

**China Life Insurance Co., Ltd.**  
**Financial Statements**  
**For the Nine-month Periods Ended**  
**30 September 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 30 September 2021 and 2020, and the related statements of comprehensive income for the three-month and nine-month periods ended 30 September 2021 and 2020, changes in equity and cash flows for the nine-month periods ended 30 September 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 30 September 2021 and 2020, and its financial performance for the three-month and the nine-month periods ended 30 September 2021 and 2020, and its cash flows for the nine-month periods ended 30 September 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

4 November 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.

China Life Insurance Co., Ltd.

Balance sheets

As at 30 September 2021, 31 December 2020 and 30 September 2020

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

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2021/9/30		2020/12/31		2020/9/30	
		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	VI.1	\$131,656,778	6	\$101,376,515	5	\$60,119,408	3
Receivables	VI.2	17,176,375	1	19,920,386	1	24,857,799	1
Current tax assets		-	-	526,131	0	526,131	0
Financial assets at fair value through profit or loss	VI.3	394,290,892	17	375,555,929	17	384,235,100	18
Financial assets at fair value through other comprehensive income	VI.4	319,251,616	14	482,873,124	22	463,078,359	22
Financial assets at amortized cost	VI.5	1,192,922,256	53	1,046,395,601	47	1,015,672,917	48
Investments accounted for using equity method	VI.7	573,896	0	69,863	0	-	-
Investment property	VI.8	37,076,976	2	36,838,917	2	36,610,166	2
Loans	VI.6	33,797,135	1	33,557,049	1	33,209,632	1
Reinsurance assets	VI.9	847,556	0	740,256	0	658,920	0
Property and equipment	VI.10	12,715,340	1	12,414,988	1	12,452,887	1
Right-of-use assets	VI.11	5,997,955	0	6,058,770	0	5,965,024	0
Intangible assets		273,665	0	234,530	0	190,160	0
Deferred tax assets	VI.29	13,567,601	1	10,861,287	0	9,283,563	0
Other assets	VI.12	8,248,121	0	7,724,396	0	7,561,555	0
Separate account product assets	VI.31	94,340,406	4	84,564,106	4	76,547,742	4
<b>Total assets</b>		<b>\$2,262,736,568</b>	<b>100</b>	<b>\$2,219,711,848</b>	<b>100</b>	<b>\$2,130,969,363</b>	<b>100</b>

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

China Life Insurance Co., Ltd.

Balance sheets - (continued)

As at 30 September 2021, 31 December 2020 and 30 September 2020

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

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2021/9/30		2020/12/31		2020/9/30	
		Amount	%	Amount	%	Amount	%
Payables	VI.13	\$15,431,117	1	\$13,264,436	1	\$20,075,016	1
Current tax liabilities		2,025,095	0	2,591,206	0	999,786	0
Financial liabilities at fair value through profit or loss	VI.15	2,844,766	0	7,931,359	0	1,193,951	0
Bonds payable	VI.14	10,000,000	1	10,000,000	1	-	-
Lease liabilities	VI.11	1,764,522	0	1,751,214	0	1,651,672	0
Insurance liabilities	VI.16	1,961,243,327	87	1,896,680,430	85	1,859,115,263	88
Foreign exchange valuation reserve	VI.17	2,741,501	0	4,023,007	0	2,285,492	0
Provisions	VI.18	190,273	0	212,754	0	156,279	0
Deferred tax liabilities	VI.29	3,925,497	0	10,126,831	1	8,990,684	0
Other liabilities		2,412,193	0	8,909,300	0	8,175,365	0
Separate account product liabilities	VI.31	94,340,406	4	84,564,106	4	76,547,742	4
<b>Total liabilities</b>		<b>2,096,918,697</b>	<b>93</b>	<b>2,040,054,643</b>	<b>92</b>	<b>1,979,191,250</b>	<b>93</b>
Share capital	VI.20						
Common stock		47,313,972	2	47,313,972	2	44,635,823	2
Stock dividend to be distributed		1,892,559	0	-	-	2,678,149	0
Capital surplus	VI.21	7,214,523	0	7,214,523	0	7,214,523	0
Retained earnings	VI.22						
Legal capital reserve		19,283,918	1	16,263,019	1	16,263,019	1
Special capital reserve		46,378,505	2	38,374,504	2	38,080,026	2
Unappropriated retained earnings		26,712,211	1	16,350,833	1	16,326,362	1
Other equity	VI.23	17,022,183	1	54,140,354	2	26,580,211	1
<b>Total equity</b>		<b>165,817,871</b>	<b>7</b>	<b>179,657,205</b>	<b>8</b>	<b>151,778,113</b>	<b>7</b>
<b>Total liabilities and equity</b>		<b>\$2,262,736,568</b>	<b>100</b>	<b>\$2,219,711,848</b>	<b>100</b>	<b>\$2,130,969,363</b>	<b>100</b>

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 30 September 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 July-30 September 2021		1 July-30 September 2020	
		Amount	%	Amount	%
Operating revenue					
Direct premium income		\$47,386,937	65	\$62,721,056	72
Premium income		47,386,937	65	62,721,056	72
Deduct: Reinsurance expenses		(384,133)	(0)	(347,107)	(0)
Net changes in unearned premium reserve	VI.16	274,442	0	293,172	0
Retained earned premium	VI.26	47,277,246	65	62,667,121	72
Reinsurance commission received		92,041	0	59,116	0
Fee income		323,286	0	278,071	0
Net investment incomes (losses)					
Interest income	VI.24	13,478,602	18	14,143,688	16
Gains on financial assets and liabilities at fair value through profit or loss		151,876	0	15,073,899	17
Net gains from derecognition of financial assets at amortized cost	VI.5	3,309,875	5	555,495	1
Realized gains on financial assets at fair value through other comprehensive income		3,302,333	5	2,402,079	3
Share of profit of associates and joint ventures accounted for using equity method	VI.7	(2,098)	(0)	-	-
Foreign exchange losses		(3,032,804)	(4)	(13,309,692)	(15)
Net changes in foreign exchange valuation reserve	VI.17	(560,211)	(1)	(1,125,213)	(1)
Gains on investment property		154,684	0	81,649	0
Expected credit impairment losses and reversal on investments	VI.25	(277)	(0)	(5,430)	(0)
Other net investment incomes (losses)		(8,425)	(0)	(2,272)	(0)
Gains (losses) on reclassification using overlay approach	VI.3	8,301,024	11	3,535,957	4
Separate account product revenue	VI.31	860,501	1	3,256,584	3
Subtotal		73,647,653	100	87,611,052	100
Operating costs					
Insurance claim payments		(37,077,461)	(50)	(23,529,947)	(27)
Deduct: Claims recovered from reinsures		145,653	0	187,922	0
Retained claim payments	VI.27	(36,931,808)	(50)	(23,342,025)	(27)
Net changes in insurance liabilities	VI.16	(20,618,780)	(28)	(50,038,234)	(57)
Underwriting expenses		(878)	(0)	(2,049)	(0)
Commission expenses		(2,784,558)	(4)	(2,396,547)	(3)
Finance costs		(75,861)	(0)	(7,409)	(0)
Other operating costs		(90,035)	(0)	(94,097)	(0)
Separate account product expenses	VI.31	(860,501)	(1)	(3,256,584)	(3)
Subtotal		(61,362,421)	(83)	(79,136,945)	(90)
Operating expenses	VI.28				
General expenses		(857,938)	(1)	(906,832)	(1)
Administrative expenses		(1,175,204)	(2)	(579,897)	(1)
Employee training expenses		(11,010)	(0)	(8,028)	(0)
Non-investments expected credit impairment losses and reversal	VI.25	9	0	99	0
Subtotal		(2,044,143)	(3)	(1,494,658)	(2)
Operating income		10,241,089	14	6,979,449	8
Non-operating income and expenses		3,857	0	(59,021)	(0)
Income from continuing operations before income tax		10,244,946	14	6,920,428	8
Income tax expenses	VI.29	(843,208)	(1)	(83,291)	(0)
Net income from continuing operations		9,401,738	13	6,837,137	8
Net income		9,401,738	13	6,837,137	8
Other comprehensive income, net of tax	VI.23				
Items that will not be reclassified subsequently to profit or loss					
Property revaluation surplus		-	-	536,277	0
Valuation gains on equity instruments at fair value through other comprehensive income		(3,862,117)	(5)	6,333,881	7
Income taxes relating to items that are not be reclassified		414,839	1	(1,224,202)	(1)
Items that are or may be reclassified subsequently to profit or loss					
Gains on debt instruments at fair value through other comprehensive income		(3,550,133)	(5)	3,066,640	3
Other comprehensive income (loss) reclassified using overlay approach	VI.3	(8,301,024)	(11)	(3,535,957)	(4)
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		1,100,254	1	(403,915)	(0)
Other comprehensive income (loss), net of tax		(14,198,181)	(19)	4,772,724	5
Total comprehensive income (loss)		\$(4,796,443)	(6)	\$11,609,861	13
Earnings per share (In New Taiwan Dollars)	VI.30				
Basic earnings per share		\$1.91		\$1.39	

**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 - (continued)**

**For the nine-month periods ended 30 September 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-30 September 2021		1 January-30 September 2020	
		Amount	%	Amount	%
Operating revenue					
Direct premium income		\$149,351,470	66	\$177,526,024	75
Premium income		149,351,470	66	177,526,024	75
Deduct: Reinsurance expenses		(1,135,875)	(0)	(1,020,849)	(0)
Net changes in unearned premium reserve	VI.16	(86,692)	(0)	(13,543)	(0)
Retained earned premium	VI.26	148,128,903	66	176,491,632	75
Reinsurance commission received		216,997	0	179,365	0
Fee income		892,689	0	838,285	0
Net investment incomes (losses)					
Interest income	VI.24	40,829,689	18	42,266,943	18
Gains on financial assets and liabilities at fair value through profit or loss		24,998,507	11	14,179,812	6
Net gains from derecognition of financial assets at amortized cost	VI.5	3,293,247	1	558,701	0
Realized gains on financial assets at fair value through other comprehensive income		16,382,572	7	7,620,222	3
Share of profit of associates and joint ventures accounted for using equity method	VI.7	(3,095)	(0)	-	-
Foreign exchange losses		(24,986,854)	(11)	(28,398,242)	(12)
Net changes in foreign exchange valuation reserve	VI.17	1,281,505	1	81,547	0
Gains on investment property		725,727	0	326,932	0
Expected credit impairment losses and reversal on investments	VI.25	(80,046)	(0)	(55,050)	(0)
Other net investment incomes (losses)		(24,944)	(0)	(11,407)	(0)
Gains (losses) on reclassification using overlay approach	VI.3	7,462,702	3	19,011,983	8
Separate account product revenue	VI.31	8,243,913	4	3,578,835	2
Subtotal		227,361,512	100	236,669,558	100
Operating costs					
Insurance claim payments		(102,189,926)	(45)	(74,194,847)	(31)
Deduct: Claims recovered from reinsures		557,886	0	534,065	0
Retained claim payments	VI.27	(101,632,040)	(45)	(73,660,782)	(31)
Net changes in insurance liabilities	VI.16	(75,023,167)	(33)	(131,479,848)	(55)
Underwriting expenses		(5,429)	(0)	(5,175)	(0)
Commission expenses		(7,935,904)	(3)	(6,902,257)	(3)
Finance costs		(226,541)	(0)	(30,137)	(0)
Other operating costs		(242,982)	(0)	(312,229)	(0)
Separate account product expenses	VI.31	(8,243,913)	(4)	(3,578,835)	(2)
Subtotal		(193,309,976)	(85)	(215,969,263)	(91)
Operating expenses	VI.28				
General expenses		(2,647,350)	(1)	(2,626,059)	(1)
Administrative expenses		(3,284,253)	(2)	(1,879,026)	(1)
Employee training expenses		(21,096)	(0)	(17,174)	(0)
Non-investments expected credit impairment losses and reversal	VI.25	2,304	0	(331)	(0)
Subtotal		(5,950,395)	(3)	(4,522,590)	(2)
Operating income		28,101,141	12	16,177,705	7
Non-operating income and expenses		11,998	0	(55,410)	(0)
Income from continuing operations before income tax		28,113,139	12	16,122,295	7
Income tax expenses	VI.29	(2,176,478)	(1)	(1,281,759)	(1)
Net income from continuing operations		25,936,661	11	14,840,536	6
Net income		25,936,661	11	14,840,536	6
Other comprehensive income, net of tax	VI.23				
Items that will not be reclassified subsequently to profit or loss					
Property revaluation surplus		-	-	536,277	0
Valuation gains on equity instruments at fair value through other comprehensive income		(1,904,259)	(1)	7,037,631	3
Income taxes relating to items that are not be reclassified		1,317,477	1	(1,346,473)	(1)
Items that are or may be reclassified subsequently to profit or loss					
Gains on debt instruments at fair value through other comprehensive income		(36,152,263)	(16)	9,412,117	4
Other comprehensive income (loss) reclassified using overlay approach	VI.3	(7,462,702)	(3)	(19,011,983)	(8)
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		6,407,880	3	314,115	0
Other comprehensive income (loss), net of tax		(37,793,867)	(16)	(3,058,316)	(2)
Total comprehensive income (loss)		\$(11,857,206)	(5)	\$11,782,220	4
Earnings per share (In New Taiwan Dollars)	VI.30				
Basic earnings per share		\$5.27		\$3.02	

**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 changes in equity

For the nine-month periods ended 30 September 2021 and 2020

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

(Expressed in Thousands of New Taiwan Dollars)

Summary	Notes	Capital stock			Retained earnings			Other equity			Total
		Common stock	Stock dividend to be distributed	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	Gains on Property Revaluation surplus	Other comprehensive income from adoption of overlay approach	
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
Appropriation and distribution of earnings for the year 2019											
Legal capital reserve		-	-	-	2,599,330	-	(2,599,330)	-	-	-	-
Special capital reserve		-	-	-	-	3,272,676	(3,272,676)	-	-	-	-
Cash dividends		-	-	-	-	-	(2,678,149)	-	-	-	(2,678,149)
Stock dividends		-	2,678,149	-	-	-	(2,678,149)	-	-	-	-
Net income for the nine-month period ended 30 September 2020		-	-	-	-	-	14,840,536	-	-	-	14,840,536
Other comprehensive income for the nine-month period ended 30 September 2020	VI.23	-	-	-	-	-	-	14,224,968	428,734	(17,712,018)	(3,058,316)
Total comprehensive income for the nine-month period ended 30 September 2020		-	-	-	-	-	14,840,536	14,224,968	428,734	(17,712,018)	11,782,220
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	-	(59,470)	59,470	-	-	-
Net changes in special reserve		-	-	-	-	-	4,481	-	-	-	4,481
Balance on 30 September 2020		\$44,635,823	\$2,678,149	\$7,214,523	\$16,263,019	\$38,080,026	\$16,326,362	\$41,777,635	\$752,543	\$(15,949,967)	\$151,778,113
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
Appropriation and distribution of earnings for the year 2020											
Legal capital reserve		-	-	-	3,020,899	-	(3,020,899)	-	-	-	-
Special capital reserve		-	-	-	-	8,004,001	(8,004,001)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,892,559)	-	-	-	(1,892,559)
Stock dividends		-	1,892,559	-	-	-	(1,892,559)	-	-	-	-
Net income for the nine-month period ended 30 September 2021		-	-	-	-	-	25,936,661	-	-	-	25,936,661
Other comprehensive income for the nine-month period ended 30 September 2021	VI.23	-	-	-	-	-	-	(31,099,153)	-	(6,694,714)	(37,793,867)
Total comprehensive income for the nine-month period ended 30 September 2021		-	-	-	-	-	25,936,661	(31,099,153)	-	(6,694,714)	(11,857,206)
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	-	(675,696)	675,696	-	-	-
Net changes in special reserve		-	-	-	-	-	(89,569)	-	-	-	(89,569)
Balance on 30 September 2021		\$47,313,972	\$1,892,559	\$7,214,523	\$19,283,918	\$46,378,505	\$26,712,211	\$21,138,929	\$752,543	\$(4,869,289)	\$165,817,871

