance claim payments	20,418,007	3,876,164	24,294,171
Less:			
Claims recovered from reinsures	241,074	-	241,074
Retained claim payments	$20,176,933	$3,876,164	$24,053,097

28. Employee benefits, depreciation and amortization

(1) Summary statement of employee benefits, depreciation and amortization expenses is as below:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the three-month periods ended 31 March					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	$785,193	$1,483,739	$2,268,932	$824,773	$951,936	$1,776,709
Payroll expense	785,193	1,134,552	1,919,745	824,773	637,401	1,462,174
Labor and health insurance	-	148,281	148,281	-	137,588	137,588
Pension	-	65,750	65,750	-	69,380	69,380
Remuneration to directors	-	82,316	82,316	-	56,609	56,609
Other employee benefits expense	-	52,840	52,840	-	50,958	50,958
Depreciation	-	117,082	117,082	-	71,055	71,055
Amortization	-	35,945	35,945	-	31,051	31,051

Note1: Other employee benefits expenses consist of meals, group insurance, training and employee benefits, etc.

Note2: The average number of employees for the three-month periods ended 31 March 2021 and 2020 were 6,285 and 5,964, respectively. The number of directors who do not serve concurrently as employees was 7 and 4 ,respectively.

(2) The information regarding employees' compensation and remuneration to directors within the Articles of Incorporation of the Company is as follows:

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

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

Based on profit for the three-month period ended 31 March 2021, the Company estimated the amounts of the employees' compensation to be $111,164 thousand, and remuneration to directors to be $78,636 thousand, recognized as operating expense ; based on profit for the three-month period ended 31 March 2020, the Company estimated the amounts of the employees' compensation to be $80,885 thousand and remuneration to directors to be $53,923 thousand, recognized as operating expense.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

On 25 March 2021, the Board of Directors meeting resolved to distribute $161,000 thousand of employees' compensation and $100,000 thousand of remuneration to directors for the year ended 31 December 2020. No differences exist between the estimated amount and the actual amount for the year ended 31 December 2020.

29. Income taxes

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

Income tax expense recognized in profit or loss

	For the three-month periods ended 31 March	
	2021	2020
Current income tax expense (benefit):		
Current income tax payable	$1,628,941	$340,021
Adjustment from prior year income tax expense to current year	(91,683)	-
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(474,943)	(916,739)
Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit	-	1,375,353
Others	22,509	-
Total income tax expense (benefit)	$1,084,824	$798,635

Income tax expense recognized in other comprehensive income

	For the three-month periods ended 31 March	
	2021	2020
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	$(497,368)	$(761,898)
Unrealized valuation gains (losses) of debt instrument investments at fair value through other comprehensive income	(5,882,381)	(3,018,994)
Other comprehensive income reclassified using overlay approach	905	(2,386,117)
Income tax expense (benefit) relating to components of other comprehensive income	$(6,378,844)	$(6,167,009)

Income tax charged directly to equity

	For the three-month periods ended 31 March	
	2021	2020
Current income tax expense (benefit):		
Derecognition of equity instrument investments at fair value through other comprehensive income	$(95,918)	$57
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	95,918	(57)
Deferred tax expense (benefit) relating to origination and reversal of tax loss	(3,029)	(313)
Income tax charged directly to equity	$(3,029)	$(313)

(2) The assessment of income tax returns

As of 31 March 2021, the income tax returns of the Company have been assessed and approved up to the year of 2018.

30. Earnings per share

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

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

	For the three-month periods ended 31 March	
	2021	2020
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	$9,841,767	$4,458,858
Weighted average number of ordinary shares outstanding for basic earning per share (in thousands)	4,731,397	4,731,397
Basic earnings per share (in dollars)	$2.08	$0.94

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

There is no significant transactions which would change the Company’s ordinary shares or portential ordinary shares between that reporting date and the date of completion of the financial statement.

31. Separate account insurance products

(1) Separate account products－assets and liabilities

	Assets		
Items	2021.3.31	2020.12.31	2020.3.31
Cash in bank	$1,021,245	$2,886,939	$507,770
Financial assets at fair value through profit or loss	87,122,715	81,612,016	64,344,637
Other receivables	59,739	65,151	111,104
Total	$88,203,699	$84,564,106	$64,963,511

	Liabilities		
Items	2021.3.31	2020.12.31	2020.3.31
Reserve for separate account	$88,072,031	$84,401,006	$64,845,059
Other payables	131,668	163,100	118,452
Total	$88,203,699	$84,564,106	$64,963,511

(2) Separate account products－revenues and expenses:

	Revenues	
	For the three-month periods ended 31 March	
Items	2021	2020
Premium income	$1,408,703	$1,287,752
Gains (losses) from financial assets and liabilities at fair value through profit or loss	1,891,393	(6,925,086)
Interest income	46	26
Other revenues	42,635	43,362
Foreign exchange gains (losses)	171,909	39,629
Total	$3,514,686	$(5,554,317)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Expenses	
	For the three-month periods ended 31 March	
Items	2021	2020
Insurance claim payments	$1,466,841	$1,329,135
Net change in separate account reserve	1,518,069	(7,388,878)
Custodian fee	529,776	505,426
Total	$3,514,686	$(5,554,317)

(3) The rebate earned for engaging in investment-linked insurance business from counterparties for the three-month periods ended 31 March 2021 and 2020 were $73,668 thousand and $122,949 thousand, respectively. The above rebate were recognized as fee income.

VII. Information of insurance contracts

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

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

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating the company's overall risk appetite and risk tolerance, review and approve the Company’s risk management objectives and strategies. “Risk Management Committee” is set under the board of directors. Various risk management report and related issues are first reported to risk management committee and finally approved by the board of directors. Besides the risk management committee, the Company set up an assets and liability management unit to strengthen the risk management organization and structure.

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

(2) Risk management policies, procedures and methods:

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

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

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

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

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

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

① Risk identification related to matching of assets and liabilities
② Risk measurement related to matching of assets and liabilities
③ Risk responses related to matching of assets and liabilities

2. Information of insurance risks

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

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

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

As at 31 March 2021, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause the Company's insurance liability inadequate.

(2) Interpretation for concentration of insurance risks

① The Company's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. The Company had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note VI.16 for concentration of risk before and after the reinsurance for the Company.

② Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", the annual increased special capital reserve, excluding taxes, for catastrophe and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

(3) Claim development trend

① Direct business loss development trend

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accident	Development year														Reserve
year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	claims
2008	$2,170,100	$2,736,556	$2,776,542	$2,781,989	$2,786,399	$2,792,187	$2,798,032	$2,798,807	$2,799,546	$2,800,435	$2,802,449	$2,803,020	$2,803,856	$2,803,939	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322	2,941,824	2,941,957	2,941,957	-	
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167	3,145,541	3,145,762	3,145,919	-	-	
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243	3,354,835	3,355,901	3,356,583	-	-	-	
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,056,337	3,057,879	3,057,944	-	-	-	-	
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,054,855	3,055,997	3,056,018	-	-	-	-	-	
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,317,090	4,321,020	4,321,652	-	-	-	-	-	-	
2015	3,530,488	4,420,482	4,498,438	4,510,113	4,516,573	4,518,832	4,519,590	-	-	-	-	-	-	-	
2016	3,721,820	4,648,280	4,743,133	4,757,525	4,763,372	4,763,706	-	-	-	-	-	-	-	-	
2017	4,320,234	5,400,952	5,537,543	5,552,592	5,554,675	-	-	-	-	-	-	-	-	-	
2018	4,775,948	5,950,536	6,060,673	6,065,507	-	-	-	-	-	-	-	-	-	-	
2019	5,257,484	6,776,954	6,832,417	-	-	-	-	-	-	-	-	-	-	-	
2020	5,208,589	6,094,125	-	-	-	-	-	-	-	-	-	-	-	-	
2021	810,902	-	-	-	-	-	-	-	-	-	-	-	-	-	$2,118,376