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 nine-month periods ended 30 September 2021 and 2020**  
**(Reviewed only, not audited in accordance with the generally accepted auditing standards)**  
**(Expressed in Thousands of New Taiwan Dollars)**

	1 January-30 September 2021	1 January-30 September 2020
Cash flows from operating activities		
Net income before tax	\$28,113,139	\$16,122,295
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	352,299	256,902
Amortization expense	113,031	93,804
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(16,222,279)	(4,832,362)
Net losses (gains) on financial assets at fair value through other comprehensive income	(15,351,740)	(6,430,736)
Net losses (gains) on Financial assets at amortized cost	(3,280,464)	(552,759)
Interest expenses	226,541	30,137
Interest income	(40,829,689)	(42,266,943)
Dividend income	(9,730,313)	(10,504,853)
Net changes in insurance liabilities	64,447,024	120,851,335
Net changes in foreign exchange valuation reserve	(1,281,505)	(81,547)
Net changes in provisions	(965)	-
Expected credit impairment losses (reversal gains) on investments	80,046	55,050
Expected credit impairment losses (reversal gains) on non-investments	(2,304)	331
Share of profit (loss) of associates and joint ventures accounted for using equity method	3,095	-
(Gains) losses on reclassification using overlay approach	(7,462,702)	(19,011,983)
(Gains) losses on disposal or scrapping of property and equipment	216	69
(Gains) losses on disposal of investment property	(1,041)	(3,400)
Property and equipment transfers into expense	-	2,538
Impairment losses on non-financial assets and reversal on impairment	-	62,596
Unrealized foreign exchange losses (gains)	31,670,055	29,489,676
(Gains) losses on valuation of investment property	(216,041)	(46,517)
(Gains) losses on lease modification	-	(38)
Other items	(9,162)	(1,011)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	(9,748,847)	(67,817,817)
Decrease (increase) in notes receivable	66,788	156,716
Decrease (increase) in other receivables	1,600,378	1,680,912
Decrease (increase) in prepaid expenses and other prepayments	304,800	(687,610)
Decrease (increase) in refundable deposits	(836,364)	602
Decrease (increase) in reinsurance assets	(101,922)	(115,752)
Decrease (increase) in other assets	7,833	(8,058)
Increase (decrease) in notes payable	(64)	291
Increase (decrease) in life insurance proceeds payable	38,666	4,071
Increase (decrease) in other payables	1,916,725	832,862
Increase (decrease) in due to reinsurers and ceding companies	147,498	246,880
Increase (decrease) in commissions payable	(140,370)	(552,942)
Increase (decrease) in accounts collected in advance	(356,232)	(252,160)
Increase (decrease) in guarantee deposits received	(5,843,744)	251,084
Increase (decrease) in other liabilities	(297,130)	418,322
Increase (decrease) in provision for employee benefits	(21,515)	(53,049)
Cash generated from operations activities	17,353,741	17,336,936
Interest received	40,827,898	52,835,244
Dividends received	9,473,837	10,492,749
Interest paid	(6,889)	(25,085)
Income taxes refunded (paid)	(3,375,829)	(1,343,795)
Net cash provided by (used in) operating activities	64,272,758	79,296,049
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(25,412,896)	(140,865,165)
Disposal of financial assets at fair value through other comprehensive income	157,262,978	76,867,269
Return of capital from financial assets at fair value through other comprehensive income	259,221	79,154
Acquisition of financial assets at amortized cost	(260,673,810)	(236,647,762)
Disposal of financial assets at amortized cost	75,997,642	167,121,741
Maturity principal from financial assets at amortized cost	21,974,573	33,061,903
Acquisition of Investments accounted for using equity method	(507,128)	-
Acquisition of property and equipment	(557,351)	(2,743,574)
Disposal of property and equipment	200	-
Acquisition of intangible assets	(109,721)	(51,800)
Decrease (increase) in loans	(240,087)	824,239
Acquisition of investment property	(28,992)	(2,090)
Acquisition of right-of-use assets	(40)	(40)
Disposal of investment property	8,015	31,872
Net cash provided by (used in) investing activities	(32,027,396)	(102,324,253)
Cash flows from financing activities		
Cash dividend paid	(1,892,559)	(2,678,149)
Principle repayment of lease liabilities	(72,540)	(101,962)
Net cash provided by (used in) financing activities	(1,965,099)	(2,780,111)
Increase (decrease) in cash and cash equivalents	30,280,263	(25,808,315)
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	\$131,656,778	\$60,119,408

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 nine-month periods ended 30 September 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, Pingtung 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 30 September 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 12 August 2021, the Company’s board of directors decided to enter into a share swap contract with CDF, and carry out the share swap transaction. One common share of the company will be exchanged into 0.80 common share and 0.73 preferred share of CDF and NT\$11.5 in cash. The share swap deal had been approved by shareholder’s meeting on 1 October 2021. After the approval of the governance, the Boards of both parties will decide the record date of share swap. The Company will also for delisting from the Taiwan Stock Exchange (TWSE) in accordance with the contract and other relevant regulations. After the conversion of shares, the Company will become a wholly owned subsidiary of CDF.

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(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 4 November 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	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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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 updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

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

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

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

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

**D. Annual Improvements to IFRS Standards 2018 - 2020**

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*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.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2022. 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.

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	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	1 January 2023
5	Definition of Accounting Estimates (Amendment to IAS 8)	1 January 2023
6	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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.)

*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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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

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

These contractual rights have the following characteristics:

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

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

5. Cash and cash equivalents

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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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, loans 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 recognition of the impairment gains or losses.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(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.

Financial liabilities at fair value through profit or loss

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.

Financial liabilities at amortized cost

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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(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*”.



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**Notes to financial statements (Continued)**  
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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.

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**Notes to financial statements (Continued)**  
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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's 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

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**Notes to financial statements (Continued)**

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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.

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**Notes to financial statements (Continued)**  
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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.

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**Notes to financial statements (Continued)**  
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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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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).

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**Notes to financial statements (Continued)**  
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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.

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**Notes to financial statements (Continued)**

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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.



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**Notes to financial statements (Continued)**

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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.

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**Notes to financial statements (Continued)**  
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(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:

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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.

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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.

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**Notes to financial statements (Continued)**  
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(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.”

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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. Share-based payment transactions

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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23. Income taxes

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

Current income tax

Current income tax 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.

Deferred tax

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

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

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

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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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.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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(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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

- (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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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VI. Description of significant accounting items

1. Cash and cash equivalents

	2021.9.30	2020.12.31	2020.9.30
Cash on hand	\$498	\$657	\$1,003
Revolving funds	1,050	1,065	1,065
Cash in banks	78,657,592	70,335,073	51,914,483
Time deposits	45,875,398	24,408,100	5,830,100
Cash equivalents – bond with resale agreement	7,122,240	6,631,620	2,372,757
<b>Total</b>	<b>\$131,656,778</b>	<b>\$101,376,515</b>	<b>\$60,119,408</b>

2. Receivables

	2021.9.30	2020.12.31	2020.9.30
Notes receivable	\$67,576	\$134,364	\$85,049
Other receivables			
Interest receivable	13,066,107	14,175,901	13,205,367
Securities settlement receivable	2,574,870	2,620,865	9,481,041
Financial institutions collection receivable	691,799	2,045,386	969,134
Separate account receivable	-	63,595	542,615
Dividends receivable	554,702	297,947	314,547
Others	223,257	583,135	262,245
Overdue receivable	4,568	6,872	8,173
Less: Allowance for bad debts – Other receivables	(6,504)	(7,679)	(10,372)
<b>Subtotal</b>	<b>17,108,799</b>	<b>19,786,022</b>	<b>24,772,750</b>
<b>Total</b>	<b>\$17,176,375</b>	<b>\$19,920,386</b>	<b>\$24,857,799</b>

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

3. Financial assets at fair value through profit or loss

	2021.9.30	2020.12.31	2020.9.30
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments	\$4,274,354	\$12,108,158	\$12,826,762
Domestic financial debentures	15,739,743	15,296,061	15,306,159
Domestic structured products	-	997,360	1,001,080
Domestic listed stocks	130,391,642	117,113,335	107,655,530
Domestic unlisted stocks	517,005	283,365	212,300
Domestic beneficiary certificates	100,439,527	102,669,517	123,486,704
Domestic real estate investment trust	2,111,408	2,224,345	2,153,417
Overseas government bonds	551,616	-	1,427,629
Overseas corporate bonds	11,687,693	14,648,671	14,784,201
Overseas listed stocks	33,763,602	28,472,031	27,908,681
Overseas preferred stocks	5,879,725	5,975,498	5,979,865
Overseas financial debentures	18,929,476	15,936,712	16,308,726
Overseas beneficiary certificates	67,266,774	57,413,779	53,879,119
Overseas real estate investment trust	2,738,327	2,417,097	1,304,927
Total	<u>\$394,290,892</u>	<u>\$375,555,929</u>	<u>\$384,235,100</u>

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:

	2021.9.30	2020.12.31	2020.9.30
Financial assets at fair value through profit or loss:			
Domestic financial debentures	\$15,739,743	\$15,296,061	\$15,306,159
Domestic structured products	-	997,360	1,001,080
Domestic listed stocks	130,391,642	117,113,335	107,655,530
Domestic unlisted stocks	517,005	283,365	212,300
Domestic beneficiary certificates	100,439,527	102,669,517	123,486,704
Domestic real estate investment trust	2,111,408	2,224,345	2,153,417
Overseas corporate bonds	11,687,693	14,648,671	14,784,201
Overseas listed stocks	33,763,602	28,472,031	27,908,681
Overseas preferred stocks	5,879,725	5,975,498	5,979,865
Overseas financial debentures	18,929,476	15,936,712	16,308,726
Overseas beneficiary certificates	67,266,774	57,413,779	53,879,119
Overseas real estate investment trust	2,738,327	2,417,097	1,304,927
Total	<u>\$389,464,922</u>	<u>\$363,447,771</u>	<u>\$369,980,709</u>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(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 and the nine-month periods ended 30 September 2021 and 2020 are as follows:

	For the three-month periods ended 30 September	
	2021	2020
Gains (losses) due to applying IFRS 9 to profit or loss	\$(466,694)	\$7,610,721
Less: (Gains) losses if applying IAS 39 to profit or loss	(7,834,330)	(11,146,678)
Gains (losses) from adoption of overlay approach	\$(8,301,024)	\$(3,535,957)
	For the nine-month periods ended 30 September	
	2021	2020
Gains (losses) due to applying IFRS 9 to profit or loss	\$15,487,539	\$2,174,387
Less: (Gains) losses if applying IAS 39 to profit or loss	(22,950,241)	(21,186,370)
Gains (losses) from adoption of overlay approach	\$(7,462,702)	\$(19,011,983)

Due to the adoption of overlay approach, profits from financial assets at fair value through profits or loss are increased from \$151,876 thousand to \$8,452,900 thousand and profit are increased from \$15,073,899 thousand to \$18,609,856 (profits) thousand for the three-month periods ended 30 September 2021 and 2020 respectively. Profits from financial assets at fair value through profit or loss increased from \$24,998,507 thousand to of \$32,461,209 thousand (profits) and profit are increased from \$14,179,812 thousand to \$33,191,795 thousand (profits) for the nine-month periods ended 30 September 2021 and 2020 respectively.

4. Financial assets at fair value through other comprehensive income

	2021.9.30	2020.12.31	2020.9.30
Debt instrument investments at fair value through other comprehensive income:			
Domestic government bonds	\$58,450,398	\$79,525,371	\$74,426,503
Overseas government bonds	46,660,396	57,147,704	60,481,351
Overseas corporate bonds	88,805,534	162,690,370	157,003,922
Overseas financial debentures	74,605,764	125,977,597	118,008,711
Subtotal	268,522,092	425,341,042	409,920,487
Equity instrument investments at fair value through other comprehensive income:			
Domestic listed stocks	20,881,228	23,253,351	17,410,886
Domestic unlisted stocks	4,976,842	3,153,281	2,696,536
Domestic preferred stocks	12,162,015	12,289,330	12,287,683
Overseas unlisted stocks	12,709,439	18,836,120	20,762,767
Subtotal	50,729,524	57,532,082	53,157,872
Total	\$319,251,616	\$482,873,124	\$463,078,359

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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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 and the nine-month periods ended 30 September 2021 and 2020 are as follows:

	For the three-month periods ended 30 September	
	2021	2020
	Related to investments held at the end of the reporting period	\$855,510
Dividends recognized during the period	858,821	1,133,268

  

	For the nine-month periods ended 30 September	
	2021	2020
	Related to investments held at the end of the reporting period	\$1,024,896
Dividends recognized during the period	1,028,207	1,180,630

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 and the nine-month periods ended 30 September 2021 and 2020 are as follow:

	For the three-month periods ended 30 September	
	2021	2020
	The fair value of the investments at the date of derecognition	\$1,008,566
The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings	48,544	(57,221)

  

	For the nine-month periods ended 30 September	
	2021	2020
	The fair value of the investments at the date of derecognition	\$5,374,532
The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings	(675,696)	(59,470)

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**Notes to financial statements (Continued)**  
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5. Financial assets measured at amortized cost

	2021.9.30	2020.12.31	2020.9.30
Domestic government bonds	\$65,585,898	\$64,605,462	\$63,625,839
Domestic corporate bonds	53,845,953	54,324,193	50,523,600
Domestic financial debentures	20,650,000	21,950,000	17,550,000
Domestic structured products	6,000,000	3,500,000	2,000,000
Overseas real estate mortgage bonds	7,079,993	14,508,160	23,553,047
Overseas government bonds	81,700,897	45,503,204	46,673,967
Overseas corporate bonds	390,770,558	311,415,838	291,757,332
Overseas financial debentures	574,520,837	537,737,846	526,823,456
Less: Refundable deposits	(7,092,181)	(7,092,185)	(6,698,131)
Less: Loss allowance	(139,699)	(56,917)	(136,193)
Total	<u>\$1,192,922,256</u>	<u>\$1,046,395,601</u>	<u>\$1,015,672,917</u>

For the three-month periods and the nine-month periods ended 30 September 2021 and 2020, the carrying amounts and gain (loss) from disposal of the financial assets measured at amortized cost which was derecognized due to issuer tender or exchange effect, increasing credit risk, or sales insignificant in value (either individually or in aggregate):

	For the three-month periods ended 30 September			
	2021		2020	
	Carrying amount of derecognition	Current gain(loss) recognized	Carrying amount of derecognition	Current gain(loss) recognized
Overseas corporate bonds	\$24,598,392	\$3,306,634	\$3,797,662	\$552,759

	For the nine-month periods ended 30 September			
	2021		2020	
	Carrying amount of derecognition	Current gain(loss) recognized	Carrying amount of derecognition	Current gain(loss) recognized
Overseas corporate bonds	\$24,683,760	\$3,280,464	\$3,797,662	\$552,759

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.

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**Notes to financial statements (Continued)**  
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6. Loans

	2021.9.30	2020.12.31	2020.9.30
Policy loans	\$27,617,091	\$27,137,356	\$26,766,672
Automatic premium loans	5,754,104	5,845,356	5,808,841
Secured loans – net	425,940	574,337	634,119
Secured loans	435,088	583,485	647,178
Less: Allowance for bad debts – secured loans	(9,148)	(9,148)	(13,059)
Total	<u>\$33,797,135</u>	<u>\$33,557,049</u>	<u>\$33,209,632</u>

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:

Name of investee company:	2021.9.30		2020.12.31		2020.9.30	
	Carring Amount	Percentage of ownership(%)	Carring Amount	Percentage of ownership(%)	Carring Amount	Percentage of ownership(%)
Shenhe Energy Co., Ltd.	<u>\$196,248</u>	19.90%	<u>\$69,863</u>	19.90%	<u>\$-</u>	-
Fu Bao Yi Hao Energy CO., LTD.	<u>\$377,648</u>	39.68%	<u>\$-</u>	-	<u>\$-</u>	-

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

The aggregate financial information of the Company's investments in associates was as follows:

	2021.7.1~ 2021.9.30	2021.1.1~ 2021.9.30
Profit or loss from continuing operations	\$(2,098)	\$(3,095)
Other comprehensive income (net of tax)	-	-
Total comprehensive income	<u>\$(2,098)</u>	<u>\$(3,095)</u>

The associates had no contingent liabilities or capital commitments as at 30 September 2021 and 31 December 2020. Also, the investments in associates were not pledged.