Note: This table does not include long term life insurance

Add：	Long term insurance claims	299,650
	Claim reserve for discount on no claim	123,257
	Reserve for claims balance	$2,541,283

② Retained business loss development trend

Accident	Development year														Reserve
year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	claims
2008	$2,128,556	$2,682,784	$2,721,905	$2,719,002	$2,723,312	$2,728,970	$2,734,682	$2,735,440	$2,736,162	$2,737,031	$2,739,000	$2,739,557	$2,740,394	$2,740,476	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728	2,875,219	2,875,351	2,875,351	-	
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958	3,074,324	3,074,544	3,074,701	-	-	
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301	3,278,879	3,279,945	3,280,627	-	-	-	
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,987,140	2,988,681	2,988,746	-	-	-	-	
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,985,691	2,986,833	2,986,854	-	-	-	-	-	
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348	4,223,278	4,223,909	-	-	-	-	-	-	
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314	4,416,573	4,417,331	-	-	-	-	-	-	-	
2016	3,657,093	4,560,257	4,647,033	4,649,868	4,655,715	4,656,049	-	-	-	-	-	-	-	-	
2017	4,244,930	5,298,470	5,424,716	5,439,766	5,441,848	-	-	-	-	-	-	-	-	-	
2018	4,692,869	5,837,265	5,946,601	5,951,435	-	-	-	-	-	-	-	-	-	-	
2019	5,165,606	6,658,675	6,714,138	-	-	-	-	-	-	-	-	-	-	-	
2020	5,136,641	5,992,866	-	-	-	-	-	-	-	-	-	-	-	-	
2021	810,902	-	-	-	-	-	-	-	-	-	-	-	-	-	$2,105,138

Note: This table does not include long term life insurance

Add：	Long term insurance claims	276,880
	Claim reserve for discount on no claim	123,257
	Reserve for claims balance	$2,505,275

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

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

(4) Credit risk:

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

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

(5) Liquidity risk:

As at 31 March 2021, 31 December 2020 and 31 March 2020, the maturity analysis of liquidity risk for insurance contract liabilities are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

31 March 2021	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$5,444,827	$122,012,273	$154,235,681	$589,341,177	$3,753,046,319
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

31 December 2020	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$11,973,656	$115,270,732	$157,083,549	$618,787,499	$3,450,010,853
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

31 March 2020	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$(15,459,748)	$82,383,000	$154,998,444	$604,909,132	$3,448,539,894
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note:

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

(6) Market risk:

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

VIII. Financial instruments

1. Categories of financial instruments

Financial assets

	2021.3.31	2020.12.31	2020.3.31
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit and loss	$395,174,281	$375,555,929	$324,855,481
Financial assets at fair value through other comprehensive income	397,411,820	482,873,124	366,258,863
Financial assets at amortized cost:			
Cash and cash equivalents (exclude cash on hand and revolving funds)	92,138,713	101,374,793	66,087,014
Financial assets at amortized cost	1,114,032,856	1,046,395,601	1,023,275,814
Receivables	26,407,784	19,920,386	37,062,869
Loans	33,432,944	33,557,049	34,262,761
Refundable deposits	12,982,444	7,213,874	6,846,663
Subtotal	1,278,994,741	1,208,461,703	1,167,535,121
Total	$2,071,580,842	$2,066,890,756	$1,858,649,465

Financial liabilities

	2021.3.31	2020.12.31	2020.3.31
Financial liabilities at fair value through profit or loss:			
Held for trading	$10,181,997	$7,931,359	$3,879,382
Financial liabilities measured at amortized cost:			
Payables	21,307,037	13,264,436	28,345,333
Bonds Payables	10,000,000	10,000,000	-
Lease liabilities	1,733,395	1,751,214	1,657,649
Guarantee deposits received	209,146	6,799,827	2,189,446
Subtotal	33,249,578	31,815,477	32,192,428
Total	$43,431,575	$39,746,836	$36,071,810

2. Fair value of financial instruments

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

① Fair value of cash and cash equivalents, receivables and payables are approximately equal to the carrying amount due to their short maturity.

② For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value are determined based on market quotation price. (Including listed stocks and beneficiary certificates, etc.)

③ Fair value of financial instruments with no active market is estimated based on the valuation methods. The estimates and assumptions used are consistent with those made by market participants during the pricing of financial instruments.

④ The assessment bases for forward exchange are exchange rates on the Reuters. Fair value of each forward exchange contract is calculated based on the exchange rate on each maturity date. Fair value of interest rate swap is the quoted price provided by traded parties.

⑤ Fair value of other financial assets and liabilities are determined based on discounted cash flow analysis. The interest rates and discount rates assumptions mainly refer to related information of similar instruments and yield curve for the duration, etc.

⑥ The adjustments of credit risk valuation for the derivative instrument contracts traded over-the-counter are classified as Credit value adjustments (CVA) and Debit value adjustments (DVA), to reflect the probability of default of the counterparty (CVA) and the Company (DVA).

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

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

Other than cash and cash equivalents, receivables, loans, payables, bond payables, lease liabilities and guarantee deposits received whose carrying amount approximates their fair value, the fair value of financial assets and financial liabilities measured at amortized cost is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Carrying amount		
	2021.3.31	2020.12.31	2020.3.31
Financial assets			
Financial assets measured at amortized cost	$1,114,032,856	$1,046,395,601	$1,023,275,814
Refundable deposits - Bonds	7,092,199	7,092,185	6,698,318

	Fair value		
	2021.3.31	2020.12.31	2020.3.31
Financial assets			
Financial assets measured at amortized cost	$1,145,804,863	$1,153,916,803	$1,095,389,944
Refundable deposits - Bonds	8,757,585	9,150,548	8,284,730

3. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for assets or liabilities.

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

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

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2021.3.31			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	$177,149,994	$176,859,709	$-	$290,285
Bonds	54,699,606	25,847,963	28,851,643	-
Swaps and forward foreign exchange contracts	3,267,256	-	3,267,256	-
Others	160,057,425	150,331,011	-	9,726,414
Financial assets at fair value through other comprehensive income				
Stocks	55,473,790	35,158,331	21,988	20,293,471
Bonds	341,938,030	228,407,007	113,531,023	-
Investment property	34,317,531	-	-	34,317,531
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	10,181,997	-	10,181,997	-

	2020.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	$151,844,229	$151,560,864	$-	$283,365
Bonds	46,878,804	20,919,647	25,959,157	-
Swaps and forward foreign exchange contracts	12,108,158	-	12,108,158	-
Others	164,724,738	156,345,531	-	8,379,207
Financial assets at fair value through other comprehensive income				
Stocks	57,532,082	35,542,681	11,136	21,978,265
Bonds	425,341,042	281,561,897	143,779,145	-
Investment property	34,318,973	-	-	34,318,973
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	7,931,359	-	7,931,359	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.3.31			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	$118,010,905	$117,818,250	$-	$192,655
Bonds	44,910,135	18,036,033	26,874,102	-
Swaps and forward foreign exchange contracts	5,833,924	-	5,833,924	-
Others	156,100,517	150,488,100	-	5,612,417
Financial assets at fair value through other comprehensive income				
Stocks	35,069,035	21,920,798	5,328	13,142,909
Bonds	331,189,828	206,475,913	124,713,915	-
Refundable deposits				
Bonds	9,842	-	9,842	-
Investment property	20,605,904	-	-	20,605,904
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	3,879,382	-	3,879,382	-

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

During the three-month period ended 31 March 2021, the Company's debt instruments measured at fair value through other comprehensive income, amounted to $5,970,110 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices.

During the three-month period ended 31 March 2021, the Company's debt instruments measured at fair value through other comprehensive income, amounted to $10,436,625 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices. Debt instruments measured at fair value through other comprehensive income amounted to $5,590,991 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

During the three-month period ended 31 March 2020, the Company's debt instruments measured at fair value through other comprehensive income, amounted to $1,011,769 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices. Debt instruments measured at fair value through other comprehensive income amounted to $28,662,326 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Reconciliation for Level 3 of the fair value hierarchy

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

For the three-month period ended 31 March 2021:

	Beginning balance	Total gains and losses recognized: Recognized in profit or loss (Note 1)	Total gains and losses recognized: Recognized in OCI (Note 2)	Acquisition or issue	Disposal, settlement or forced conversion	Transfer in (out) of Level 3 (Note 3)	Ending balance
Assets							
Financial assets at fair value through profit or loss							
Stock	$283,365	$-	$2,933	$6,090	$(2,103)	$-	$290,285
Others	8,379,207	(21,094)	272,859	1,238,155	(142,713)	-	9,726,414
Financial assets at fair value through other comprehensive income							
Stock	21,978,265	-	(1,519,224)	-	(165,570)	-	20,293,471
Investment property	34,318,973	(16,403)	-	14,961	-	-	34,317,531

For the three-month period ended 31 March 2020:

	Beginning balance	Total gains and losses recognized: Recognized in profit or loss (Note 1)	Total gains and losses recognized: Recognized in OCI (Note 2)	Acquisition or issue	Disposal or settlement	Transfer in (out) of Level 3 (Note 3)	Ending balance
Assets							
Financial assets at fair value through profit or loss							
Stock	$183,166	$-	$5,266	$4,223	$-	$-	$192,655
Others	4,500,811	(2,324)	32,461	1,319,222	(237,753)	-	5,612,417
Financial assets at fair value through other comprehensive income							
Stock	16,923,836	-	(3,767,860)	-	(13,067)	-	13,142,909
Investment property	20,615,842	905	-	818	(11,661)	-	20,605,904

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note1: presented in "Gains (losses) on financial assets and liabilities at fair value through profit or loss/ Gains (losses) on reclassification using overlay approach/ Gains (losses) on investment property" in the comprehensive income statement.

Note2: presented in "Gains (losses) on reclassification using overlay approach/ valuation gains (losses) on equity instruments at fair value through other comprehensive income/ property revaluation surplus" in the comprehensive income statement.

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

Total gains (losses) recognized in profit or loss above contains gains (losses) related to assets on hand for the three-month periods ended 31 March 2021 and 2020 is as follows:

	For the three-month periods ended 31 March	
	2021	2020
Total gains and losses		
Recognized in profit or loss	$(30,884)	$-
Recognized in other comprehensive income	(1,243,432)	(3,730,133)

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:

2021.3.31

Item	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0~10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10~30%	The higher the discount for liquidity, the lower the estimated fair value
		Control premium	0~10%	The higher the control premium, the higher the estimated fair value
	Income approach	Cost of capital	6.17%	The higher the cost of capital, the lower the estimated fair value
		Discount for liquidity	0~10%	The higher the discount for liquidity, the lower the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0~30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Investment property			Please refer to Note VI. 8	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2020.12.31

Item	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0~10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10~30%	The higher the discount for liquidity, the lower the estimated fair value
		Control premium	0~10%	The higher the control premium, the higher the estimated fair value
	Income approach	Cost of capital	6.02%	The higher the cost of capital, the lower the estimated fair value
		Discount for liquidity	0~10%	The higher the discount for liquidity, the lower the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0~30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Investment property			Please refer to Note VI. 8	

2020.3.31

Item	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0~10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10~30%	The higher the discount for liquidity, the lower the estimated fair value
		Control premium	0~10%	The higher the control premium, the higher the estimated fair value
	Income approach	Cost of capital	5.94%	The higher the cost of capital, the lower the estimated fair value
		Discount for liquidity	0~10%	The higher the discount for liquidity, the lower the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0~30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Investment property			Please refer to Note VI. 8	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

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

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

	2021.3.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	$400,355,425	$745,449,438	$-	$1,145,804,863
Investment property	-	-	2,590,902	2,590,902
Refundable deposits				
Bonds	-	8,757,585	-	8,757,585

	2020.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	$350,050,491	$803,866,312	$-	$1,153,916,803
Investment property	-	-	2,590,902	2,590,902
Refundable deposits				
Bonds	-	9,150,548	-	9,150,548

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.3.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	$216,739,523	$878,650,421	$-	$1,095,389,944
Investment property	-	-	2,590,208	2,590,208
Refundable deposits				
Bonds	-	8,284,730	-	8,284,730

4. Offsetting financial assets and financial liabilities

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

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

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

	2021.3.31					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)
Derivative financial instrument	$3,267,256	$-	$3,267,256	$2,958,130	$-	$309,126

	2021.3.31					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)
Derivative financial instrument	$10,181,997	$-	$10,181,997	$2,958,130	$5,770,965	$1,452,902

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.12.31					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount(Note 1) (e)= (c)- (d)
				Financial instruments	Cash collateral received	
Derivative financial instrument	$12,108,158	$-	$12,108,158	$6,447,658	$6,590,479	$-

	2020.12.31					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral pledged	
Derivative financial instrument	$7,931,359	$-	$7,931,359	$6,447,658	$-	$1,483,701

Note1: The net amount of financial assets reported is negative after offsetting with the cash collateral received, so it is expressed as $-.

	2020.3.31					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral received	
Derivative financial instrument	$5,833,924	$-	$5,833,924	$3,047,340	$2,056,364	$730,220

	2020.3.31					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments	Cash collateral pledged	
Derivative financial instrument	$3,879,382	$-	$3,879,382	$3,047,340	$18,455	$813,587

IX. Financial risk management

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

1. Credit risk analysis

(1) Credit risk is the risk that an issuer or a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities and financing activities (primarily loans, financial instrument investments and receivables).

Credit risk is managed by each business unit subject to the Company’s established policy, procedures and control relating to credit risk management. Credit limits are established for all issuers or counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company’s internal rating criteria, etc. To lower certain issuers’ or counter parties’ credit risk, credit enhancing instruments will be taken at the appropriate time.

For financial instrument investments, low credit risk is the premise of initial purchase, and at each reporting date, the Company shall assess if the financial instrument investments still qualify for conditions of low credit risk in order to determine the measurement method for allowance for losses. The Company disposes investments at the appropriate time (e.g., when credit risk significantly increases) to lower credit loss. In addition, the Company has built a credit risk model to assess the maximum possible loss on credit positions resulting from changes of credit rating or default. Moreover, based on issuer’s region, industry and credit ratings within portfolios, the Company evaluates credit risk and concentration risk, respectively.

The Company determines risk-influencing factors based on 5P Principles for loans, and according to the extent of influence, each P is given different weight to calculate each borrower’s credit rating. Credit rating evaluates the reasonableness of loan purpose, the region of collateral, loan-to-value, the customer’s credit report, the interest-paying history records, financial conditions and debt-paying ability, etc. and the Company approves the credit rating through multiple layers to control loan risk. Once delay of payment occurs, the Company will actively collect as stated in procedure manual to avoid financial loss.

The Company evaluates expected credit loss in accordance with IFRS 9. Except for those receivables whose allowance for loss is measured at lifetime expected credit loss, the Company shall assess whether the credit risk has increased significantly since initial recognition at each reporting date for other debt instrument investments not measured at fair value through profit or loss whose premise of initial purchase is low credit risk and grouped under different classes of credit risk in order to determine the measurement method of allowance for loss and its loss rate. The primary consideration to determine whether the credit risk increases significantly includes objective evidence such as external credit rating and its change of class interval, overdue situations, occurrence of major financial difficulties or company liquidation or reorganization, etc. Besides, the measurement of expected credit losses is to multiply the future 12-month or the lifetime Probability of default (PD), and Loss given default (LGD) and Exposure at default (EAD). The Company also considers the effect of the time value of money to calculate 12-month expected credit losses or the lifetime expected credit losses respectively.