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8. Investment property

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

	For the nine-month period ended 30 September 2021				
	Land	Buildings	Right-of-use asset –		Total
			Right-of-use asset -Land	Superficies of Royalties	
Beginning balance	\$16,009,402	\$9,034,873	\$1,275,780	\$7,998,918	\$34,318,973
Additions from subsequent expenditure	-	28,992	-	-	28,992
Gains (losses) generated from adjustment fair value	75,525	(30,071)	4,526	166,061	216,041
Disposals	(3,152)	(3,822)	-	-	(6,974)
Ending balance	\$16,081,775	\$9,029,972	\$1,280,306	\$8,164,979	\$34,557,032

	For the nine-month period ended 30 September 2020				
	Land	Buildings	Right-of-use asset –		Total
			Right-of-use asset -Land	Superficies of Royalties	
Beginning balance	\$15,868,678	\$4,747,164	\$-	\$-	\$20,615,842
Additions from subsequent expenditure	-	2,090	-	-	2,090
Gains (losses) generated from fair value adjustments	30,501	16,016	-	-	46,517
Disposals	(14,143)	(14,329)	-	-	(28,472)
Transfers out from investment property	(36,035)	(47,004)	-	-	(83,039)
Transfers from property and equipment	109,790	4,467,696	-	-	4,577,486
Transfers from right-of-use asset	-	-	1,273,735	7,684,944	8,958,679
Ending balance	\$15,958,791	\$9,171,633	\$1,273,735	\$7,684,944	\$34,089,103

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 nine-month period ended 30 September 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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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	For the nine-month period ended 30 September 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 –		Prepayment for buildings	Total
			Right-of-use asset -Land	Superficies of Royaltie		
2021.9.30	\$18,601,719	\$9,029,972	\$1,280,306	\$8,164,979	\$-	\$37,076,976
2020.12.31	\$18,529,346	\$9,034,873	\$1,275,780	\$7,998,918	\$-	\$36,838,917
2020.9.30	\$18,479,854	\$9,171,633	\$1,273,735	\$7,684,944	\$-	\$36,610,166

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. Except for the investment property acquired from July 1 to 30 September, 2021 whose fair values were based on the valuation reports of the same period, the rest of the properties' fair values as of 30 September, 2021, 31 December, 2020, and 30 September, 2020 were based on valuation reports dated 30 June, 2021, 31 December, 2020, and 30 June, 2020; review reports dated 30 September, 2021 and 2020 were also acquired.

30 September 2021, 31 December 2020 and 30 September 2020:

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

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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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.

The inputs mainly used are as follows:

	2021.9.30	2020.12.31	2020.9.30
	Mainly	Mainly	Mainly
Income capitalization rate	1.55%~4.34%	1.55%~4.38%	1.55%~4.37%
Discount rate (Note)	2.30%~2.75%	2.30%~2.75%	2.25%~3.50%
Overall capital interest rate(Note)	1.57%~3.47%	1.57%~3.47%	1.57%~3.47%

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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Rents from investment properties were \$201,006 thousand and \$120,457 thousand for the three-month periods ended 30 September 2021 and 2020. Related direct operating expenses were \$40,440 thousand and \$23,587 thousand. The direct operating expenses of investment properties generating no rents were \$619 thousand and \$19,722 thousand. Rents from investment properties were \$616,370 thousand and \$364,116 thousand for the nine-month periods ended 30 September 2021 and 2020. Related direct operating expenses were \$102,758 thousand and \$66,561 thousand. The direct operating expenses of investment properties generating no rents were \$10,435 thousand and \$23,196 thousand.

As at 30 September 2021, 31 December 2020 and 30 September 2020, no investment properties were pledged as collateral.

**9. Reinsurance assets**

	2021.9.30	2020.12.31	2020.9.30
Claims recoverable from reinsurers	\$758,425	\$646,949	\$576,552
Due from reinsurers and ceding companies	1,164	10,718	3,092
Reinsurance reserve assets			
Ceded unearned premium reserve	60,055	61,774	60,916
Ceded reserve for claims	27,912	20,815	18,360
Subtotal	87,967	82,589	79,276
Total	\$847,556	\$740,256	\$658,920

The above reinsurance assets are not impaired.

**10. Property and equipment**

For the nine-month period ended 30 September 2021

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayment for buildings and construction in progress	Total
Cost:								
Beginning balance	\$7,077,678	\$6,135,541	\$477,220	\$9,336	\$551,864	\$23,226	\$148,206	\$14,423,071
Additions	-	1,548	41,129	586	3,338	6,081	504,669	557,351
Disposals	-	-	(41,937)	(3,686)	(3,563)	-	-	(49,186)
Transfers	-	1,328	16,269	-	480	-	(60,521)	(42,444)
Ending balance	\$7,077,678	\$6,138,417	\$492,681	\$6,236	\$552,119	\$29,307	\$592,354	\$14,888,792
Accumulated Depreciation:								
Beginning balance	\$-	\$616,859	\$203,148	\$5,688	\$416,524	\$22,781	\$-	\$1,265,000
Depreciation	-	115,384	60,079	1,028	37,068	580	-	214,139
Disposals	-	-	(41,889)	(3,685)	(3,196)	-	-	(48,770)
Ending balance	\$-	\$732,243	\$221,338	\$3,031	\$450,396	\$23,361	\$-	\$1,430,369
Accumulated impairment:								
Beginning balance	\$740,519	\$2,564	\$-	\$-	\$-	\$-	\$-	\$743,083
Ending balance	\$740,519	\$2,564	\$-	\$-	\$-	\$-	\$-	\$743,083

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

For the nine-month period ended 30 September 2020

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayment for buildings and construction in progress	Total
<b>Cost:</b>								
Beginning balance	\$6,617,371	\$1,848,625	\$460,948	\$9,825	\$542,956	\$23,226	\$6,523,265	\$16,026,216
Additions	545,398	312,569	41,865	2,405	7,550	-	2,105,187	3,014,974
Disposals	-	-	(63,920)	(3,183)	(6,491)	-	-	(73,594)
Transfers from investment property	36,035	47,004	-	-	-	-	-	83,039
Transfers out from property and equipment	(121,126)	(4,513,739)	-	-	-	-	-	(4,634,865)
Transfers	-	8,441,082	16,754	-	1,427	-	(8,469,010)	(9,747)
Ending balance	<u>\$7,077,678</u>	<u>\$6,135,541</u>	<u>\$455,647</u>	<u>\$9,047</u>	<u>\$545,442</u>	<u>\$23,226</u>	<u>\$159,442</u>	<u>\$14,406,023</u>
<b>Accumulated Depreciation:</b>								
Beginning balance	\$-	\$563,180	\$209,469	\$7,623	\$366,031	\$22,417	\$-	\$1,168,720
Depreciation	-	52,821	54,503	914	44,184	273	-	152,695
Disposals	-	-	(63,851)	(3,183)	(6,491)	-	-	(73,525)
Transfers to investment property	-	(37,494)	-	-	-	-	-	(37,494)
Ending balance	<u>\$-</u>	<u>\$578,507</u>	<u>\$200,121</u>	<u>\$5,354</u>	<u>\$403,724</u>	<u>\$22,690</u>	<u>\$-</u>	<u>\$1,210,396</u>
<b>Accumulated impairment:</b>								
Beginning balance	\$740,474	\$3,481	\$-	\$-	\$-	\$-	\$-	\$743,955
Charge (reversal) for the current period	25,812	36,784	-	-	-	-	-	62,596
Transfers to investment property	(26,038)	(37,773)	-	-	-	-	-	(63,811)
Ending balance	<u>\$740,248</u>	<u>\$2,492</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$742,740</u>
<b>Net carrying amount</b>								
2021.9.30	<u>\$6,337,159</u>	<u>\$5,403,610</u>	<u>\$271,343</u>	<u>\$3,205</u>	<u>\$101,723</u>	<u>\$5,946</u>	<u>\$592,354</u>	<u>\$12,715,340</u>
2020.12.31	<u>\$6,337,159</u>	<u>\$5,516,118</u>	<u>\$274,072</u>	<u>\$3,648</u>	<u>\$135,340</u>	<u>\$445</u>	<u>\$148,206</u>	<u>\$12,414,988</u>
2020.9.30	<u>\$6,337,430</u>	<u>\$5,554,542</u>	<u>\$255,526</u>	<u>\$3,693</u>	<u>\$141,718</u>	<u>\$536</u>	<u>\$159,442</u>	<u>\$12,452,887</u>

For the nine month period ended 30 September 2020, the Company recognized real property impairment loss in the amount of \$62,596 thousand in the comprehensive income statement. The recoverable amount is assessed by the fair value deducting disposition cost. Fair value has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and categorized in Level 3 of fair value hierarchy. The valuation technique and the key assumption adopted in this case use reversal gain of impairment loss on property, plant and equipment and investment property measured at cost are comparison approach and income approach, or comparison approach and land development analysis approach, based on Regulations on Real Estate Appraisal. The case has also considered cases in the market as well as future trends to measure appropriate market value and to discount to present value based on urban land readjustment time schedule.

Property and equipment held by the Company are not pledged.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

11. Leases

(1) Company as a lessee

The commercial lease contracts for offices, vehicles and equipment signed by the Company are within one to fifteen 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:

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

	For the nine-month period ended 30 September 2021						
	Land	Royalty- surface rights	Buildings	Computer equipment	Transportation equipment	Other office equipment	Total
Cost:							
Beginning balance	\$636,057	\$5,392,024	\$112,627	\$131,384	\$15,105	\$49,475	\$6,336,672
Additions	-	-	75,157	-	2,215	-	77,372
Write off	-	-	(59,505)	-	(1,085)	-	(60,590)
Ending balance	<u>\$636,057</u>	<u>\$5,392,024</u>	<u>\$128,279</u>	<u>\$131,384</u>	<u>\$16,235</u>	<u>\$49,475</u>	<u>\$6,353,454</u>
Accumulated Depreciation:							
Beginning balance	\$23,351	\$165,779	\$67,092	\$4,802	\$3,896	\$12,982	\$277,902
Depreciation	7,333	62,167	33,787	20,173	2,151	12,549	138,160
Write off	-	-	(59,478)	-	(1,085)	-	(60,563)
Ending balance	<u>\$30,684</u>	<u>\$227,946</u>	<u>\$41,401</u>	<u>\$24,975</u>	<u>\$4,962</u>	<u>\$25,531</u>	<u>\$355,499</u>
For the nine-month period ended 30 September 2020							
	Land	Royalty- surface rights	Buildings	Computer equipment	Transportation equipment	Other office equipment	Total
Cost:							
Beginning balance	\$2,098,517	\$13,179,623	\$94,329	\$94,957	\$13,735	\$26,160	\$15,507,321
Additions	201	-	13,545	4,783	6,652	37,099	62,280
Disposals	-	-	(3,824)	-	(7,003)	(13,783)	(24,610)
Revaluation	(544,307)	-	-	-	-	-	(544,307)
Transfers to investment property	(918,354)	(7,787,599)	-	-	-	-	(8,705,953)
Ending balance	<u>\$636,057</u>	<u>\$5,392,024</u>	<u>\$104,050</u>	<u>\$99,740</u>	<u>\$13,384</u>	<u>\$49,476</u>	<u>\$6,294,731</u>
Accumulated Depreciation:							
Beginning balance	\$32,243	\$202,605	\$31,107	\$51,795	\$3,636	\$11,662	\$333,048
Depreciation	18,787	151,953	32,157	39,601	2,606	10,931	256,035
Disposals	-	-	(2,892)	-	(3,076)	(13,783)	(19,751)
Transfers to investment property	(30,123)	(209,502)	-	-	-	-	(239,625)
Ending balance	<u>\$20,907</u>	<u>\$145,056</u>	<u>\$60,372</u>	<u>\$91,396</u>	<u>\$3,166</u>	<u>\$8,810</u>	<u>\$329,707</u>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Net carrying amount:

2021.9.30	\$605,373	\$5,164,078	\$86,878	\$106,409	\$11,273	\$23,944	\$5,997,955
2020.12.31	\$612,706	\$5,226,245	\$45,535	\$126,582	\$11,209	\$36,493	\$6,058,770
2020.9.30	\$615,150	\$5,246,968	\$43,678	\$8,344	\$10,218	\$40,666	\$5,965,024

Depreciation expense of \$46,772 thousand and \$47,714 thousand on the right-of-use assets is recognized in profit or loss for the three-month periods ended 30 September 2021 and 2020. Depreciation expense of \$138,160 thousand and \$104,206 thousand on the right-of-use assets is recognized in profit or loss for the nine-month periods ended 30 September 2021 and 2020

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

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

	2021.9.30	2020.12.31	2020.9.30
Land	\$1,534,541	\$1,539,683	\$1,541,344
Buildings	89,151	46,260	44,411
Computer equipment	100,084	115,975	11,111
Transportation equipment	11,597	11,299	10,221
Other office equipment	29,149	37,997	44,585
Total	\$1,764,522	\$1,751,214	\$1,651,672

The interest expense on lease liabilities recognized during the three-month period ended 30 September 2021 and 2020 is \$13,860 and \$4,703 thousand. The interest expense on lease liabilities recognized during the nine-month period ended 30 September 2021 and 2020 is \$41,550 and \$5,052 thousand. Please refer to Note IX.2 Liquidity Risk Management for the maturity analysis for lease liabilities as at 30 September 2021, 31 December 2020 and 30 September 2020.

**C. Income and costs relating to leasing activities**

	For the three-month periods ended 30 September	
	2021	2020
The expenses relating to short-term leases	\$4,939	\$137
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	19	44

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

	For the nine-month periods ended 30 September	
	2021	2020
The expenses relating to short-term leases	\$8,373	\$264
The expenses relating to leases of low-value assets (Not including the expenses relating to short- term leases of low-value assets)	59	121

For the rent concession incurred as a direct result of the Covid-19 pandemic, the Company increased \$1,315 thousand and \$3,793 thousand from non-operating income, increased \$1,790 thousand and \$5,369 thousand from investment property income for the three-month period and nine-month period ended 30 September 2021. The Company reduced \$2,019 thousand and \$8,407 thousand from construction in progress and increased \$1,011 thousand and \$1,011 thousand from non-operating income for the three-month period and nine-month period ended 30 September 2020. Reflecting the lease payment change of the expedient plan.

**D. Cash outflow relating to leasing activities**

During the nine-month period ended 30 September 2021 and 2020, the Company's total cash outflows for leases amounting to \$104,901 thousand and \$102,406 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.