Default rate is the rate that a default occurs on issuers or counter parties. Loss given default is the loss rate resulted from the default of issuers or counter parties. The Company used the default rate and loss given default published by external credit assessment institutions, and calculated based on adjustments of forward-looking macroeconomics factors.

Exposure at default is measured at the amortized cost of financial assets with accrued interests and receivables. For loans, exposure at default is the total of debtor’s outstanding balance at the time of calculation, interest and accrued expense.

Allowance for losses for certain receivables is recognized at lifetime expected credit losses. Past default records and prevailing information are taken into consideration for lifetime expected credit losses. The expected credit loss rate is calculated based on the overdue days of receivables.

(2) Financial assets credit risk concentration analysis

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Date: 31 March 2021

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$64,437,790	$18,039,902	$9,661,021	$-	$-	$92,138,713
Financial assets at fair value through profit or loss	24,916,048	6,452,986	17,933,814	5,396,758	-	54,699,606
Financial assets at fair value through other comprehensive income	67,573,497	111,854,896	74,996,248	87,513,389	-	341,938,030
Financial assets measured at amortized cost	152,227,764	307,475,671	250,287,363	397,834,988	6,207,070	1,114,032,856
Refundable deposits－Bonds	7,092,199	-	-	-	-	7,092,199
Total	$316,247,298	$443,823,455	$352,878,446	$490,745,135	$6,207,070	$1,609,901,404
Proportion	19.64%	27.57%	21.92%	30.48%	0.39%	100.00%

Date: 31 December 2020

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$84,093,524	$6,884,611	$10,396,658	$-	$-	$101,374,793
Financial assets at fair value through profit or loss	25,959,157	6,815,077	12,949,791	1,154,779	-	46,878,804
Financial assets at fair value through other comprehensive income	79,525,371	145,013,479	88,243,469	112,558,723	-	425,341,042
Financial assets measured at amortized cost	150,155,870	280,982,045	233,038,226	376,078,307	6,141,153	1,046,395,601
Refundable deposits－Bonds	7,092,185	-	-	-	-	7,092,185
Total	$346,826,107	$439,695,212	$344,628,144	$489,791,809	$6,141,153	$1,627,082,425
Proportion	21.32%	27.02%	21.18%	30.10%	0.38%	100.00%

Date: 31 March 2020

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$49,968,804	$7,441,553	$8,676,657	$-	$-	$66,087,014
Financial assets at fair value through profit or loss	26,874,102	5,427,763	11,603,837	1,004,433	-	44,910,135
Financial assets at fair value through other comprehensive income	73,756,988	105,044,451	75,612,927	76,775,462	-	331,189,828
Financial assets measured at amortized cost	132,098,278	252,676,629	250,425,885	369,566,276	18,508,746	1,023,275,814
Refundable deposits－Bonds	6,708,160	-	-	-	-	6,708,160
Total	$289,406,332	$370,590,396	$346,319,306	$447,346,171	$18,508,746	$1,472,170,951
Proportion	19.66%	25.17%	23.52%	30.39%	1.26%	100.00%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Regional distribution of the largest credit risk exposure for secured loans (excluding policy loan and automatic premium loan) is as follows:

Date: 31 March 2021

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$256,379	$128,578	$133,765	$518,722
Overdue receivables	-	-	-	-
Total	$256,379	$128,578	$133,765	$518,722
Proportion	49.42%	24.79%	25.79%	100.00%

Date: 31 December 2020

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$289,438	$138,635	$146,264	$574,337
Overdue receivables	-	-	-	-
Total	$289,438	$138,635	$146,264	$574,337
Proportion	50.39%	24.14%	25.47%	100.00%

Date: 31 March 2020

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$388,298	$197,439	$184,353	$770,090
Overdue receivables	-	-	172	172
Total	$388,298	$197,439	$184,525	$770,262
Proportion	50.41%	25.63%	23.96%	100.00%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Financial asset credit quality and overdue impairment analysis

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

a. Investment grade means credit rating reaches at least BBB-granted by a credit rating agency.
b. Non-investment grade means no credit rating or credit rating lower than BBB- granted by a credit rating agency.

Credit quality by classification is listed as follows:

Date: 31 March 2021

Financial assets	Investment grade	Non-investment grade
Cash and cash equivalents	$92,138,713	$-
Financial assets at fair value through profit or loss	54,699,606	-
Financial assets at fair value through other comprehensive income	336,305,735	5,632,295
Financial assets measured at amortized cost	1,111,292,346	2,740,510
Refundable deposits	7,092,199	-
Total	$1,601,528,599	$8,372,805
Proportion	99.48%	0.52%

Date: 31 December 2020

Financial assets	Investment grade	Non-investment grade
Cash and cash equivalents	$101,374,793	$-
Financial assets at fair value through profit or loss	46,878,804	-
Financial assets at fair value through other comprehensive income	416,658,705	8,682,337
Financial assets measured at amortized cost	1,043,645,769	2,749,832
Refundable deposits	7,092,185	-
Total	$1,615,650,256	$11,432,169
Proportion	99.30%	0.70%

Date: 31 March 2020

Financial assets	Investment grade	Non-investment grade
Cash and cash equivalents	$66,087,014	$-
Financial assets at fair value through profit or loss	44,910,135	-
Financial assets at fair value through other comprehensive income	324,203,722	6,986,106
Financial assets measured at amortized cost	1,020,452,306	2,823,508
Refundable deposits	6,708,160	-
Total	$1,462,361,337	$9,809,614
Proportion	99.33%	0.67%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2. Liquidity risk analysis

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

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

The Company regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, the company reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

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

A. Financial assets held for managing liquidity risk

The Company holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost.

B. Maturity analysis of non-derivative financial liabilities

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

Non-derivative financial instruments

	In 1 year	1 to 5 years	Over 5 years	Total
2021.3.31				
Payables	$21,269,104	$37,933	$-	$21,307,037
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	131,446	357,067	3,502,365	3,990,878

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	In 1 year	1 to 5 years	Over 5 years	Total
2020.12.31				
Payables	$13,226,534	$37,902	$-	$13,264,436
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	142,264	370,750	3,517,832	4,030,846
2020.3.31				
Payables	$28,307,072	$38,261	$-	$28,345,333
Lease liabilities	138,740	276,336	3,562,496	3,977,572

C. Maturity analysis of derivative financial liabilities

The Company operates derivatives including foreign exchange derivative instruments (such as swap contracts, foreign exchange forward).

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

Maturity structure of derivative financial liabilities is as follows:

	2021.3.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$6,169,893	$712,980	$3,299,124	$-	$10,181,997

	2020.12.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$7,535,594	$255,285	$83,149	$57,331	$7,931,359

	2020.3.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$2,768,024	$336,379	$774,832	$147	$3,879,382

3. Market risk analysis

(1) Market risk is the risk of losses on financial assets and liabilities caused by adverse movements in market risk factors.

The Company has built Value at Risk (VaR) model. The risk management system monitors all financial assets involving market risks and calculates VaR regularly. Risk control indices are notional amount and VaR. The Company will issue risk management reports weekly and execute routine control and plan risk responses when over limit. We also report VaR, the utilization of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

(2) Exchange rate risk

The Company continues to exercise swaps and forward exchange derivative transactions to hedge the loss due to currency fluctuations in accordance with relevant laws and internal control mechanism to effectively control this risk.

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

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

(3) Interest rate risk

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

(4) Equity price risk

The Company holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC-traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. The Company diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of the Company. The board of directors should authorize the senior executives to review and approve all equity investment decisions.