**(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.



**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

(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 30 September	
	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	\$200,970	\$118,374
Income relating to variable lease payments that do not depend on an index or a rate	36	2,083
Total	\$201,006	\$120,457
	For the nine-month periods ended 30 September	
	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	\$613,304	\$359,532
Income relating to variable lease payments that do not depend on an index or a rate	3,066	4,584
Total	\$616,370	\$364,116

The remaining period of commercial property lease contracts the Company signed are within one year to fifteen 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 30 September 2021, 31 December 2020 and 30 September 2020 are as follow:

	2021.9.30	2020.12.31	2020.9.30
Less than one year	\$728,254	\$593,283	\$419,947
More than one year but less than two years	647,902	649,803	290,232
More than two years but less than three years	596,302	576,483	189,775
More than three years but less than four years	555,666	543,230	165,315
More than four years but less than five years	559,343	512,403	173,834
More than five years	3,808,609	2,233,548	217,166
Total	\$6,896,076	\$5,108,750	\$1,456,269

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

12. Other assets

	2021.9.30	2020.12.31	2020.9.30
Prepayments	\$152,130	\$456,930	\$729,990
Refundable deposits	8,050,233	7,213,874	6,818,284
Other assets — others	45,758	53,592	13,281
<b>Total</b>	<b>\$8,248,121</b>	<b>\$7,724,396</b>	<b>\$7,561,555</b>

13. Payables

	2021.9.30	2020.12.31	2020.9.30
Notes payable	\$-	\$64	\$1,191
Life insurance proceeds payable	136,579	96,446	84,921
Commissions payable	1,427,371	1,567,741	1,075,774
Due to reinsurers and ceding companies	956,192	808,694	729,874
Other payables			
Salary payable	1,960,565	1,235,595	1,014,060
Tax payable	91,834	91,176	89,891
Collection payable	55,825	45,224	45,470
Payable on investments	3,806,111	1,550,534	8,703,940
Accrued expense and payable on insurance policies	6,693,934	7,514,630	7,990,772
Others	302,706	354,332	339,123
Subtotal	12,910,975	10,791,491	18,183,256
<b>Total</b>	<b>\$15,431,117</b>	<b>\$13,264,436</b>	<b>\$20,075,016</b>

14. Bonds Payable

	2021.9.30	2020.12.31	2020.9.30
China Life Insurance Co., Ltd. 1 <sup>st</sup> 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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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 \$68,055 thousand and \$201,945 thousand for the three-month period and six-month period ended 30 September 2021 and accounted as financial costs.

15. Financial liabilities at fair value through profit or loss

	2021.9.30	2020.12.31	2020.9.30
Held for trading:			
Derivatives not designated as hedging instruments			
Swaps and forward foreign exchange contracts	\$2,844,766	\$7,931,359	\$1,193,951
Total	\$2,844,766	\$7,931,359	\$1,193,951

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

As at 30 September 2021, 31 December 2020 and 30 September 2020, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

	2021.9.30	2020.12.31	2020.9.30
Reserve for life insurance liabilities	\$1,924,687,859	\$1,859,860,159	\$1,821,542,157
Unearned premium reserve	4,594,111	4,509,133	4,310,405
Reserve for claims	2,894,586	2,463,643	2,592,077
Special reserve	7,274,790	6,633,515	6,573,364
Premium deficiency reserve	2,973,857	4,139,991	4,924,945
Other reserve	18,818,124	19,073,989	19,172,315
Ending balance	<u>\$1,961,243,327</u>	<u>\$1,896,680,430</u>	<u>\$1,859,115,263</u>

(1) Reserve for life insurance liabilities:

	2021.9.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Life insurance	\$1,564,747,640	\$55,268,429	\$1,620,016,069
Health insurance	152,305,350	-	152,305,350
Annuity insurance	670,682	149,766,366	150,437,048
Investment-linked insurance	1,789,672	-	1,789,672
Total (Note)	<u>\$1,719,513,344</u>	<u>\$205,034,795</u>	<u>\$1,924,548,139</u>

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,924,687,859 thousand as of 30 September 2021.

	2020.12.31		
	Financial instruments with discretionary participation		
	Insurance contract	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)	<u>\$1,646,143,158</u>	<u>\$213,575,814</u>	<u>\$1,859,718,972</u>

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	2020.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	\$1,460,987,542	\$57,889,479	\$1,518,877,021
Health insurance	141,032,783	-	141,032,783
Annuity insurance	656,863	159,074,203	159,731,066
Investment-linked insurance	1,758,449	-	1,758,449
Total (Note)	\$1,604,435,637	\$216,963,682	\$1,821,399,319

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,821,542,157 thousand as of 30 September 2020.

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

Movement in reserve for life insurance liabilities is summarized below:

	For the nine-month period ended 30 September 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$1,646,143,158	\$213,575,814	\$1,859,718,972
Reserve	161,722,371	4,052,024	165,774,395
Recover	(78,360,289)	(11,985,376)	(90,345,665)
Losses (gains) on foreign exchange	(9,991,896)	(607,667)	(10,599,563)
Ending balance (Note)	\$1,719,513,344	\$205,034,795	\$1,924,548,139

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,924,687,859 thousand as of 30 September 2021.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	For the nine-month period ended 30 September 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$1,476,881,001	\$221,716,576	\$1,698,597,577
Reserve	188,409,086	6,739,693	195,148,779
Recover	(51,153,311)	(10,618,581)	(61,771,892)
Losses (gains) on foreign exchange	(9,701,139)	(874,006)	(10,575,145)
Ending balance (Note)	\$1,604,435,637	\$216,963,682	\$1,821,399,319

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,821,542,157 thousand as of 30 September 2020.

(2) Unearned premium reserve:

	2021.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$885	\$-	\$885
Individual injury insurance	1,470,717	-	1,470,717
Individual health insurance	2,217,470	-	2,217,470
Group insurance	837,575	-	837,575
Investment-linked insurance	67,451	-	67,451
Annuity insurance	-	13	13
Total	4,594,098	13	4,594,111
Less ceded unearned premium reserve:			
Individual life insurance	17,484	-	17,484
Individual injury insurance	811	-	811
Individual health insurance	33,821	-	33,821
Group insurance	2,885	-	2,885
Investment-linked insurance	5,054	-	5,054
Total	60,055	-	60,055
Net amount	\$4,534,043	\$13	\$4,534,056

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(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
<b>Total</b>	<b>4,509,106</b>	<b>27</b>	<b>4,509,133</b>
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
<b>Total</b>	<b>61,774</b>	<b>-</b>	<b>61,774</b>
<b>Net amount</b>	<b>\$4,447,332</b>	<b>\$27</b>	<b>\$4,447,359</b>
	2020.9.30		
	Insurance contract	Financial instruments with discretionary participation	
		feature	Total
Individual life insurance	\$931	\$-	\$931
Individual injury insurance	1,378,919	-	1,378,919
Individual health insurance	2,057,839	-	2,057,839
Group insurance	810,247	-	810,247
Investment-linked insurance	62,443	-	62,443
Annuity insurance	-	26	26
<b>Total</b>	<b>4,310,379</b>	<b>26</b>	<b>4,310,405</b>
Less ceded unearned premium reserve:			
Individual life insurance	16,460	-	16,460
Individual injury insurance	867	-	867
Individual health insurance	35,780	-	35,780
Group insurance	2,867	-	2,867
Investment-linked insurance	4,942	-	4,942
<b>Total</b>	<b>60,916</b>	<b>-</b>	<b>60,916</b>
<b>Net amount</b>	<b>\$4,249,463</b>	<b>\$26</b>	<b>\$4,249,489</b>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in unearned premium reserve is summarized below:

	For the nine-month period ended 30 September 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$4,509,106	\$27	\$4,509,133
Reserve	3,466,822	13	3,466,835
Recover	(3,381,829)	(27)	(3,381,856)
Losses (gains) on foreign exchange	(1)	-	(1)
Ending balance	4,594,098	13	4,594,111
Less ceded unearned premium reserve:			
Beginning balance	61,774	-	61,774
Increase	44,617	-	44,617
Decrease	(46,330)	-	(46,330)
Losses (gains) on foreign exchange	(6)	-	(6)
Ending balance	60,055	-	60,055
Net amount	\$4,534,043	\$13	\$4,534,056
	For the nine-month period ended 30 September 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$4,291,354	\$75	\$4,291,429
Reserve	3,237,542	26	3,237,568
Recover	(3,218,515)	(75)	(3,218,590)
Losses (gains) on foreign exchange	(2)	-	(2)
Ending balance	4,310,379	26	4,310,405
Less ceded unearned premium reserve:			
Beginning balance	55,487	-	55,487
Increase	47,050	-	47,050
Decrease	(41,615)	-	(41,615)
Losses (gains) on foreign exchange	(6)	-	(6)
Ending balance	60,916	-	60,916
Net amount	\$4,249,463	\$26	\$4,249,489



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(3) Reserve for claims:

	2021.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
— Reported but not paid claim	\$331,446	\$19,794	\$351,240
— Unreported claim	2,533	-	2,533
Individual injury insurance			
— Reported but not paid claim	39,447	-	39,447
— Unreported claim	638,530	-	638,530
Individual health insurance			
— Reported but not paid claim	149,573	-	149,573
— Unreported claim	1,087,749	-	1,087,749
Group insurance			
— Reported but not paid claim	76,218	-	76,218
— Unreported claim	484,471	-	484,471
Investment-linked insurance			
— Reported but not paid claim	21,008	-	21,008
— Unreported claim	-	-	-
Annuity insurance			
— Reported but not paid claim	64	43,720	43,784
— Unreported claim	-	33	33
<b>Total</b>	<b>2,831,039</b>	<b>63,547</b>	<b>2,894,586</b>
Less ceded reserve for claims:			
Individual life insurance	8,127	-	8,127
Individual injury insurance	-	-	-
Individual health insurance	14,438	-	14,438
Group insurance	5,347	-	5,347
<b>Total</b>	<b>27,912</b>	<b>-</b>	<b>27,912</b>
<b>Net amount</b>	<b>\$2,803,127</b>	<b>\$63,547</b>	<b>\$2,866,674</b>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(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
<b>Total</b>	<b>2,418,262</b>	<b>45,381</b>	<b>2,463,643</b>
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
<b>Total</b>	<b>20,815</b>	<b>-</b>	<b>20,815</b>
<b>Net amount</b>	<b>\$2,397,447</b>	<b>\$45,381</b>	<b>\$2,442,828</b>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	2020.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
– Reported but not paid claim	\$275,115	\$82,187	\$357,302
– Unreported claim	1,783	-	1,783
Individual injury insurance			
– Reported but not paid claim	41,670	-	41,670
– Unreported claim	534,541	-	534,541
Individual health insurance			
– Reported but not paid claim	119,329	-	119,329
– Unreported claim	971,231	-	971,231
Group insurance			
– Reported but not paid claim	102,982	-	102,982
– Unreported claim	439,058	-	439,058
Investment-linked insurance			
– Reported but not paid claim	5,383	-	5,383
– Unreported claim	-	-	-
Annuity insurance			
– Reported but not paid claim	-	18,715	18,715
– Unreported claim	-	83	83
<b>Total</b>	<b>2,491,092</b>	<b>100,985</b>	<b>2,592,077</b>
Less ceded reserve for claims:			
Individual life insurance	10,433	-	10,433
Individual injury insurance	-	-	-
Individual health insurance	4,927	-	4,927
Group insurance	3,000	-	3,000
<b>Total</b>	<b>18,360</b>	<b>-</b>	<b>18,360</b>
<b>Net amount</b>	<b>\$2,472,732</b>	<b>\$100,985</b>	<b>\$2,573,717</b>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in reserve for claims is summarized below:

	For the nine-month period ended 30 September 2021		
	Insurance contract	Financial instruments with discretionary participation	
		feature	Total
Beginning balance	\$2,418,262	\$45,381	\$2,463,643
Reserve	2,831,406	63,560	2,894,966
Recover	(2,418,262)	(45,381)	(2,463,643)
Losses (gains) on foreign exchange	(367)	(13)	(380)
Ending balance	2,831,039	63,547	2,894,586
Less ceded unearned premium reserve:			
Beginning balance	20,815	-	20,815
Increase	27,914	-	27,914
Decrease	(20,815)	-	(20,815)
Losses (gains) on foreign exchange	(2)	-	(2)
Ending balance	27,912	-	27,912
Net amount	\$2,803,127	\$63,547	\$2,866,674

	For the nine-month period ended 30 September 2020		
	Insurance contract	Financial instruments with discretionary participation	
		feature	Total
Beginning balance	\$2,061,831	\$163,516	\$2,225,347
Reserve	2,491,591	101,106	2,592,697
Recover	(2,061,831)	(163,516)	(2,225,347)
Losses (gains) on foreign exchange	(499)	(121)	(620)
Ending balance	2,491,092	100,985	2,592,077
Less ceded unearned premium reserve:			
Beginning balance	13,755	-	13,755
Increase	18,360	-	18,360
Decrease	(13,755)	-	(13,755)
Ending balance	18,360	-	18,360
Net amount	\$2,472,732	\$100,985	\$2,573,717

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(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:

	2021.9.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Participating policies dividend reserve	\$7,274,790	\$-	\$7,274,790
Dividend risk reserve	-	-	-
<b>Total</b>	<b>\$7,274,790</b>	<b>\$-</b>	<b>\$7,274,790</b>

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

	2020.9.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Participating policies dividend reserve	\$6,573,364	\$-	\$6,573,364
Dividend risk reserve	-	-	-
<b>Total</b>	<b>\$6,573,364</b>	<b>\$-</b>	<b>\$6,573,364</b>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in special reserve is summarized below:

	For the nine-month periods ended 30 September	
	2021	2020
	Insurance contract	Insurance contract
Beginning balance	\$6,633,515	\$6,907,466
Reserve for participating policies dividend reserve	2,358,970	1,573,699
Recover for participating policies dividend reserve	(1,829,657)	(1,902,200)
Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income	111,962	(5,601)
Ending balance	<u>\$7,274,790</u>	<u>\$6,573,364</u>

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

	2021.9.30		
	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	<u>\$6,920,636</u>	<u>\$476</u>	<u>\$6,921,112</u>

  

	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	<u>\$6,920,636</u>	<u>\$476</u>	<u>\$6,921,112</u>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

	2020.9.30		
	Financial instruments with discretionary participation feature		
	Insurance contract	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
<b>Total</b>	<b>\$6,625,874</b>	<b>\$759</b>	<b>\$6,626,633</b>

(6) Premium deficiency reserve:

	2021.9.30		
	Financial instruments with discretionary participation feature		
	Insurance contract	participation feature	Total
Individual life insurance	\$2,862,686	\$-	\$2,862,686
Individual health insurance	111,171	-	111,171
<b>Total</b>	<b>\$2,973,857</b>	<b>\$-</b>	<b>\$2,973,857</b>

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

	2020.9.30		
	Financial instruments with discretionary participation feature		
	Insurance contract	participation feature	Total
Individual life insurance	\$4,806,495	\$-	\$4,806,495
Individual health insurance	118,450	-	118,450
<b>Total</b>	<b>\$4,924,945</b>	<b>\$-</b>	<b>\$4,924,945</b>

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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in premium deficiency reserve is summarized below:

	For the nine-month period ended 30 September 2021		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Beginning balance	\$4,139,991	\$-	\$4,139,991
Reserve	440,336	-	440,336
Recover	(1,543,571)	-	(1,543,571)
Losses (gains) on foreign exchange	(62,899)	-	(62,899)
Ending balance	\$2,973,857	\$-	\$2,973,857

	For the nine-month period ended 30 September 2020		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Beginning balance	\$6,627,546	\$-	\$6,627,546
Reserve	1,100,732	-	1,100,732
Recover	(2,737,038)	-	(2,737,038)
Losses (gains) on foreign exchange	(66,295)	-	(66,295)
Ending balance	\$4,924,945	\$-	\$4,924,945

(7) Other reserve:

	2021.9.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Other	\$18,818,124	\$-	\$18,818,124



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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

	2020.9.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other	\$19,172,315	\$-	\$19,172,315

Movement in other reserve is summarized below:

	For the nine-month period ended 30 September 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$19,073,989	\$-	\$19,073,989
Recover	(255,865)	-	(255,865)
Ending balance	\$18,818,124	\$-	\$18,818,124

	For the nine-month period ended 30 September 2020		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$19,467,292	\$-	\$19,467,292
Recover	(294,977)	-	(294,977)
Ending balance	\$19,172,315	\$-	\$19,172,315

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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(8) Liability adequacy reserve:

	Insurance contract and financial instruments with discretionary participation feature		
	2021.9.30	2020.12.31	2020.9.30
Reserve for life insurance liabilities	\$1,924,548,139	\$1,859,718,972	\$1,821,399,319
Unearned premium reserve	4,594,111	4,509,133	4,310,405
Premium deficiency reserve	2,973,857	4,139,991	4,924,945
Special reserve	7,274,790	6,633,515	6,573,364
Other reserve	18,818,124	19,073,989	19,172,315
Book value of insurance liabilities	<u>\$1,958,209,021</u>	<u>\$1,894,075,600</u>	<u>\$1,856,380,348</u>
Estimated present value of cash flows	<u>\$1,550,974,595</u>	<u>\$1,465,210,122</u>	<u>\$1,423,539,443</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