(5) Value at Risk

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

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model must be validated and backtested to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

(6) Stress testing

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

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

A. Simple Sensitivity

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

B. Scenario Analysis

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

a. Historical scenario:

Applying the volatilities of risk factors in a specific historical event, the Company can estimate the losses of the current investment portfolio in the same period of time.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Hypothetical scenario:

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

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

Summarization of Simple Sensitivity

Date: 31 March 2021

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	$-	$3,006,006
Interest rate risk (Yield curve)	+1BP	-	(583,694)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,523,495)	(941,634)

Date: 31 December 2020

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	$-	$2,757,465
Interest rate risk (Yield curve)	+1BP	-	(735,342)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,613,715)	(930,369)

Date: 31 March 2020

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	$-	$2,127,708
Interest rate risk (Yield curve)	+1BP	-	(552,240)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,313,089)	(714,500)

4. Interest Rate Benchmark Reform

The Company evaluates the impact on its exposure positions based on the contents of interest rate benchmark reform indicators. As of the end of March 2021, the book value of the Company's affected bonds is $33,949,544 thousand, and there are backup clauses in the public prospectus of these bonds. Therefore, when interest rate indicators no longer exist, there would still be alternative ways to continue to accrue interest. The interest rate reform has not had significant impact on the Company, and the Company will continue to pay attention to the changes and development of interest ratebenchmark reform indicators.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

Item	2021.03.31 Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$92,140,497	$-	$92,140,497
Receivables	26,407,784	-	26,407,784
Current tax assets	526,131	-	526,131
Financial assets at fair value through profit or loss	330,457,976	64,716,305	395,174,281
Financial assets at fair value through other comprehensive income	1,682,381	395,729,439	397,411,820
Financial assets measured at amortized cost	13,230,214	1,100,802,642	1,114,032,856
Investments accounted for using equity method	-	69,652	69,652
Investment property	-	36,837,475	36,837,475
Loans	519,942	32,913,002	33,432,944
Reinsurance assets	863,787	-	863,787
Property and equipment	-	12,403,728	12,403,728
Right of use assets	-	6,013,101	6,013,101
Intangible assets	-	261,780	261,780
Deferred tax assets	10,336,298	183,811	10,520,109
Other assets	5,840,476	7,383,599	13,224,075
Separate account product assets			88,203,699
Total assets	$482,005,486	$1,657,314,534	$2,227,523,719
Liabilities			
Payables	$21,269,104	$37,933	$21,307,037
Current tax liabilities	3,994,388	-	3,994,388
Financial liabilities at fair value through profit or loss	10,181,997	-	10,181,997
Bonds payable	-	10,000,000	10,000,000
Lease liabilities	78,462	1,654,933	1,733,395
Insurance liabilities	35,520,076	1,888,401,482	1,923,921,558
Foreign exchange valuation reserve	-	3,893,775	3,893,775
Provision	-	193,993	193,993
Deferred tax liabilities	-	3,047,264	3,047,264
Other liabilities	791,677	1,055,414	1,847,091
Separate account product liabilities			88,203,699
Total liabilities	$71,835,704	$1,908,284,794	$2,068,324,197

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.12.31		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$101,376,515	$-	$101,376,515
Receivables	19,920,386	-	19,920,386
Current tax assets	526,131	-	526,131
Financial assets at fair value through profit or loss	320,014,553	55,541,376	375,555,929
Financial assets at fair value through other comprehensive income	1,586,843	481,286,281	482,873,124
Financial assets measured at amortized cost	15,730,533	1,030,665,068	1,046,395,601
Investments accounted for using equity method	-	69,863	69,863
Investment property	-	36,838,917	36,838,917
Loans	8,609	33,548,440	33,557,049
Reinsurance assets	740,256	-	740,256
Property and equipment	-	12,414,988	12,414,988
Right of use assets	-	6,058,770	6,058,770
Intangible assets	-	234,530	234,530
Deferred tax assets	10,678,774	182,513	10,861,287
Other assets	315,662	7,408,734	7,724,396
Separate account product assets			84,564,106
Total assets	$470,898,262	$1,664,249,480	$2,219,711,848
Liabilities			
Payables	$13,226,534	$37,902	$13,264,436
Current tax liabilities	2,591,206	-	2,591,206
Financial liabilities at fair value through profit or loss	7,874,028	57,331	7,931,359
Bonds payable	-	10,000,000	10,000,000
Lease liabilities	86,006	1,665,208	1,751,214
Insurance liabilities	45,973,240	1,850,707,190	1,896,680,430
Foreign exchange valuation reserve	-	4,023,007	4,023,007
Provision	-	212,754	212,754
Deferred tax liabilities	(252,245)	10,379,076	10,126,831
Other liabilities	7,576,098	1,333,202	8,909,300
Separate account product liabilities			84,564,106
Total liabilities	$77,074,867	$1,878,415,670	$2,040,054,643

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.03.31		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$66,089,008	$-	$66,089,008
Receivables	37,062,869	-	37,062,869
Current tax assets	526,131	-	526,131
Financial assets at fair value through profit or loss	274,140,273	50,715,208	324,855,481
Financial assets at fair value through other comprehensive income	188,050	366,070,813	366,258,863
Financial assets measured at amortized cost	9,514,824	1,013,760,990	1,023,275,814
Investment property	-	23,126,967	23,126,967
Loans	8,042	34,254,719	34,262,761
Reinsurance assets	794,404	-	794,404
Property and equipment	-	15,544,503	15,544,503
Right of use assets	-	14,556,935	14,556,935
Intangible assets	-	184,029	184,029
Deferred tax assets	5,977,265	2,225,854	8,203,119
Other assets	69,477	6,875,634	6,945,111
Separate account product assets			64,963,511
Total assets	$394,370,343	$1,527,315,652	$1,986,649,506
Liabilities			
Payables	$28,307,072	$38,261	$28,345,333
Current tax liabilities	912,991	-	912,991
Financial liabilities at fair value through profit or loss	3,879,382	-	3,879,382
Lease liabilities	84,269	1,573,380	1,657,649
Insurance liabilities	45,768,424	1,734,013,593	1,779,782,017
Foreign exchange valuation reserve	-	3,808,037	3,808,037
Provision	-	161,315	161,315
Deferred tax liabilities	460,166	1,056,911	1,517,077
Other liabilities	2,518,546	1,184,277	3,702,823
Separate account product liabilities			64,963,511
Total liabilities	$81,930,850	$1,741,835,774	$1,888,730,135

XI. Capital management

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

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

XII. Related party transaction

Information of the related parties that had transactions with the company during the financial reporting period is as follows:

1. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
China Development Financial Holding Corp. (CDF)	Parent company/Juristic-person director of the Company (Parent company)
Tai li Investment Co., Ltd.	Juristic-person director of the Company (Other related party)
Hong Fu Ltd.	Juristic-person director of the Company (Other related party) (Note 1)
Shenhe Energy Co., Ltd.	Associate of the Company
CDIB Capital Group	Brother company (Other related party)
KGI Securities Co., Ltd.	Brother company (Other related party)
China Development Asset Management Corp.	Brother company (Other related party)
KGI Bank	Brother company (Other related party)
CDIB Capital Management Inc.	Equity method investee of subsidiary of parent company (Other related party)
CDIB & Partners Investment Holding Corporation	Equity method investee of subsidiary of parent company (Other related party)
CDIB Innovation Advisors Corporation Limited	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Growth Partners L.P.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Healthcare Ventures II Limited Partnership	Equity method investee of subsidiary of parent company (Other related party)
CDIB Management Consulting Corporation	Equity method investee of subsidiary of parent company (Other related party)
CDIB CME Fund Ltd.	Equity method investee of subsidiary of parent company (Other related party)
KGI Venture Capital Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Biomedical Venture Capital Corporation	Equity method investee of subsidiary of parent company (Other related party)
KGI Securities Investment Trust Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name of the related parties	Nature of relationship of the related parties
Funds managed by KGI Securities Investment Trust Co., Ltd	Funds and designated accounts managed by Equity method investee of subsidiary of parent company (Other related party)
KGI Insurance Brokers Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
KGI Futures Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
CDC Finance & Leasing Corp.	Equity method investee of subsidiary of parent company (Other related party)
KGI Securities Investment Advisory Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Asia Partners L.P.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital International Corporation	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Global Opportunities Fund L.P.	Equity method investee of subsidiary of parent company (Other related party)
China Development Foundation	Substantial related party
China Life Insurance Employee Welfare Committee	Substantial related party
GPPC Chemical Corporation	Juristic-person director of parent company (Other related party)
Others	Directors, the key management personnel with their spouse, the relationship within second degree by consanguinity and CDF's affiliates or substantial related parties (Other related party) (Note 2)

Note 1: Hong Fu Ltd. is no longer related parties of the company from 28 May 2020.

Note 2: Related parties such as parent company, brother company, equity method investee of subsidiary of parent company, juristic-person directors of parent company become related parties of the Company as the result of the tender offer by CDF.

2. Significant transactions with the related parties are as follows:

(1) Cash in banks

Name	2021.3.31	2020.12.31	2020.3.31
Other related parties	$1,372,895	$1,503,444	$1,254,090

(2) Receivables

Name	2021.3.31	2020.12.31	2020.3.31
Other receivables:			
Parent company	$18,716	$-	$-
KGI Bank	1,159,790	2,045,386	1,296,283
Other related parties	448,991	2,570	29,919
Total	$1,627,497	$2,047,956	$1,326,202

(3) Derivative financial instruments

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2021.3.31) Items	Balance
Other related parties	Swap contracts	2020/4/9-2021/4/13	USD 40,000	financial assets at fair value through profit or loss	$51,313
Other related parties	Swap contracts	2021/1/11-2021/6/28	USD 655,000	financial liabilities at fair value through profit or loss	320,851

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2020.12.31) Items	Balance
Other related parties	Swap contracts	2020/2/6-2021/4/13	USD 375,000	financial assets at fair value through profit or loss	$118,238
Other related parties	Swap contracts	2020/11/25-2021/2/26	USD 120,000	financial liabilities at fair value through profit or loss	1,278

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2020.3.31) Items	Balance
Other related parties	Swap contracts	2019/10/3-2020/8/26	USD 300,000	financial assets at fair value through profit or loss	$49,699
Other related parties	Swap contracts	2019/11/7-2020/1/13	USD 145,000	financial liabilities at fair value through profit or loss	16,400

(4) Financial assets at fair value through profit and loss

Name	2021.3.31	2020.12.31	2020.3.31
Stocks:			
Other related parties	$290,285	$283,365	$192,655
Beneficiary certificates:			
Other related parties	795,287	802,677	918,110
Total	$1,085,572	$1,086,042	$1,110,765

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Financial assets at fair value through other comprehensive income

Name	2021.3.31	2020.12.31	2020.3.31
Stocks:			
Parent company	$1,405,029	$3,374,154	$4,173,514
Other related parties	178,370	224,433	212,360
Total	$1,583,399	$3,598,587	$4,385,874

(6) Investment balance appointed to parties' discretionary investment

Name	2021.3.31	2020.12.31	2020.3.31
KGI Securities Investment Trust Co., Ltd.	$2,089,150	$1,737,861	$917,213

(7) Details of the fund balance issued by relationships are as follows

Name	2021.3.31	2020.12.31	2020.3.31
Other related parties	$6,572,180	$8,452,235	$8,248,075

(8) Policy loans

Name	2021.3.31	2020.12.31	2020.3.31
Other related parties	$10,385	$22,602	$11,099

(9) Payables

Name	2021.3.31	2020.12.31	2020.3.31
Commissions payable:			
Other related parties	$16,878	$34,644	$16,626
Other payables:			
Other related parties	46,622	18,846	4,855
Total	$63,500	$53,490	$21,481

(10) Bonds payable

Name	2021.3.31	2020.12.31	2020.3.31
KGI Securities Co., Ltd.	$4,850,000	$4,850,000	$-

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The Company appointed KGI Securities Co., Ltd. as the underwriting agency for the Company's first issue of 2020 perpetual cumulative subordinated corporate bonds, and KGI Securities Co., Ltd. obtained the denomination of the corporate bonds in the amount of $10,000,000 thousand on 28 December, 2020. As of 31 March 2021 and 31 December 2020, KGI Securities Co., Ltd. held a total face value of $4,850,000 thousand and $4,850,000 thousand of corporate bonds issued by the Company, and the interest payable generated amounted to $33,724 thousand and $1,435 thousand. Interest expenses arising from the aforementioned KGI Securities Co., Ltd. transactions recognized in 31 March 2021, totaled $32,289 thousand.

(11) Guarantee deposits received

Name	2021.3.31	2020.12.31	2020.3.31
Parent company	$19,524	$19,524	$-
Other related parties	62,194	62,194	2,441
Total	$81,718	$81,718	$2,441

(12) Premium income

Name	For the three-month periods ended 31 March	
	2021	2020
Parent company	$552	$-
Other related parties	50,514	48,508
Total	$51,066	$48,508

(13) Fee income

Name	For the three-month periods ended 31 March	
	2021	2020
KGI Securities Investment Trust Co., Ltd	$4,907	$58,675

(14) Interest income

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$-	$2,652

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Financial assets and liabilities measured at fair value through profit or loss - dividend income

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$90,530	$87,934

(16) Gains on Investment property - rental income

Name	For the three-month periods ended 31 March	
	2021	2020
China Development Financial Holding Corp. (CDF)	$18,754	$-
KGI Bank	39,794	1,555
Other related parties	20,358	962
Total	$78,906	$2,517

According to contracts, leasing periods are generally 3 to 11 years, and rentals are usually paid on a monthly basis.

(17) Insurance claim payments

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$893	$740

(18) Commission expenses

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$38,811	$75,975

(19) Professional service fees (recognized in operating expenses)

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$8,529	$7,507

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(20) Handling fees (recognized in net investment incomes (losses) or in adjustment for investment cost)

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$32,935	$18,043

Other handling fees (recognized in operating expenses)

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$5,995	$10,520

(21) The Company entrusted the parent company to collect and transfer fees to non-related parties. As of 31 March 2021, 31 December 2020 and 31 March 2020, there were no payables arising from the aforementioned transactions. The amount of fees collected and transferred by the parent company is $0 thousand and $1 thousand for the three-month periods ended 31 March 2021 and 2020 respectively. There is no difference between the collection and transfer, and the above transaction are recorded in operating expense.

(22) Finance costs

Name	For the three-month periods ended 31 March	
	2021	2020
KGI Securities Co., Ltd.	$32,291	$2
Other related parties	156	4
Total	$32,447	$6

(23) Non-operating income and expenses

Name	For the three-month periods ended 31 March	
	2021	2020
Other related parties	$289	$791

The abovementioned transaction terms with related parities do not differ from that with non-related parties.

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3. Key management personnel remuneration

Item	For the three-month periods ended 31 March 2021	2020
Short-term employee benefits	$149,089	$108,147
Post-employment benefits	1,491	1,225
Total	$150,580	$109,372

XIII. Pledged assets

Details of pledged and guaranteed assets are as follows:

Item	2021.3.31	2020.12.31	2020.3.31
Government bonds (recognized as refundable deposits)	$7,092,199	$7,092,185	$6,708,160
Cash in bank (recognized as refundable deposits)	5,770,965	-	18,455
Total	$12,863,164	$7,092,185	$6,726,615

XIV. Commitment and Contingencies

1. Investment commitment not yet contributed

   As of 31 March 2021, among the investment contracts signed, the upper limit of the amount not yet contributed were NTD 1,328,933 thousand, USD 484,359 thousand and EUR127,804 thousand.

2. On 16 December 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy. On 1 March 2017, the Company signed the first contract amendment protocol, amending the total amount of contract to be $5,623,913 thousand. As of 31 March 2021, the actual accumulated payment of construction is $5,121,788 thousand after deducting 5% of construction reserve for each payment, leaving $502,125 thousand unpaid.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

XV. Significant disaster damages

None.