Liability adequacy testing methodology is as follows:

	2021.9.30	2020.12.31 and 2020.9.30
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
	Adopt the best estimated scenario	Adopt the best estimated scenario
	investment return on the most recent	investment return on the most recent
Assumptions	actuarial report (the actuarial report of 2020) , and discount rate evaluated with consideration of current information.	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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Adjustment in foreign exchange valuation reserve:

	For the nine-month periods ended 30 September	
	2021	2020
Beginning balance	\$4,023,007	\$2,367,039
Reserve		
Compulsory reserve	1,484,368	1,698,161
Extra reserve	549,907	3,107,512
Subtotal	2,034,275	4,805,673
Recover	(3,315,781)	(4,887,220)
Ending balance	\$2,741,501	\$2,285,492

(3) Effects due to foreign exchange valuation reserve:

Item	For the nine-month period ended 30 September 2021		
	Inapplicable amount	Applicable amount	Effects
Net income	\$24,911,457	\$25,936,661	\$1,025,204
Earnings per share (dollar)	5.06	5.27	0.21
Foreign exchange valuation reserve	-	2,741,501	2,741,501
Equity	166,668,010	165,817,871	(850,139)

  

Item	For the nine-month period ended 30 September 2020		
	Inapplicable amount	Applicable amount	Effects
Net income	\$14,775,298	\$14,840,536	\$65,238
Earnings per share (dollar)	3.00	3.02	0.02
Foreign exchange valuation reserve	-	2,285,492	2,285,492
Equity	152,263,444	151,778,113	(485,331)

18. Provisions

	2021.9.30	2020.12.31	2020.9.30
Provisions for employee benefits	\$185,414	\$206,930	\$153,891
Litigation liabilities	4,859	5,824	2,388
Total	\$190,273	\$212,754	\$156,279

The Company has an official policy to control and manage litigations. When a professional advice has been made and the loss can be reasonably estimated, the Company will make adjustments to recognize losses and any negative effects arising out of any financial claims. As at 30 September 2021, the Company has 64 unresolved legal suits.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

19. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plans for the three-month periods ended 30 September 2021 and 2020 were \$64,231 thousand and \$62,423 thousand, and for the nine-month periods ended 30 September 2021 and 2020 were \$191,944 thousand and \$191,477 thousand, respectively.

Defined benefit plans

Expenses under the defined benefit plans for the three-month periods ended 30 September 2021 and 2020 were \$401 thousand and \$543 thousand respectively, and for the nine-month periods ended 30 September 2021 and 2020 were \$1,203 thousand and \$1,627 thousand, respectively.

20. Common stock

- (1) As of 30 September 2021, 31 December 2020 and 30 September 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.
- (3) On 12 August 2021, the Company decided to appropriate \$1,892,559 thousand from 2020 distributable earnings to increase capital in shareholders' meeting, issuing 189,255,889 common shares at \$10 par value. On 29 September 2021, the capital increase was to be document by the authorities, and the board of directors was resolved to use 31 October 2021 as the subscription base date.

21. Capital surplus

	2021.9.30	2020.12.31	2020.9.30
Additional paid-in capital	\$7,179,692	\$7,179,692	\$7,179,692
Treasury stock transactions	34,831	34,831	34,831
Total	<u>\$7,214,523</u>	<u>\$7,214,523</u>	<u>\$7,214,523</u>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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 fluctuation of risks appropriated as special capital reserve for the year ended in 2020 and 2019 was \$520,252 thousand and \$528,243 thousand, resolved in the stockholders' meeting in 2021 and 2020.

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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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 set aside a special capital reserve \$296,700 thousand, the amount were 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, the amount were resolved in the shareholders' meeting in 2021.

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 in the shareholders' meeting in 2021, 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 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 after the resolution of the shareholders' meeting in 2021.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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-Securities-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-Securities-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 and 2019 is included in the special capital reserve of \$4,473,111 thousand and \$3,498,382 thousand.

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

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

As of 31 December 2020, 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
2050~2109	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.



**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(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 2020 and 2019 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

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Earnings appropriation for the year of 2019 was resolved by shareholders' meeting on 27 May 2020. Earnings appropriation for the year of 2020 was resolved by shareholders' meeting on 12 Aug 2021.

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

**23. Components of other comprehensive income**

	For the three-month period ended 30 September 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	\$(3,862,117)	\$-	\$414,839	\$(3,447,278)
To be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income	(1,107,124)	(2,443,009)	647,206	(2,902,927)
Other comprehensive income reclassified using overlay approach	(6,648,387)	(1,652,637)	453,048	(7,847,976)
<b>Total</b>	<b><u><u>\$(11,617,628)</u></u></b>	<b><u><u>\$(4,095,646)</u></u></b>	<b><u><u>\$1,515,093</u></u></b>	<b><u><u>\$(14,198,181)</u></u></b>
	For the three-month period ended 30 September 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:				
Property revaluation surplus	\$-	\$536,277	\$(107,543)	\$428,734
Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	6,333,881	-	(1,116,659)	5,217,222
To be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income	4,332,643	(1,266,003)	(394,829)	2,671,811
Other comprehensive income reclassified using of overlay approach	1,077,713	(4,613,670)	(9,086)	(3,545,043)
<b>Total</b>	<b><u><u>\$11,744,237</u></u></b>	<b><u><u>\$(5,343,396)</u></u></b>	<b><u><u>\$(1,628,117)</u></u></b>	<b><u><u>\$4,772,724</u></u></b>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	For the nine-month period ended 30 September 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	\$(1,904,259)	\$-	\$1,317,477	\$(586,782)
To be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income	(20,800,523)	(15,351,740)	5,639,892	(30,512,371)
Other comprehensive income reclassified using overlay approach	5,228,620	(12,691,322)	767,988	(6,694,714)
<b>Total</b>	<b>\$(17,476,162)</b>	<b>\$(28,043,062)</b>	<b>\$7,725,357</b>	<b>\$(37,793,867)</b>

	For the nine-month period ended 30 September 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:				
Property revaluation surplus	\$-	\$536,277	\$(107,543)	\$428,734
Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	7,037,631	-	(1,238,930)	5,798,701
To be reclassified to profit or loss in subsequent periods:				
Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income	15,842,853	(6,430,736)	(985,850)	8,426,267
Other comprehensive income reclassified using of overlay approach	(8,572,375)	(10,439,608)	1,299,965	(17,712,018)
<b>Total</b>	<b>\$14,308,109</b>	<b>\$(16,334,067)</b>	<b>\$(1,032,358)</b>	<b>\$(3,058,316)</b>

**24. Interest income**

	For the three-month periods ended 30 September	
	2021	2020
Interest income		
Financial assets at fair value through other comprehensive income	\$2,214,203	\$3,380,241
Financial assets at amortized cost	10,823,585	10,290,239
Loans	440,984	453,372
Other	(170)	19,836
<b>Total</b>	<b>\$13,478,602</b>	<b>\$14,143,688</b>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

	For the nine-month periods ended 30 September	
	2021	2020
	Interest income	
Financial assets at fair value through other comprehensive income	\$8,011,409	\$9,558,109
Financial assets at amortized cost	31,386,485	31,164,562
Loans	1,321,615	1,370,038
Other	110,180	174,234
Total	\$40,829,689	\$42,266,943

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

	For the three-month periods ended 30 September	
	2021	2020
	Operating revenue — expected credit impairment losses and reversal on investment	
Financial assets at fair value through other comprehensive income	\$(1,744)	\$6,603
Financial assets at amortized cost	1,510	(1,259)
Other receivables	511	86
Subtotal	\$277	\$5,430
Operating expenses — expected credit impairment losses and reversal on non-investment		
Other receivables	(9)	(99)
Total	\$268	\$5,331

	For the nine-month periods ended 30 September	
	2021	2020
	Operating revenue — expected credit impairment losses and reversal on investment	
Financial assets at fair value through other comprehensive income	\$(3,865)	\$20,992
Financial assets at amortized cost	82,782	33,225
Other receivables	1,129	833
Subtotal	\$80,046	\$55,050
Operating expenses — expected credit impairment losses and reversal on non-investment		
Other receivables	(2,304)	331
Total	\$77,742	\$55,381

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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

26. Retained earned premium

	For the three-month period ended 30 September 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$46,906,961	\$479,976	\$47,386,937
Reinsurance premium income	-	-	-
Premium income	46,906,961	479,976	47,386,937
Less:			
Reinsurance expenses	384,133	-	384,133
Net changes in unearned premium reserve	(274,436)	(6)	(274,442)
Subtotal	109,697	(6)	109,691
Retained earned premium	\$46,797,264	\$479,982	\$47,277,246

  

	For the three-month period ended 30 September 2020		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$61,605,845	\$1,115,211	\$62,721,056
Reinsurance premium income	-	-	-
Premium income	61,605,845	1,115,211	62,721,056
Less:			
Reinsurance expenses	347,107	-	347,107
Net changes in unearned premium reserve	(293,174)	2	(293,172)
Subtotal	53,933	2	53,935
Retained earned premium	\$61,551,912	\$1,115,209	\$62,667,121

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	For the nine-month period ended 30 September 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$147,435,168	\$1,916,302	\$149,351,470
Reinsurance premium income	-	-	-
Premium income	147,435,168	1,916,302	149,351,470
Less:			
Reinsurance expenses	1,135,875	-	1,135,875
Net changes in unearned premium reserve	86,706	(14)	86,692
Subtotal	1,222,581	(14)	1,222,567
Retained earned premium	\$146,212,587	\$1,916,316	\$148,128,903
	For the nine-month period ended 30 September 2020		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$173,955,831	\$3,570,193	\$177,526,024
Reinsurance premium income	-	-	-
Premium income	173,955,831	3,570,193	177,526,024
Less:			
Reinsurance expenses	1,020,849	-	1,020,849
Net changes in unearned premium reserve	13,592	(49)	13,543
Subtotal	1,034,441	(49)	1,034,392
Retained earned premium	\$172,921,390	\$3,570,242	\$176,491,632

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

27. Retained claim payments

	For the three-month period ended 30 September 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$32,855,748	\$4,221,706	\$37,077,454
Reinsurance claim payments	7	-	7
Insurance claim payments	32,855,755	4,221,706	37,077,461
Less:			
Claims recovered from reinsures	145,653	-	145,653
Retained claim payments	\$32,710,102	\$4,221,706	\$36,931,808

	For the three-month period ended 30 September 2020		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$20,164,664	\$3,365,283	\$23,529,947
Reinsurance claim payments	-	-	-
Insurance claim payments	20,164,664	3,365,283	23,529,947
Less:			
Claims recovered from reinsures	187,922	-	187,922
Retained claim payments	\$19,976,742	\$3,365,283	\$23,342,025

	For the nine-month period ended 30 September 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$90,299,702	\$11,889,904	\$102,189,606
Reinsurance claim payments	320	-	320
Insurance claim payments	90,300,022	11,889,904	102,189,926
Less:			
Claims recovered from reinsures	557,886	-	557,886
Retained claim payments	\$89,742,136	\$11,889,904	\$101,632,040

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

For the nine-month period ended 30 September  
2020

	Investment contracts with discretionary participation		Total
	Insurance contract	feature	
Direct insurance claim payments	\$63,572,273	\$10,622,557	\$74,194,830
Reinsurance claim payments	17	-	17
Insurance claim payments	63,572,290	10,622,557	74,194,847
Less:			
Claims recovered from reinsures	534,065	-	534,065
Retained claim payments	\$63,038,225	\$10,622,557	\$73,660,782

28. Employee benefits, depreciation and amortization

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

	For the three-month period ended 30 September					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	\$851,513	\$1,394,041	\$2,245,554	\$860,314	\$850,860	\$1,711,174
Payroll expense	851,513	1,068,192	1,919,705	860,314	588,478	1,448,792
Labor and health insurance	-	119,822	119,822	-	115,694	115,694
Pension	-	64,631	64,631	-	62,965	62,965
Remuneration to directors	-	81,843	81,843	-	28,692	28,692
Other employee benefits expense	-	59,553	59,553	-	55,031	55,031
Depreciation	-	117,030	117,030	-	111,573	111,573
Amortization	-	38,906	38,906	-	31,967	31,967



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	For the nine-month period ended 30 September					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	\$2,456,172	\$4,012,066	\$6,468,238	\$2,547,934	\$2,707,604	\$5,255,538
Payroll expense	2,456,172	3,055,255	5,511,427	2,547,934	1,873,742	4,421,676
Labor and health insurance	-	381,899	381,899	-	354,368	354,368
Pension	-	193,147	193,147	-	193,104	193,104
Remuneration to directors	-	216,644	216,644	-	128,512	128,512
Other employee benefits expense	-	165,121	165,121	-	157,878	157,878
Depreciation	-	350,371	350,371	-	254,610	254,610
Amortization	-	113,031	113,031	-	93,804	93,804

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

Note2: The average number of employees for the nine-month periods ended 30 September 2021 and 2020 were 6,377 and 6,058, respectively. The number of directors who do not serve concurrently as employees was 7 and 5 ,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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Based on profit for the nine-month period ended 30 September 2021, the Company estimated the amounts of the employees' compensation to be \$286,050 thousand, and remuneration to directors to be \$205,764 thousand, recognized as operating expense ; based on profit for the nine-month period ended 30 September 2020, the Company estimated the amounts of the employees' compensation to be \$180,000 thousand and remuneration to directors to be \$120,000 thousand, recognized as operating expense.

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 30 September	
	2021	2020
Current income tax expense (benefit):		
Current income tax payable	\$606,924	\$790,283
Adjustment from prior year income tax expense to current year	-	(130,161)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	248,216	(379,688)
Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit	-	(185,201)
Others	(11,932)	(11,942)
Total income tax expense (benefit)	<u>\$843,208</u>	<u>\$83,291</u>
	For the nine-month periods ended 30 September	
	2021	2020
Current income tax expense (benefit):		
Current income tax payable	\$3,744,858	\$1,713,974
Adjustment from prior year income tax expense to current year	(316,341)	(85,294)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,302,013)	(1,854,120)
Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit	-	1,459,190
Others	49,974	48,009
Total income tax expense (benefit)	<u>\$2,176,478</u>	<u>\$1,281,759</u>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Income tax expense recognized in other comprehensive income

	For the three-month periods ended 30 September	
	2021	2020
	Deferred tax expense (benefit):	
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	\$(414,839)	\$1,116,659
Unrealized valuation gains (losses) of debt instrument investments at fair value through other comprehensive income	(647,206)	394,829
Other comprehensive income reclassified using overlay approach	(453,048)	9,086
Property revaluation surplus	-	107,543
Income tax expense (benefit) relating to components of other comprehensive income	\$(1,515,093)	\$1,628,117

	For the nine-month periods ended 30 September	
	2021	2020
	Deferred tax expense (benefit):	
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	\$(1,317,477)	\$1,238,930
Unrealized valuation gains (losses) of debt instrument investments at fair value through other comprehensive income	(5,639,892)	985,850
Other comprehensive income reclassified using overlay approach	(767,988)	(1,299,965)
Property revaluation surplus	-	107,543
Income tax expense (benefit) relating to components of other comprehensive income	\$(7,725,357)	\$1,032,358

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Income tax charged directly to equity

	For the three-month periods ended 30 September	
	2021	2020
Current income tax expense (benefit):		
Derecognition of equity instrument investments at fair value through other comprehensive income	\$6,620	\$(14,745)
Dividend policies are directly recognized in income tax on equity	(735)	-
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	(6,620)	14,745
Deferred tax expense (benefit) relating to origination and reversal of tax loss	-	(15,402)
Income tax charged directly to equity	<u>\$ (735)</u>	<u>\$ (15,402)</u>

	For the nine-month periods ended 30 September	
	2021	2020
Current income tax expense (benefit):		
Derecognition of equity instrument investments at fair value through other comprehensive income	\$(92,140)	\$(15,141)
Dividend policies are directly recognized in income tax on equity	(22,392)	-
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	92,140	15,141
Deferred tax expense (benefit) relating to origination and reversal of tax loss	-	(14,349)
Income tax charged directly to equity	<u>\$ (22,392)</u>	<u>\$ (14,349)</u>

(2) The assessment of income tax returns

As of 30 September 2021, the income tax returns of the Company have been assessed and approved up to the year of 2019.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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 30 September	
	2021	2020
<u>Basic earnings per share</u>		
Profit attributable to ordinary equity holders of the Company	\$9,401,738	\$6,837,137
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	4,920,653	4,920,653
Basic earnings per share (in dollars)	\$1.91	\$1.39
	For the nine-month periods ended 30 September	
	2021	2020
<u>Basic earnings per share</u>		
Profit attributable to ordinary equity holders of the Company	\$25,936,661	\$14,840,536
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	4,920,653	4,920,653
Basic earnings per share (in dollars)	\$5.27	\$3.02

The weighted average number of ordinary shares outstanding had been adjusted by the surplus to capital increase resolved in the shareholders' meeting in 2021.

31. Separate account insurance products

(1) Separate account products — assets and liabilities

Items	Assets		
	2021.9.30	2020.12.31	2020.9.30
Cash in bank	\$1,404,826	\$2,886,939	\$746,279
Financial assets at fair value through profit or loss	92,866,460	81,612,016	75,751,581
Other receivables	69,120	65,151	49,882
<b>Total</b>	<b>\$94,340,406</b>	<b>\$84,564,106</b>	<b>\$76,547,742</b>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Items	Liabilities		
	2021.9.30	2020.12.31	2020.9.30
Reserve for separate account	\$94,330,270	\$84,401,006	\$76,410,748
Other payables	10,136	163,100	136,994
Total	\$94,340,406	\$84,564,106	\$76,547,742

(2) Separate account products — revenues and expenses:

Items	Revenues	
	For the three-month periods ended 30 September	
	2021	2020
Premium income	\$1,545,920	\$1,389,652
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(684,610)	2,132,250
Interest income	39	17
Other revenues	42,694	44,613
Foreign exchange gains (losses)	(43,542)	(309,948)
Total	\$860,501	\$3,256,584

Items	Expenses	
	For the three-month periods ended 30 September	
	2021	2020
Insurance claim payments	\$1,165,836	\$1,128,181
Net change in separate account reserve	(851,220)	1,614,396
Custodian fee	545,885	514,007
Total	\$860,501	\$3,256,584

Items	Revenues	
	For the nine-month periods ended 30 September	
	2021	2020
Premium income	\$4,583,420	\$4,243,655
Gains (losses) from financial assets and liabilities at fair value through profit or loss	3,735,536	(236,091)
Interest income	150	71
Other revenues	129,190	131,272
Foreign exchange gains (losses)	(204,383)	(560,072)
Total	\$8,243,913	\$3,578,835

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Items	Expenses	
	For the nine-month periods ended 30 September	
	2021	2020
Insurance claim payments	\$3,904,062	\$3,336,573
Net change in separate account reserve	2,734,463	(1,272,013)
Custodian fee	1,605,388	1,514,275
Total	<u>\$8,243,913</u>	<u>\$3,578,835</u>

- (4) The rebate earned for engaging in investment-linked insurance business from counterparties for the three-month periods and the nine-month periods ended 30 September 2021 and 2020 were \$79,403 thousand, \$101,266 thousand, \$228,035 thousand and \$325,677 thousand, respectively.

**VII. Information of insurance contracts**

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

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

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating the company's overall risk appetite and risk tolerance, review and approve the Company's risk management objectives and strategies. "Risk Management Committee" is set under the board of directors. 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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(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



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

2. Information of insurance risks

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

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

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

As at 30 September 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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(3) Claim development trend

① Direct business loss development trend

Accident year	Development year														Reserve claims
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	\$2,803,968	
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	2,941,971	-	-
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	3,145,983	-	-	-
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	3,356,784	-	-	-	-
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	3,058,475	-	-	-	-	-
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	3,056,309	-	-	-	-	-	-
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,317,090	4,321,020	4,322,932	-	-	-	-	-	-	-
2015	3,530,488	4,420,482	4,498,438	4,510,113	4,516,573	4,518,832	4,520,818	-	-	-	-	-	-	-	-
2016	3,721,820	4,648,280	4,743,133	4,757,525	4,763,372	4,765,186	-	-	-	-	-	-	-	-	-
2017	4,320,234	5,400,952	5,537,543	5,552,592	5,556,856	-	-	-	-	-	-	-	-	-	-
2018	4,775,948	5,950,536	6,060,673	6,077,039	-	-	-	-	-	-	-	-	-	-	-
2019	5,257,484	6,776,954	6,884,548	-	-	-	-	-	-	-	-	-	-	-	-
2020	5,208,589	6,494,856	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	3,772,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: This table does not include long term life insurance

Add : Long term insurance claims

501,947

Claim reserve for discount on no claim

129,533

Reserve for claims balance

\$2,894,586

② Retained business loss development trend

Accident year	Development year														Reserve claims
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	\$2,740,506	
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	2,875,366	-	-
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	3,074,765	-	-	-
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	3,280,828	-	-	-	-
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	2,989,277	-	-	-	-	-
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	2,987,145	-	-	-	-	-	-
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348	4,223,278	4,225,190	-	-	-	-	-	-	-
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314	4,416,573	4,418,559	-	-	-	-	-	-	-	-
2016	3,657,093	4,560,257	4,647,033	4,649,868	4,655,715	4,657,529	-	-	-	-	-	-	-	-	-
2017	4,244,930	5,298,470	5,424,716	5,439,766	5,444,030	-	-	-	-	-	-	-	-	-	-
2018	4,692,869	5,837,265	5,946,601	5,962,967	-	-	-	-	-	-	-	-	-	-	-
2019	5,165,606	6,658,675	6,766,269	-	-	-	-	-	-	-	-	-	-	-	-
2020	5,136,641	6,393,582	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	3,712,306	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: This table does not include long term life insurance

Add : Long term insurance claims

479,383

Claim reserve for discount on no claim

129,533

Reserve for claims balance

\$2,866,674

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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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.

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**Notes to financial statements (Continued)**  
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(5) Liquidity risk:

As at 30 September 2021, 31 December 2020 and 30 September 2020, the maturity analysis of liquidity risk for insurance contract liabilities are as follows:

30 September 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	\$23,367,444	\$133,884,926	\$146,132,542	\$598,125,445	\$3,771,442,055
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	-	-	-	-	-
30 September 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	\$12,430,559	\$94,036,204	\$153,007,836	\$608,225,155	\$3,405,651,001
Reserve for insurance contracts with					
feature of financial instruments	-	-	-	-	-

Note:

1. This table estimates net cash flow of all related insurance liabilities at its 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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

**VIII. Financial instruments**

**1. Categories of financial instruments**

**Financial assets**

	2021.9.30	2020.12.31	2020.9.30
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit and loss	\$394,290,892	\$375,555,929	\$384,235,100
Financial assets at fair value through other comprehensive income	319,251,616	482,873,124	463,078,359
Financial assets at amortized cost:			
Cash and cash equivalents (exclude cash on hand and revolving funds)	131,655,230	101,374,793	60,117,340
Financial assets at amortized cost	1,192,922,256	1,046,395,601	1,015,672,917
Receivables	17,176,375	19,920,386	24,857,799
Loans	33,797,135	33,557,049	33,209,632
Refundable deposits	8,050,233	7,213,874	6,818,284
Subtotal	<u>1,383,601,229</u>	<u>1,208,461,703</u>	<u>1,140,675,972</u>
Total	<u>\$2,097,143,737</u>	<u>\$2,066,890,756</u>	<u>\$1,987,989,431</u>

**Financial liabilities**

	2021.9.30	2020.12.31	2020.9.30
Financial liabilities at fair value through profit or loss:			
Held for trading	\$2,844,766	\$7,931,359	\$1,193,951
Financial liabilities measured at amortized cost:			
Payables	15,431,117	13,264,436	20,075,016
Bonds Payables	10,000,000	10,000,000	-
Lease liabilities	1,764,522	1,751,214	1,651,672
Guarantee deposits received	956,083	6,799,827	5,879,497
Subtotal	<u>28,151,722</u>	<u>31,815,477</u>	<u>27,606,185</u>
Total	<u>\$30,996,488</u>	<u>\$39,746,836</u>	<u>\$28,800,136</u>

**China Life Insurance Co., Ltd.**  
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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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(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:

	Carrying amount		
	2021.9.30	2020.12.31	2020.9.30
Financial assets			
Financial assets measured at amortized cost	\$1,192,922,256	\$1,046,395,601	\$1,015,672,917
Refundable deposits - Bonds	7,092,181	7,092,185	6,698,131
	Fair value		
	2021.9.30	2020.12.31	2020.9.30
Financial assets			
Financial assets measured at amortized cost	\$1,246,896,762	\$1,153,916,803	\$1,115,931,964
Refundable deposits - Bonds	8,836,541	9,150,548	8,559,839

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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(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:

	2021.9.30			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$170,551,974	\$170,034,969	\$-	\$517,005
Bonds	46,908,528	18,122,067	28,786,461	-
Swaps and forward foreign exchange contracts	4,274,354	-	4,274,354	-
Others	172,556,036	157,754,549	-	14,801,487
Financial assets at fair value through other comprehensive income				
Stocks	50,729,524	33,043,243	279,386	17,406,895
Bonds	268,522,092	177,584,494	90,937,598	-
Investment property	34,557,032	-	-	34,557,032
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	2,844,766	-	2,844,766	-
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	-



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	2020.9.30			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$141,756,376	\$141,544,076	\$-	\$212,300
Bonds	48,827,795	22,401,410	26,426,385	-
Swaps and forward foreign exchange contracts	12,826,762	-	12,826,762	-
Others	180,824,167	173,711,363	-	7,112,804
Financial assets at fair value through other comprehensive income				
Stocks	53,157,872	29,698,569	6,900	23,452,403
Bonds	409,920,487	270,534,297	139,386,190	-
Investment property	34,089,103	-	-	34,089,103
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	1,193,951	-	1,193,951	-

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

During the nine-month period ended 30 September 2021, the Company's debt instruments measured at fair value through other comprehensive income, amounted to \$18,664,475 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 \$4,735,381 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

During the nine-month period ended 30 September 2020, the Company's debt instruments measured at fair value through other comprehensive income, amounted to \$2,333,890 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 \$22,863,830 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

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**B. Reconciliation for Level 3 of the fair value hierarchy**

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

For the nine-month period ended 30 September 2021:

	Beginning balance	Total gains and losses recognized		Acquisition or issue	Disposal, settlement or forced conversion	Transfer in (out) of Level 3 (Note 3)	Ending balance
		Recognized in profit or loss (Note 1)	Recognized in OCI (Note 2)				
<b>Assets</b>							
Financial assets at fair value through profit or loss							
Stock	\$283,365	\$-	\$38,154	\$197,589	\$(2,103)	\$-	\$517,005
Others	8,379,207	(65,657)	1,481,918	5,810,010	(803,991)	-	14,801,487
Financial assets at fair value through other comprehensive income							
Stock	21,978,265	-	(4,485,749)	173,600	(259,221)	-	17,406,895
Investment property	34,318,973	217,082	-	28,992	(8,015)	-	34,557,032

For the nine-month period ended 30 September 2020:

	Beginning balance	Total gains and losses recognized		Acquisition or issue	Disposal or settlement	Transfer in (out) of Level 3 (Note 3)	Ending balance
		Recognized in profit or loss (Note 1)	Recognized in OCI (Note 2)				
<b>Assets</b>							
Financial assets at fair value through profit or loss							
Stock	\$183,166	\$-	\$5,269	\$23,865	\$-	\$-	\$212,300
Others	4,500,811	(14,731)	(292,784)	3,527,891	(608,383)	-	7,112,804
Financial assets at fair value through other comprehensive income							
Stock	16,923,836	-	6,607,721	-	(79,154)	-	23,452,403
Investment property	20,615,842	49,916	-	2,090	(31,872)	13,453,127	34,089,103

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.

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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 nine-month periods ended 30 September 2021 and 2020 is as follows:

	For the nine-month periods ended 30 September	
	2021	2020
Total gains and losses		
Recognized in profit or loss	\$201,560	\$46,517
Recognized in other comprehensive income	(2,965,677)	6,320,206

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:

2021.9.30				
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	6.16%	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

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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

2020.9.30				
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	6.01%	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

**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.

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

2021.9.30				
	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	\$469,897,538	\$776,999,224	\$-	\$1,246,896,762
Investment property	-	-	2,590,902	2,590,902
Refundable deposits				
Bonds	-	8,836,541	-	8,836,541
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
2020.9.30				
	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	\$321,263,270	\$794,668,694	\$-	\$1,115,931,964
Investment property	-	-	2,590,208	2,590,208
Refundable deposits				
Bonds	-	8,559,839	-	8,559,839

**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.

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

2021.9.30						
Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement						
	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)			
	financial assets (a)	(c)= (a)- (b)	Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)	
Derivative financial instrument	\$4,274,354	\$-	\$4,274,354	\$905,158	\$745,137	\$2,624,059

2021.9.30						
Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement						
	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)			
	financial liabilities (a)	(c)= (a)- (b)	Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)	
Derivative financial instrument	\$2,844,766	\$-	\$2,844,766	\$905,158	\$836,537	\$1,103,071

2020.12.31						
Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement						
	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)			
	financial assets (a)	(c)= (a)- (b)	Financial instruments	Cash collateral received	Net amount (Note 1) (e)= (c)- (d)	
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 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)			
	financial liabilities (a)	(c)= (a)- (b)	Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)	
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 \$-.

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2020.9.30						
Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of offset financial liabilities recognized financial assets (a)	Gross amount of offset financial assets 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)		
				Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)
Derivative financial instrument	\$12,826,762	\$-	\$12,826,762	\$1,022,586	\$5,745,395	\$6,058,781

2020.9.30						
Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of offset financial assets 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)		
				Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)
Derivative financial instrument	\$1,193,951	\$-	\$1,193,951	\$1,022,586	\$-	\$171,365

## 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.

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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.