XVI. Significant subsequent events

None.

XVII. Other matters

1. Foreign currency financial assets and liabilities with significant influence as of 31 March 2021, 31 December 2020 and 31 March 2020 are as follows:

	2021.3.31		
	Foreign currency	Exchange rate (in dollar)	NTD
Financial assets			
Monetary items			
USD	$42,165,217	28.5310	$1,203,015,820
AUD	4,571,331	21.7092	99,239,941
Non-monetary items			
USD	2,582,151	28.5310	73,671,339
Financial Liabilities			
Monetary items			
USD	206,803	28.5310	5,900,295

	2020.12.31		
	Foreign currency	Exchange rate (in dollar)	NTD
Financial assets			
Monetary items			
USD	$41,864,113	28.5080	$1,193,462,138
AUD	4,515,182	21.9711	99,203,515
Non-monetary items			
USD	2,401,796	28.5080	68,470,412
Financial Liabilities			
Monetary items			
USD	233,970	28.5080	6,670,007

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2020.3.31		
	Foreign currency	Exchange rate (in dollar)	NTD
Financial assets			
Monetary items			
USD	$37,130,496	30.2540	$1,123,342,196
AUD	3,970,367	18.6425	74,017,573
Non-monetary items			
USD	1,647,989	30.2540	49,858,252
Financial Liabilities			
Monetary items			
USD	368,481	30.2540	11,148,024

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

2. Participation of unconsolidated structured entities

As of 31 March 2021, 31 December 2020 and 31 March 2020, interests in unconsolidated structured entities the Company holds are as follows. The Company does not provide any financial or other support for these structured entities. The estimated maximum exposure amount is the interests the Company holds.

Date: 31 March 2021

	Private Equity Fund	Asset Securitization Product	Total
Assets held by the Company			
Financial assets at fair value through profit and loss	$9,726,414	$5,804,024	$15,530,438
Financial assets measured at amortized cost	-	10,719,671	10,719,671
The maximum exposure amount	9,726,414	16,523,695	26,250,109
Financial or other support provided	None	None	

Date: 31 December 2020

	Private Equity Fund	Asset Securitization Product	Total
Assets held by the Company			
Financial assets at fair value through profit and loss	$8,379,207	$4,641,441	$13,020,648
Financial assets measured at amortized cost	-	14,507,834	14,507,834
The maximum exposure amount	8,379,207	19,149,275	27,528,482
Financial or other support provided	None	None	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Date: 31 March 2020

	Private Equity Fund	Asset Securitization Product	Total
Assets held by the Company			
Financial assets at fair value through profit and loss	$5,612,417	$3,706,921	$9,319,338
Financial assets measured at amortized cost	-	44,909,185	44,909,185
The maximum exposure amount	5,612,417	48,616,106	54,228,523
Financial or other support provided	None	None	

3. The individual health insurance, individual injury insurance and catastrophe reinsurance contracts between the Company and the reinsurance transaction partner Trust International Insurance and Reinsurance CO. B.S.C. (C) have so far expired. The responsibility of claims of the reinsurer ended on 31 December 2020. The credit rating agency canceled the credit rating of the reinsurer in December 2018; therefore, the reinsurer became unqualified.

   For the three-month periods ended 31 March 2020, the Company has no unqualified reinsurance expenses; as of 31 March 2020 and 31 December 2020, there are no unqualified reinsurance reserves.

4. Discretionary account management

   (1) The Company contracts with securities investment trust business for discretionary investments management. The investment details are disclosed as follows:

	2021.3.31		2020.12.31		2020.3.31	
Items	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Domestic listed stocks	$1,889,150	$1,889,150	$1,537,861	$1,537,861	$917,213	$917,213
Cash and cash equivalents	3,317,819	3,317,819	831,520	831,520	1,193,336	1,193,336
Overseas listed stocks	3,563,986	3,563,986	5,892,364	5,892,364	2,218,721	2,218,721
Total	$8,770,955	$8,770,955	$8,261,745	$8,261,745	$4,329,270	$4,329,270

   (2) As of 31 March 2021, the discretionary investments limits were USD 126,831 thousand, CNY 500,000 thousand and NTD 2,000,000 thousand ; As of 31 December 2020, the discretionary investments limits were USD 100,000 thousand, CNY 500,000 thousand and NTD 2,000,000 thousand; As of 31 March 2020, the discretionary investments limits were USD 100,000 thousand and NTD 2,000,000 thousand.

5. When the insurance enterprise is a subsidiary of a financial holding company, manner of

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revenue, cost, expense and profit (loss) sharing between the insurance enterprise and the financial holding company and other subsidiaries in terms of business or trading activities, joint business promotions, sharing of information, and sharing of facilities or premises.

6. As of 31 March 2021, 31 December 2020 and 31 March 2020, the Company's equity divided by total assets excluding the separate accounts product assets was 7.44%, 8.41% and 5.10%.

7. The Company had taken the economic influence caused by Covid-19 epidemic into significant accounting estimation considerations when preparing financial statements. After careful assessment, the Company concluded that the epidemic had no material impact on the financial condition of the Company, its ability to operate as a going concern, and impairment of assets through the first quarter of 2021.

XVIII. Additional disclosure

1. Information on significant transactions:

(1) Acquisition of real estate reaching NT$100 million or 20% of paid-in capital or more: None.

(2) Disposal of real estate reaching NT$100 million or 20% of paid-in capital or more: None.

(3) Transactions with related parties involving main business items reaching NT$100 million or 20% of paid-in capital or more: please refer to Note XII.

(4) Accounts receivable from related parties reaching NT$100 million or 20% of paid-in or more: please refer to Table 1.

(5) Trading in derivative instruments:

As of 31 March 2021, 31 December 2020 and 31 March 2020, the amount (notional amount) that the Company engaged in the contract of derivative instruments transactions is as follows: (Unit: US dollar in thousand)

A. Type of derivative instrument held:

	2021.3.31	2020.12.31	2020.3.31
Swap and forward exchange contracts	$29,036,373	$30,290,934	$27,164,807

2. Information about reinvestment businesses in non-mainland China areas:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) Information on investee company that the Company exercises significant influence over:

Investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of 31 March, 2021			Investee Company's profit or loss for the period	Recognized investment gain or loss for the period	Note
				31 March, 2021	31 December, 2020	Shares	Percentage of ownership (%)	Carrying Amount			
The Company	Shenhe Energy Co., LTD	Taiwan	self-usage power generation equipment utilizing renewable energy industry	$69,650	$69,650	6,965,000	19.90%	$69,652	$(280)	$(212)	Investment Accounted for Using Equity Method

(2) If the Company directly or indirectly exercises significant influence over the investee, it shall disclose information on significant transaction with the investee:

1) Loans made to others: None.
2) Endorsements/ guarantees for others: Please refer to Table 2.
3) Securities held at the end of the year:

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	31 March, 2021			
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
	<u>Stocks</u>						
Shenhe Energy Co., LTD	Dehe Energy Co., Ltd.	Parent and subsidiary	Investment Accounted for Using Equity Method	154,340	$153,860	100%	(Note)
〃	Dehe 1 Energy Co., Ltd.	〃	〃	948,000	10,422	100%	(Note)
〃	Dehe 2 Energy Co., Ltd.	〃	〃	12,370 thousand (Capital contribution amount)	11,683	100%	(Note)

Note: Investment adopting the equity method does not need to disclose the fair value.

4) Transactions where the aggregate purchases or sales of the same security reaching NT$100 million or 20% of paid-in capital or more: None.
5) Acquisition of real estate reaching NT$100 million or 20% of paid-in capital or more: None.
6) Disposal of real estate reaching NT$100 million or 20% of paid-in capital or more: None.
7) Transactions with related parties involving main business items reaching NT$100 million or 20% of paid-in capital or more: None.
8) Accounts receivable from related parties reaching NT$100 million or 20% of paid-in capital or more: None.
9) Trading in derivative instruments: None.