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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:

Date: 30 September 2021

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$97,473,038	\$20,216,694	\$13,965,498	\$-	\$-	\$131,655,230
Financial assets at fair value through profit or loss	24,578,124	6,345,320	14,317,156	1,667,928	-	46,908,528
Financial assets at fair value through other comprehensive income	58,450,398	97,004,215	52,352,988	60,714,491	-	268,522,092
Financial assets measured at amortized cost	151,768,728	327,886,981	271,785,742	436,980,018	4,500,787	1,192,922,256
Refundable deposits – Bonds	7,092,181	-	-	-	-	7,092,181
<b>Total</b>	<b>\$339,362,469</b>	<b>\$451,453,210</b>	<b>\$352,421,384</b>	<b>\$499,362,437</b>	<b>\$4,500,787</b>	<b>\$1,647,100,287</b>
<b>Proportion</b>	<b>20.60%</b>	<b>27.41%</b>	<b>21.40%</b>	<b>30.32%</b>	<b>0.27%</b>	<b>100.00%</b>

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
<b>Total</b>	<b>\$346,826,107</b>	<b>\$439,695,212</b>	<b>\$344,628,144</b>	<b>\$489,791,809</b>	<b>\$6,141,153</b>	<b>\$1,627,082,425</b>
<b>Proportion</b>	<b>21.32%</b>	<b>27.02%</b>	<b>21.18%</b>	<b>30.10%</b>	<b>0.38%</b>	<b>100.00%</b>

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Date: 30 September 2020

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$41,839,715	\$3,818,607	\$14,459,018	\$-	\$-	\$60,117,340
Financial assets at fair value						
through profit or loss	26,426,385	6,814,245	13,006,146	2,581,019	-	48,827,795
Financial assets at fair value						
through other comprehensive						
income	74,426,503	144,227,709	83,396,669	107,869,606	-	409,920,487
Financial assets measured at						
amortized cost	140,070,089	267,761,210	235,159,940	366,384,565	6,297,113	1,015,672,917
Refundable deposits – Bonds	6,698,131	-	-	-	-	6,698,131
<b>Total</b>	<b>\$289,460,823</b>	<b>\$422,621,771</b>	<b>\$346,021,773</b>	<b>\$476,835,190</b>	<b>\$6,297,113</b>	<b>\$1,541,236,670</b>
Proportion	18.78%	27.42%	22.45%	30.94%	0.41%	100.00%

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

Date: 30 September 2021

Location	Central area:			Total
	Northern areas: Taipei and eastern counties	Taichung to Changhua and Nantou	Southern area: Counties below Tainan	
Secured loans	\$212,119	\$104,125	\$109,696	\$425,940
Overdue receivables	-	-	-	-
<b>Total</b>	<b>\$212,119</b>	<b>\$104,125</b>	<b>\$109,696</b>	<b>\$425,940</b>
Proportion	49.80%	24.45%	25.75%	100.00%

Date: 31 December 2020

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

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Date: 30 September 2020

Location	Central area:			Total
	Northern areas: Taipei and eastern counties	Taichung to Changhua and Nantou	Southern area: Counties below Tainan	
Secured loans	\$329,189	\$149,052	\$155,878	\$634,119
Overdue receivables	-	-	-	-
Total	\$329,189	\$149,052	\$155,878	\$634,119
Proportion	51.91%	23.51%	24.58%	100.00%

(3) Changes in the loss allowance

The reconciliations in loss allowance of financial assets measured at fair value through other comprehensive income are as follows :

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)		Lifetime ECLs (Credit risk has been reduced)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2021	\$24,319	\$-	\$-	\$-	\$24,319
Derecognition of financial assets at current period	(9,448)	-	-	-	(9,448)
Originated or purchased new financial assets	1,087	-	-	-	1,087
Changes in models/risk parameters	5,074	-	-	-	5,074
Effects of exchange rate changes and others	(578)	-	-	-	(578)
Balance as of September 30, 2021	\$20,454	\$-	\$-	\$-	\$20,454
Balance as of January 1, 2020	\$39,460	\$-	\$-	\$-	\$39,460
Derecognition of financial assets at current period	(4,581)	-	-	-	(4,581)
Originated or purchased new financial assets	17,565	-	-	-	17,565
Changes in models/risk parameters	9,255	-	-	-	9,255
Effects of exchange rate changes and others	(1,247)	-	-	-	(1,247)
Balance as of September 30, 2020	\$60,452	\$-	\$-	\$-	\$60,452

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The reconciliations in loss allowance of financial assets measured at amortized cost are as follows:

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2021	\$56,917	\$-	\$-	\$56,917
Changes due to financial instruments recognized as at beginning:				
Transfer to lifetime ECLs	(154)	154	-	-
Derecognition of financial assets at current period	(4,987)	(23)	-	(5,010)
Originated or purchased new financial assets	24,809	-	-	24,809
Changes in models/risk parameters	20,048	45,596	-	65,644
Effects of exchange rate changes and others	(1,631)	(1,030)	-	(2,661)
Balance as of September 30, 2021	<u>\$95,002</u>	<u>\$44,697</u>	<u>\$-</u>	<u>\$139,699</u>
Balance as of January 1, 2020	\$102,968	\$-	\$-	\$102,968
Derecognition of financial assets at current period	(20,323)	-	-	(20,323)
Originated or purchased new financial assets	36,639	-	-	36,639
Changes in models/risk parameters	19,759	-	-	19,759
Effects of exchange rate changes and others	(2,850)	-	-	(2,850)
Balance as of September 30, 2020	<u>\$136,193</u>	<u>\$-</u>	<u>\$-</u>	<u>\$136,193</u>

The reconciliations in loss allowance of other receivables related to financial assets measured at fair value through other comprehensive income and measured at amortized costs are as follows :

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2021	\$805	\$-	\$-	\$805
Changes due to financial instruments recognized as at beginning:				
Transfer to lifetime ECLs	(1)	1	-	-
Derecognition of financial assets at current period	(467)	-	-	(467)
Originated or purchased new financial assets	517	512	-	1,029
Changes in models/risk parameters	137	453	-	590
Effects of exchange rate changes and others	(13)	(10)	-	(23)
Balance as of September 30, 2021	<u>\$978</u>	<u>\$956</u>	<u>\$-</u>	<u>\$1,934</u>
Balance as of January 1, 2020	\$1,362	\$-	\$-	\$1,362
Derecognition of financial assets at current period	(727)	-	-	(727)
Originated or purchased new financial assets	1,413	-	-	1,413
Changes in models/risk parameters	168	-	-	168
Effects of exchange rate changes and others	(21)	-	-	(21)
Balance as of September 30, 2020	<u>\$2,195</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,195</u>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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For the nine-month periods ended 30 September 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 expected loss rate for the investment in the debt instruments of the above-mentioned financial assets and the loss allowance for other receivables is as follows:

Date: 30 September 2021

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)
Financial asset measured at fair value through other comprehensive income	0.00%~0.05%	0.00%~0.00%	-
Financial assets measured at amortized cost	0.00%~0.05%	1.70%~1.88%	-
Other receivables	0.00%~0.05%	1.70%~1.88%	-

The Company's financial assets measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable are assessed to have low credit risk at 31 December 2020 and 30 September 2020. Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses (loss ratio of 0.00%~0.04% and 0.00%~0.10%).

The reconciliations in loss allowance of loans are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	Total
Balance as of January 1, 2021	\$8	\$384	\$444	\$836	\$8,312	\$9,148
Changes due to financial instruments recognized as at beginning:						
Transfer to lifetime ECLs	-	-	-	-	-	-
Transfer to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets at current period	1	-	(2)	(1)	-	(1)
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	-	-	-	-	(2,136)	(2,136)
Effects of exchange rate changes and others	(4)	2,234	(93)	2,137	-	2,137
Balance as of September 30, 2021	\$5	\$2,618	\$349	\$2,972	\$6,176	\$9,148

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**Notes to financial statements (Continued)**  
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	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	Total
Balance as of January 1, 2020	\$53	\$347	\$709	\$1,109	\$11,951	\$13,060
Changes due to financial instruments recognized as at beginning:						
Transfer to lifetime ECLs	-	-	-	-	-	-
Transfer to 12-month ECLs	114	-	(114)	-	-	-
Derecognition of financial assets at current period	7	-	(14)	(7)	-	(7)
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	-	-	-	-	(2,708)	(2,708)
Effects of exchange rate changes and others	(165)	2,996	(117)	2,714	-	2,714
Balance as of September 30, 2020	<u>\$9</u>	<u>\$3,343</u>	<u>\$464</u>	<u>\$3,816</u>	<u>\$9,243</u>	<u>\$13,059</u>

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 is as follows:

	110.1.1~ 110.9.30	109.1.1~ 109.9.30
Beginning balance	\$6,874	\$7,845
Increase (reverse) in the amount for the current period	(2,304)	331
Reversed because it cannot be recovered	-	-
Ending balance	<u>\$4,570</u>	<u>\$8,176</u>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(4) The total book value of each financial instrument and categories for credit quality

A. Financial asset measured at fair value through other comprehensive income, Financial assets measured at amortized cost and Other receivables

Date: 30 September 2021

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	Total
<u>Investment grade</u>				
Financial asset measured at fair value through other comprehensive income	\$250,567,614	\$-	\$-	\$250,567,614
Financial assets measured at amortized cost	1,195,745,340	2,487,977	-	1,198,233,317
Other receivables	11,120,499	53,420	-	11,173,919
<u>Non-investment grade</u>				
Financial asset measured at fair value through other comprehensive income	3,268,256	-	-	3,268,256
Financial assets measured at amortized cost	1,920,819	-	-	1,920,819
Other receivables	33,723	-	-	33,723

Date: 31 December 2020

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	Total
<u>Investment grade</u>				
Financial asset measured at fair value through other comprehensive income	\$369,085,388	\$-	\$-	\$369,085,388
Financial assets measured at amortized cost	1,051,889,558	-	-	1,051,889,558
Other receivables	11,982,573	-	-	11,982,573
<u>Non-investment grade</u>				
Financial asset measured at fair value through other comprehensive income	5,421,034	-	-	5,421,034
Financial assets measured at amortized cost	1,655,145	-	-	1,655,145
Other receivables	138,379	-	-	138,379

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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Date: 30 September 2020

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	Total
<u>Investment grade</u>				
Financial asset measured at fair value through other comprehensive income	\$361,881,008	\$-	\$-	\$361,881,008
Financial assets measured at amortized cost	1,020,815,030	-	-	1,020,815,030
Other receivables	14,995,218	-	-	14,995,218
<u>Non-investment grade</u>				
Financial asset measured at fair value through other comprehensive income	6,814,836	-	-	6,814,836
Financial assets measured at amortized cost	1,692,211	-	-	1,692,211
Other receivables	55,288	-	-	55,288

Note 1: Including those serving as refundable deposits.

Note 2: The Company is graded by referencin the rating of credit rating agencies, and its credit rating is classified as an investment grade if above BBB- , a credit rating below BBB- or no-rated are listed as a non-investment grade.

**B. Secured loans and other receivables**

Date: 30 September 2021

Credit risk rating grades	The measure of ECLs	Secured loans	Other receivables
Low credit risk	12-month ECLs	\$428,844	\$340
Credit risk has increased significantly	Lifetime ECL	764	3
Credit risk has been reduced	Lifetime ECL	5,480	7
Total		<u>\$435,088</u>	<u>\$350</u>

Date: 31 December 2020

Credit risk rating grades	The measure of ECLs	Secured loans	Other receivables
Low credit risk	12-month ECLs	\$575,133	\$488
Credit risk has increased significantly	Lifetime ECL	2,002	9
Credit risk has been reduced	Lifetime ECL	6,350	6
Total		<u>\$583,485</u>	<u>\$503</u>



**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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Date: 30 September 2020

Credit risk rating grades	The measure of ECLs	Secured loans	Other receivables
Low credit risk	12-month ECLs	\$639,035	\$507
Credit risk has increased significantly	Lifetime ECL	1,494	6
Credit risk has been reduced	Lifetime ECL	6,650	6
Total		<u>\$647,179</u>	<u>\$519</u>

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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
2021.9.30				
Payables	\$15,383,894	\$47,223	\$-	\$15,431,117
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	135,017	399,128	3,491,266	4,025,411
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
2020.9.30				
Payables	\$20,038,141	\$36,875	\$-	\$20,075,016
Lease liabilities	118,788	280,699	3,532,791	3,932,278

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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Maturity structure of derivative financial liabilities is as follows:

		2021.9.30				
		181 days				
		In 90 days	91-180 days	-1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss		\$1,827,759	\$488,579	\$523,945	\$4,483	\$2,844,766
		2020.12.31				
		181 days				
		In 90 days	91-180 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
		2020.9.30				
		181 days				
		In 90 days	91-180 days	-1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss		\$523,367	\$543,485	\$107,439	\$19,660	\$1,193,951

### 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's exchange rate risk is mainly from assets and liabilities denominated in foreign currency. Except for assets and liabilities in the same currency which can have natural hedging effect, other foreign currency positions can be effect by foreign exchange risk. The Company adopts foreign exchange swap and forward to avoid exchange rate risk, and is in accordance with relevant laws and internal control mechanism.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(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. 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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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(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.

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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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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: 30 September 2021

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	\$-	\$2,783,655
Interest rate risk (Yield curve)	+1BP	(1,215)	(476,383)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,215,370)	(996,514)

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: 30 September 2020

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	\$-	\$2,687,063
Interest rate risk (Yield curve)	+1BP	(3,444)	(709,274)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,456,163)	(901,510)

#### 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 September 2021, the book value of the Company's affected bonds is \$27,150,582 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 rate benchmark reform indicators.

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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	2021.09.30		Total
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	
<b>Assets</b>			
Cash and cash equivalents	\$131,656,778	\$-	\$131,656,778
Receivables	17,176,375	-	17,176,375
Financial assets at fair value through profit or loss	332,063,872	62,227,020	394,290,892
Financial assets at fair value through other comprehensive income	2,307,446	316,944,170	319,251,616
Financial assets measured at amortized cost	12,419,051	1,180,503,205	1,192,922,256
Investments accounted for using equity method	-	573,896	573,896
Investment property	-	37,076,976	37,076,976
Loans	3,511	33,793,624	33,797,135
Reinsurance assets	847,556	-	847,556
Property and equipment	-	12,715,340	12,715,340
Right of use assets	-	5,997,955	5,997,955
Intangible assets	-	273,665	273,665
Deferred tax assets	13,334,411	233,190	13,567,601
Other assets	898,936	7,349,185	8,248,121
Separate account product assets			94,340,406
Total assets	\$510,707,936	\$1,657,688,226	\$2,262,736,568
<b>Liabilities</b>			
Payables	\$15,383,894	\$47,223	\$15,431,117
Current tax liabilities	2,025,095	-	2,025,095
Financial liabilities at fair value through profit or loss	2,840,283	4,483	2,844,766
Bonds payable	-	10,000,000	10,000,000
Lease liabilities	76,369	1,688,153	1,764,522
Insurance liabilities	21,032,785	1,940,210,542	1,961,243,327
Foreign exchange valuation reserve	-	2,741,501	2,741,501
Provision	-	190,273	190,273
Deferred tax liabilities	339,376	3,586,121	3,925,497
Other liabilities	1,374,524	1,037,669	2,412,193
Separate account product liabilities			94,340,406
Total liabilities	\$43,072,326	\$1,959,505,965	\$2,096,918,697

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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Item	2020.12.31		Total
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	
<b>Assets</b>			
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
<b>Liabilities</b>			
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



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Item	2020.09.30		Total
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	
<b>Assets</b>			
Cash and cash equivalents	\$60,119,408	\$-	\$60,119,408
Receivables	24,857,799	-	24,857,799
Current tax assets	526,131	-	526,131
Financial assets at fair value through profit or loss	328,082,201	56,152,899	384,235,100
Financial assets at fair value through other comprehensive income	1,516,157	461,562,202	463,078,359
Financial assets measured at amortized cost	13,198,353	1,002,474,564	1,015,672,917
Investment property	-	36,610,166	36,610,166
Loans	10,911	33,198,721	33,209,632
Reinsurance assets	658,920	-	658,920
Property and equipment	-	12,452,887	12,452,887
Right of use assets	-	5,965,024	5,965,024
Intangible assets	-	190,160	190,160
Deferred tax assets	8,789,573	493,990	9,283,563
Other assets	587,124	6,974,431	7,561,555
Separate account product assets			76,547,742
Total assets	\$438,346,577	\$1,616,075,044	\$2,130,969,363
<b>Liabilities</b>			
Payables	\$20,038,141	\$36,875	\$20,075,016
Current tax liabilities	999,786	-	999,786
Financial liabilities at fair value through profit or loss	1,174,291	19,660	1,193,951
Lease liabilities	73,546	1,578,126	1,651,672
Insurance liabilities	56,590,576	1,802,524,687	1,859,115,263
Foreign exchange valuation reserve	-	2,285,492	2,285,492
Provision	-	156,279	156,279
Deferred tax liabilities	342,955	8,647,729	8,990,684
Other liabilities	6,357,343	1,818,022	8,175,365
Separate account product liabilities			76,547,742
Total liabilities	\$85,576,638	\$1,817,066,870	\$1,979,191,250

**XI. Capital management**

The Company's main objective of capital management is to make sure the risk-based capital (RBC) ratio and the company's equity divided by total assets excluding the separate accounts product assets 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.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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
Fu Bao Yi Hao 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)
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)

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Name of the related parties	Nature of relationship of the related parties
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	2021.9.30	2020.12.31	2020.9.30
Other related parties	\$861,999	\$1,503,444	\$1,173,880

(2) Receivables

Name	2021.9.30	2020.12.31	2020.9.30
Other receivables:			
Parent company	\$56,205	\$-	\$-
KGI Bank	806,404	2,045,386	969,134
Other related parties	555,582	2,570	13,902
Total	\$1,418,191	\$2,047,956	\$983,036

(3) Derivative financial instruments

Name	Contract type	Period	Notional Amount	Balance Sheets	
			(In thousands of USD dollars)	(2021.9.30)	Balance
				Items	
Other related parties	Swap contracts	2021/6/24~ 2021/10/28	USD120,000	financial assets at fair value through profit or loss	\$15,075
Other related parties	Swap contracts	2021/6/2~ 2022/9/6	USD 575,000	financial liabilities at fair value through profit or loss	76,682

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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	USD120,000	financial liabilities at fair value through profit or loss	1,278

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2020.9.30)	
				Items	Balance
Other related parties	Swap contracts	2020/2/6~ 2021/4/13	USD 495,000	financial assets at fair value through profit or loss	\$159,161

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

Name	2021.9.30	2020.12.31	2020.9.30
Stocks:			
Other related parties	\$458,060	\$283,365	\$212,300
Beneficiary certificates:			
Other related parties	753,499	802,677	791,548
Total	<u>\$1,211,559</u>	<u>\$1,086,042</u>	<u>\$1,003,848</u>

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

Name	2021.9.30	2020.12.31	2020.9.30
Stocks:			
Parent company	\$-	\$3,374,154	\$4,786,605
Other related parties	182,413	224,433	217,827
Total	<u>\$182,413</u>	<u>\$3,598,587</u>	<u>\$5,004,432</u>

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(6) Bond trading

related parties name	110.7.1~110.9.30		109.7.1~109.9.30	
	purchased	Sold	purchased	Sold
Other related parties	\$-	\$-	\$6,831,600	\$-

related parties name	110.1.1~110.9.30		109.1.1~109.9.30	
	purchased	Sold	purchased	Sold
Other related parties	\$-	\$-	\$8,231,600	\$-

Note: Includes the purchase or sale of bonds through related parties.

(7) Investment balance appointed to parties' discretionary investment

Name	2021.9.30	2020.12.31	2020.9.30
KGI Securities Investment Trust Co., Ltd.	\$-	\$1,737,861	\$1,294,532

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

Name	2021.9.30	2020.12.31	2020.9.30
Other related parties	\$6,749,750	\$8,452,235	\$8,469,070

(9) Policy loans

Name	2021.9.30	2020.12.31	2020.9.30
Other related parties	\$4,937	\$22,602	\$21,529

(10) Payables

Name	2021.9.30	2020.12.31	2020.9.30
Commissions payable:			
Other related parties	\$43,767	\$34,644	\$6,826
Other payables:			
Other related parties	372,956	18,846	2,062
Total	\$416,723	\$53,490	\$8,888

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

(11) Bonds payable

Name	2021.9.30	2020.12.31	2020.9.30
KGI Securities Co., Ltd.	\$4,850,000	\$4,850,000	\$-

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 30 September 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 \$99,378 thousand and \$1,435 thousand. The interest expenses in the above transactions attributable to KGI Securities Co., Ltd. amounted to \$33,006 and \$97,943, for the three-month periods and the nine-month periods ended 30 September 2021, respectively.

(12) Other liabilities

Name	2021.9.30	2020.12.31	2020.9.30
receipts in advance :			
Other related parties	\$968	\$-	\$-

(13) Guarantee deposits received

Name	2021.9.30	2020.12.31	2020.9.30
Parent company	\$19,524	\$19,524	\$-
Other related parties	62,194	62,194	2,507
Total	\$81,718	\$81,718	\$2,507

(14) Premium income

Name	For the three-month periods ended 30 September	
	2021	2020
Parent company	\$-	\$545
Other related parties	44,474	35,236
Total	\$44,474	\$35,781

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Name	For the nine-month periods ended 30 September	
	2021	2020
Parent company	\$913	\$1,457
Other related parties	150,669	129,911
Total	\$151,582	\$131,368

(15) Fee income

Name	For the three-month periods ended 30 September	
	2021	2020
KGI Securities Investment Trust Co., Ltd	\$4,930	\$40,621

Name	For the nine-month periods ended 30 September	
	2021	2020
KGI Securities Investment Trust Co., Ltd	\$14,687	\$149,276

(16) Interest income

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$-	\$-

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$332	\$3,144

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

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$80,206	\$99,178

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$225,368	\$216,450

(18) Financial assets at fair value through other comprehensive income – dividend income

Name	For the three-month periods ended 30 September	
	2021	2020
Parent company	\$-	\$337,481

Name	For the nine-month periods ended 30 September	
	2021	2020
Parent company	\$-	\$337,481

(19) Gains on Investment property - rental income

Name	For the three-month periods ended 30 September	
	2021	2020
Parent company	\$19,644	\$-
KGI Bank	40,567	1,555
Other related parties	21,377	962
Total	\$81,588	\$2,517

Name	For the nine-month periods ended 30 September	
	2021	2020
Parent company	\$57,151	\$-
KGI Bank	120,155	4,666
Other related parties	62,094	2,885
Total	\$239,400	\$7,551

According to contracts, leasing periods are generally 3 to 16 years, and rentals are usually paid on a monthly basis.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(20) Insurance claim payments

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$789	\$462

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$2,141	\$1,872

(21) Commission expenses

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$124,063	\$55,995

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$296,209	\$247,328

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

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$8,109	\$7,666

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$25,330	\$22,694

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

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

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$15,102	\$36,253

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$63,815	\$66,695

Other handling fees (recognized in operating expenses)

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$6,932	\$11,091

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$20,336	\$33,692

(24) Donation expenses (account operating expenses)

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$-	\$-

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$19,750	\$16,250

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

(25) The Company entrusted the parent company to collect and transfer fees to non-related parties. As of 30 September 2021, 31 December 2020 and 30 September 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 \$0 thousand for three-month periods and \$3 thousand and \$1 thousand for the nine-month periods ended 30 September 2021 and 2020 respectively.

(26) Finance costs

Name	For the three-month periods ended 30 September	
	2021	2020
Parent company	\$39	\$-
KGI Bank	33,009	2
Other related parties	121	4
Total	\$33,169	\$6

Name	For the nine-month periods ended 30 September	
	2021	2020
Parent company	\$114	\$-
KGI Bank	97,949	7
Other related parties	358	12
Total	\$98,421	\$19

(27) Non-operating income and expenses

Name	For the three-month periods ended 30 September	
	2021	2020
Other related parties	\$309	\$258

Name	For the nine-month periods ended 30 September	
	2021	2020
Other related parties	\$771	\$1,294

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

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

3. Key management personnel remuneration

Item	For the three-month periods ended 30 September	
	2021	2020
Short-term employee benefits	\$204,551	\$100,637
Post-employment benefits	1,684	1,269
Total	<u>\$206,235</u>	<u>\$101,906</u>

  

Item	For the nine-month periods ended 30 September	
	2021	2020
Short-term employee benefits	\$478,310	\$301,896
Post-employment benefits	4,697	3,673
Total	<u>\$483,007</u>	<u>\$305,569</u>

XIII. Pledged assets

Details of pledged and guaranteed assets are as follows:

Item	2021.9.30	2020.12.31	2020.9.30
Government bonds (recognized as refundable deposits)	\$7,092,181	\$7,092,185	\$6,698,131
Cash in bank (recognized as refundable deposits)	836,537	-	-
Total	<u>\$7,928,718</u>	<u>\$7,092,185</u>	<u>\$6,698,131</u>

XIV. Commitment and Contingencies

1. Investment commitment not yet contributed

As of 30 September 2021, among the investment contracts signed, the upper limit of the amount not yet contributed were NTD1,241,417 thousand, USD693,476 thousand and EUR193,151 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 and April 12 2021, the Company signed the first and second contract amendment protocol, amending the total amount of contract to be \$5,738,173 thousand. As of 30 September 2021, the actual accumulated payment of construction is \$5,651,550 thousand after deducting 5% of construction reserve, leaving \$86,623 thousand unpaid.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(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 30 September 2021, 31 December 2020 and 30 September 2020 are as follows:

	2021.9.30		
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$43,714,111	27.8660	\$1,218,137,405
AUD	4,737,712	20.0858	95,160,745
<u>Non-monetary items</u>			
USD	2,977,304	27.8660	82,965,544
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	144,294	27.8660	4,020,892
	2020.12.31		
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$41,864,113	28.5080	\$1,193,462,138
AUD	4,515,182	21.9711	99,203,515
<u>Non-monetary items</u>			
USD	2,401,796	28.5080	68,470,412
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	233,970	28.5080	6,670,007

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

	2020.9.30		
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$40,105,389	29.1260	\$1,168,109,553
AUD	4,311,087	20.7319	89,377,015
 <u>Non-monetary items</u>			
USD	2,294,414	29.1260	66,827,088
 <u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	409,950	29.1260	11,940,192

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

2. Participation of unconsolidated structured entities

As of 30 September 2021, 31 December 2020 and 30 September 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: 30 September 2021

	Asset Securitization		
	Private Equity Fund	Product	Total
Assets held by the Company			
Financial assets at fair value through profit			
and loss	\$14,801,487	\$4,849,735	\$19,651,222
Financial assets measured at amortized cost	-	7,079,782	7,079,782
The maximum exposure amount	14,801,487	11,929,517	26,731,004
Financial or other support provided	None	None	

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Date: 31 December 2020

	Asset Securitization		Total
	Private Equity Fund	Product	
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	

Date: 30 September 2020

	Asset Securitization		Total
	Private Equity Fund	Product	
Assets held by the Company			
Financial assets at fair value through profit and loss	\$7,112,804	\$3,458,344	\$10,571,148
Financial assets measured at amortized cost	-	23,551,743	23,551,743
The maximum exposure amount	7,112,804	27,010,086	34,122,890
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 nine-month periods ended 30 September 2020, the Company has no unqualified reinsurance expenses; as of 30 September 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:

Items	2021.9.30		2020.12.31		2020.9.30	
	Carrying		Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value	Amount	Fair Value
Domestic listed stocks	\$-	\$-	\$1,537,861	\$1,537,861	\$1,094,532	\$1,094,532
Cash and cash equivalents	538,308	538,308	831,520	831,520	1,348,120	1,348,120
Overseas listed stocks	7,986,142	7,986,142	5,892,364	5,892,364	5,123,528	5,123,528
Total	<u>\$8,524,450</u>	<u>\$8,524,450</u>	<u>\$8,261,745</u>	<u>\$8,261,745</u>	<u>\$7,566,180</u>	<u>\$7,566,180</u>

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

- (2) As of 30 September 2021, the discretionary investments limits were USD 226,831 thousand and CNY 500,000 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 30 September 2020, the discretionary investments limits were USD 100,000 thousand, CNY 500,000 thousand and NTD 2,000,000 thousand.
5. When the insurance enterprise is a subsidiary of a financial holding company, manner of 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 30 September 2021, 31 December 2020 and 30 September 2020, the Company's equity divided by total assets excluding the separate accounts product assets was 7.65%, 8.41% and 7.39%.
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 nine-month periods ended of 30 September 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: please refer to Table 1.
- (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 2.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(5) Trading in derivative instruments:

As of 30 September 2021, 31 December 2020 and 30 September 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:

	2021.9.30	2020.12.31	2020.9.30
Swap and forward exchange contracts	\$28,977,923	\$30,290,934	\$29,929,816

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

(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 30 September, 2021			Investee Company's profit or loss for the period	Recognized investment gain or loss for the period	Note
				30 September, 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	\$199,000	\$69,650	19,900,000	19.90%	\$196,248	\$(14,116)	\$(2,965)	Investment Accounted for Using Equity Method
The Company	Fu Bao Yi Hao Energy CO., LTD.	Taiwan	self-usage power generation equipment utilizing renewable energy industry	377,778	-	37,777,800	39.68%	377,648	4,493	(130)	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 3.
- 3) Securities held at the end of the year:

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	30 September, 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	670,840	\$656,645	100%	(Note)
"	Dehe 1 Energy Co., Ltd.	"	"	948,000	10,928	100%	(Note)
"	Dehe 2 Energy Co., Ltd.	"	"	12,370 thousand (Capital contribution amount)	11,872	100%	(Note)
Fu Bao Yi Hao Energy CO., LTD.	Enfinite Capital Taiwan Solar I Co. Ltd.	Parent and subsidiary	Investment Accounted for Using Equity Method	95,200,000	1,163,291	70%	(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: Please refer to Table 4.
- 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.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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

- (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 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 5.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

4. Information of major shareholders:

Shares	Holding Shares	Holding Percentage
Major shareholders		
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: Acquisition of real estate reaching NT\$100 million or 20 percent of paid-in capital or more

Acquiring Company	Name of Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on previous transaction, if Counterparty is a Related Party				Pricing Determination Reference	Purpose of Acquisition	Others
							Owner	Relationship	Transaction Date	Amount			
The Company	21~30F., No. 118, Ciyun Rd. East Dist., Hsinchu City with 150 parkinglots	19 August 2021	\$2,325,000	The purchase price has not been paid	Land : Ding Jing-Xuan Building : Fong Yi Construction Co., Ltd.	None	-	-	-	-	Valuation reports (Note 1)	Implementation of real estate investment	None

Note 1 : Amount include taxes. Valuation report is aquired from Home Ban Appraisers Joint Firm and Gao Yuan Appraisers Joint Firm for transaction price.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (continued)**

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

Table 2: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 \$691,799	Note 1	\$-	\$-	\$691,799	\$-
			Other receivables \$114,605	Note 2	-	-	643	-

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).

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)**

Table 3: 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	\$1,200,000	\$1,200,000	\$215,701	\$-	122%	None	Yes	No	No
Shenhe Energy Co., Ltd.	Dehe 1 Energy Co., Ltd.	Parent and Subsidiary	None	165,206	165,206	19,498	-	17%	None	Yes	No	No
Shenhe Energy Co., Ltd.	Dehe 2 Energy Co., Ltd.	Parent and Subsidiary	None	217,200	217,200	21,496	-	22%	None	Yes	No	No

Note 1: For the endorsement guarantee provided by Shenhe Energy Co., Ltd., \$1,200,000 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.

China Life Insurance Co., Ltd.  
Notes to financial statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 4: Transactions where the aggregate purchases or sales of the same security reaching NT\$100 million or 20% of paid-in capital or more

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Currency	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Fu Bao Yi Hao Energy CO., LTD.	Enfinite Capital Taiwan Solar I Co. Ltd.	Investments accounted for using equity method	(Note 1)	(Note 1)	NTD	-	\$-	95,200,000 (Note 1)	\$1,158,397 (Note 1)	-	\$-	\$-	\$-	95,200,000 (Note 1)	\$1,163,291 (Note 1)

Note 1 : Fu Bao Yi Hao Energy Co., Ltd. acquired 48,925 shares from a non-related party, ENFINITE CAPITAL TAIWAN SOLAR I, LLC. for an amount of \$206,886 thousand on 18 June, 2021; and participated in the capital increase amount of \$951,511 thousand obtained 95,151,075 shares on 2 September 2021.

Note 2 : Investments accounted for using equity method include investment gains and losses recognized under the equity method.



China Life Insurance Co., Ltd.

Notes to financial statements (continued)

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

Table 5: Information on Investment in Mainland China

Investee Company	Principal Business Activities	Paid-in Capital	Method of investment	Accumulated outward remittance from Taiwan for investment purpose at the beginning of the period	Inward or outward remittance for investment purpose for the period		Accumulated outward remittance from Taiwan for investment purpose at the end of the period	Investee Company's profit or loss for the period	Shareholding ratio of direct or indirect 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 (Note 1)	Life Insurance	\$32,212,967 (CNY 7,120,461 thousand)	Direct investment in Mainland China	\$12,880,969	\$-	\$-	\$12,880,969	\$6,067,077 (Note 3)	19.90%	\$-	\$12,709,439 (Note 2)	\$148,983 (Note 4)

Accumulated outward remittance from Taiwan for investment in Mainland China at the end of the period	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	\$99,490,722

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 carrying 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.