3. Information regarding investment in Mainland China

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

(2) The Company participated in the equity investment of Pacific-Antna Life Insurance Company Ltd. in Mainland China authorized by FSC on 30 December 2010, and by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) on 28 January 2011, and by the China Insurance Regulatory Commission on 6 April 2011.The Company remitted US$58,775 thousand on 24 June 2011, completed settlement on 29 June 2011 and obtained 19.9% ownership. The Company shared 100% equity of Pacific-Antna Life Insurance Company Ltd. with China Construction Bank and other financial investors and used the channel and customer resources of China Construction Bank to develop bank insurance business which is to ensure the Company successfully enters the mainland market and increases the Company’s long-term value and shareholders’ interests. Pacific-Antna Life Insurance Company Ltd. was renamed to CCB Life Insurance Company Ltd. authorized by the China Insurance Regulatory Commission on 7 June 2011. And CCB Life Insurance Company Ltd. made an announcement to change into a company limited by shares from a limited company on 20 December 2016.

The Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to increase capital of US$216,000 thousand CCB Life Insurance Company Ltd. on 29 August 2011 and to remit US$11,844 thousand on 30

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August 2011. The increased share capital case was approved by China Insurance Regulatory Commission on 28 September 2011 and by Shanghai Administration for Industry and Commerce on 13 December 2011. Moreover, the Company remitted US$179,070 thousand to increase share capital in June 2012, and this increased share capital case was approved by China Insurance Regulatory Commission on 27 July 2012 and by Shanghai Administration for Industry and Commerce on 5 November 2012. MOEAIC authorized the Company to revoke the approved case on 29 August 2011 of US$25,086 thousand not implemented on 2 October 2017.

On 29 December 2016, the Board has resolved to participate CCB Life Insurance Co., Ltd.'s capital raising plan in exact proportion to its current shareholding. The MOEAIC approved the Company's plan to increase capital investment in CCB Life Insurance Company Ltd. on 29 March 2017 and the Company remitted RMB$1,194,000 thousand in April 2019. The capital raising plan was approved by the China Insurance Regulatory Commission on 21 July 2020 and the Shanghai Administration for Industry and Commerce as of 28 October 2020.

(3) Information on the investee company, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area: Please refer to Table 3.

4. Information of major shareholders:

Shares / Major shareholders	Holding Shares	Holding Percentage
China Development Financial Holding Corp.	2,237,925,697	47.299%
KGI Securities Co., Ltd.	409,511,623	8.655%

Note：

(1) The major shareholders' information in the table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The information included the total number of ordinary shares and preferred shares (including treasury stock) held by the shareholders who have completed the delivery of dematerialized registration that reached 5% of the Company's total shares. The share capital stated in the Company's financial report and the number of shares actually delivered by the Company with dematerialized registration may differ because the calculation bases were different.

(2) If the above information included the shareholders' shares transferred to a trust, it

will be disclosed by the individual settlor account opened by the trustee. As for shareholders who declared insider equity holding for more than 10% of shareholding percentage in accordance with the Securities and Exchange Act, such holdings shall include their shareholdings plus their shares that have been delivered to the trust that they have control of. For related information on insider stock holding declaration, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

XIX. Operating segment information

1. Information on products and services

The Company engaged in life insurance business in accordance with Insurance Act. According to IFRS 8 "Operating Segments", the Company offers only insurance contract products. The operating executives assign resources on a basis of entire company, therefore the entire company is a single operating segment.

2. Information on the geographical areas in which the business operates

The Company does not have foreign operating segment, therefore no information shall be disclosed.

3. Information on major customer

The Company does not have any one customer whose revenue constitute 10% or more on the income statement, therefore no information shall be disclosed.

China Life Insurance Co., Ltd.

Notes to financial statements (continued)

(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 1:Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover rate	Overdue		Amounts Received in Subsequent Period	Allowance for impairment loss
					Amount	Action Taken		
The Company	KGI Bank	Brother company	Other receivables $1,121,628	Note 1	$-	$-	$1,121,628	$-
			Other receivables $38,163	Note 2	-	-	-	-
The Company	KGI Securities Co., Ltd.	Brother company	Other receivables $427,674	Note 3	-	-	427,674	-

Note 1: No turnover rate is available as the receivables were caused by Automated Clearing House (ACH).

Note 2: No turnover rate is available as the receivables were caused by the rent receivable of the leased office. It is the rental income recognized on a straight-line basis in accordance with the contract period (including the rent-free period).

Note 3: No turnover rate is available as the receivables were caused by sale of securities.

China Life Insurance Co., Ltd.
Notes to financial statements (continued)
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Table 2:The reinvestment business provided Endorsements/Guarantees for others

Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Fuaranteed Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Equity per Latest Financial Statements (Note 2)	Maximum Endorsement/ Guarantee Limit	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
	Name	Nature of Relationship										
Shenhe Energy Co., Ltd.	Dehe Energy Co., Ltd.	Parent and Subsidiary	None	$950,000	$950,000	$97,575	-	272%	None	Yes	No	No
Shenhe Energy Co., Ltd.	Dehe 1 Energy Co., Ltd.	Parent and Subsidiary	None	65,638	65,638	16,362	-	19%	None	Yes	No	No
Shenhe Energy Co., Ltd.	Dehe 2 Energy Co., Ltd.	Parent and Subsidiary	None	117,200	117,200	11,220	-	34%	None	Yes	No	No

Note 1: For the endorsement guarantee provided by Shenhe Energy Co., Ltd., $950,000 thousand is provided by the bank to Dehe Energy Co., Ltd., Dehe 1 Energy Co., Ltd. and Dehe 2 Energy Co., Ltd. as shared quota.
Note 2: Investee Company's net value of the most recent financial statement is the book balance of the investee company, unreviewed by the CPA.

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Table 3: Information on Investment in Mainland China

Investee Company	Principal Business Activities	Paid-in Capital	Method of investment	Accmulated outward remittance from Taiwan for investment purpose at the beginning of the priod	Inward or outward remmitance for investment purpose for the priod		Accmulated outward remittance from Taiwan for investment purpose at the end of the priod	Investee Company's profit or loss for the period	Shareholding ratio of direct or inderct investment by the Company	Recognized investment gain or loss for the period	Carrying amount of the investment at the end of the period	Accumulated repatriated investment gains up to the period
					Outward	Inward						
CCB Life Insurance Ltd (Note1)	Life Insuracne	$32,212,967 (CNY 7,120,461thousand)	Direct investment in Mainland China	$12,880,969	$-	$-	$12,880,969	$4,001,825 (Note 3)	19.90%	$-	$16,828,868 (Note 2)	$148,983 (Note 4)

Accmulated outward remittance from Taiwan for investment in Mainland China at the end of the priod	Approved amount of investment in the Mainland China promulgated by the Investment Commission, Ministry of Economic Affairs	Limit on the amount of investment in the Mainland China promulgated by the Investment Commission, Ministry of Economic Affairs
$12,880,969	$12,880,969	$95,523,313

Note 1: The investee company was originally named as Pacific-Antna Life Insurance Company Ltd. On 7 June 2011, the investee company was approved to change the name to CCB Life Insurance Ltd. by China Insurance Regulatory Commission. On 20 December 2016, the investee company announced to restructure as incorporation.

Note 2: The Company classified the investment in the financial assets at fair value through other comprehensive income. The ending carring amount includes unrealized gains or losses.

Note 3: Investee Company's profit or loss for the period is the book balance of the investee company, unreviewed by the CPA.

Note 4: The accumulated cash dividends.

Note 5: The Investee Company raised RMB $6 billion in cash capital in 2019. The payments of the capital raising plan have been fully collected and the capital verification was completed in April 2019. The paid-in capital following the capital increase was approved by the China Insurance Regulatory Commission on 21 July 2020 and has approved by the Shanghai Administration for Industry and Commerce as of 28 October 2020.