China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and shareholders
China Development Financial Holding Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and its subsidiaries as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month periods then ended, and related notes, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated 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". A review of consolidated 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 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 caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the China Development Financial Holding Corporation as at September 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Mei-Hui Wu and Kwan-Chung Lai.

Wu Mei Hui Kwan-Chung Lai

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 25, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2019 (Reviewed) Amount	%	December 31, 2018 (Audited) Amount	%	September 30, 2018 (Reviewed) Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 48)	$ 61,301,519	2	$ 59,607,423	2	$ 79,453,756	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7 and 49)	22,083,931	1	26,431,383	1	28,751,357	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 17, 48 and 49)	517,351,421	17	374,931,034	14	404,112,763	15
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10, 49 and 56)	544,476,443	18	485,335,934	18	452,106,316	16
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 11, 17, 48 and 56)	1,030,726,625	34	970,536,279	36	928,420,327	33
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	52,810,850	2	39,770,534	1	81,771,111	3
RECEIVABLES, NET (Notes 4, 13, 48, 49 and 56)	111,503,372	4	99,099,379	4	120,915,130	4
CURRENT TAX ASSETS	781,192	-	1,168,303	-	1,188,635	-
DISCOUNT AND LOANS, NET (Notes 4, 14, 48 and 56)	387,046,461	13	369,131,396	13	367,111,274	13
REINSURANCE ASSET, NET (Note 15)	657,324	-	534,353	-	657,758	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 16 and 17)	17,722,132	-	16,102,926	1	16,447,749	1
RESTRICTED ASSETS (Notes 18 and 49)	44,310,300	1	43,927,569	2	47,154,049	2
OTHER FINANCIAL ASSETS (Notes 19 and 49)	108,752,700	3	91,362,530	3	100,177,432	4
INVESTMENT PROPERTY, NET (Notes 20 and 49)	25,282,953	1	25,432,420	1	25,414,276	1
PROPERTY AND EQUIPMENT, NET (Notes 21 and 49)	33,790,134	1	31,717,297	1	31,389,611	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 22)	18,726,933	1	-	-	-	-
INTANGIBLE ASSETS, NET (Note 23)	20,746,672	1	21,171,147	1	21,316,714	1
DEFERRED TAX ASSETS	7,195,740	-	12,652,560	-	10,278,821	-
OTHER ASSETS, NET (Notes 24 and 49)	45,749,980	1	48,902,361	2	52,369,224	2
TOTAL	$ 3,051,016,682	100	$ 2,717,814,828	100	$ 2,769,036,303	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and financial institutions (Notes 25 and 48)	$ 25,687,730	1	$ 22,434,914	1	$ 29,102,549	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 48)	109,009,121	4	87,786,725	3	99,396,723	4
Notes and bonds issued under repurchase agreements (Notes 8, 10, 11, 26 and 48)	128,384,064	4	125,478,900	5	154,258,594	5
Commercial paper payable, net (Notes 27 and 49)	14,547,032	-	14,985,902	1	19,159,877	1
Payables (Notes 28 and 48)	114,888,002	4	89,641,244	3	100,269,063	4
Current tax liabilities	464,834	-	967,872	-	937,065	-
Deposits and remittances (Notes 29 and 48)	412,572,356	14	398,286,010	15	425,823,939	15
Bonds payable (Note 30)	38,250,000	1	31,150,000	1	24,800,000	1
Other borrowings (Notes 31, 48 and 49)	18,839,090	1	18,818,061	1	23,000,159	1
Provisions (Notes 4 and 32)	1,710,274,679	56	1,557,304,939	57	1,499,351,986	54
Other financial liabilities (Notes 34 and 49)	132,502,109	4	111,539,399	4	118,193,975	4
Lease liabilities (Notes 4 and 22)	5,720,770	-	-	-	-	-
Deferred tax liabilities	11,655,646	-	7,275,275	-	7,153,974	-
Other liabilities	37,808,714	1	28,582,681	1	26,704,087	1
Total liabilities	2,760,604,147	90	2,494,251,922	92	2,528,151,991	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 35, 36 and 37)						
Capital						
Common stock	149,659,821	5	149,622,812	5	149,572,949	5
Advance receipts for capital stock	3,400	-	10,748	-	31,223	-
Capital surplus	1,006,817	-	1,630,992	-	1,526,089	-
Retained earnings						
Legal reserve	7,561,404	-	6,776,135	-	6,776,135	-
Special reserve	10,797,899	1	565,041	-	565,041	-
Unappropriated earnings	10,672,622	-	14,754,530	1	15,435,129	1
Other						
Exchange differences on translation of foreign financial statements	(577,640)	-	(930,286)	-	(1,250,543)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	972,553	-	(66,615)	-	842,959	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	8,537,963	-	(5,071,947)	-	(4,019,362)	-
Other comprehensive income (loss) reclassified using the overlay approach	(327,872)	-	(4,451,944)	-	(247,457)	-
Others	(263)	-	(1,339)	-	(2,850)	-
Treasury shares	(3,379,234)	-	(3,605,444)	-	(3,854,221)	-
Total equity attributable to owners of the parent	184,927,470	6	159,232,683	6	165,375,092	6
NON-CONTROLLING INTERESTS (Notes 36 and 37)	105,485,065	4	64,330,223	2	75,509,220	3
Total equity	290,412,535	10	223,562,906	8	240,884,312	9
TOTAL	$ 3,051,016,682	100	$ 2,717,814,828	100	$ 2,769,036,303	100

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 38 and 48)	$ 18,447,655	30	$ 16,793,381	24	$ 54,143,283	29	$ 47,237,971	25
INTEREST EXPENSE (Notes 38 and 48)	(2,490,709)	(4)	(2,098,297)	(3)	(7,353,006)	(4)	(5,662,488)	(3)
INTEREST PROFIT, NET	15,956,946	26	14,695,084	21	46,790,277	25	41,575,483	22
NONINTEREST PROFITS AND GAINS, NET								
Service fee and commission, net (Notes 19 and 39)	(358,401)	(1)	(539,945)	(1)	(1,978,475)	(1)	(410,452)	-
Net income from insurance operations (Notes 40 and 48)	37,812,712	61	52,008,038	73	121,019,894	64	136,062,066	71
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Notes 8, 41 and 48)	6,639,009	11	9,085,219	13	23,209,624	12	(6,677,276)	(4)
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Note 42)	1,925,106	3	329,639	-	5,440,599	3	2,325,712	1
Gain (loss) on disposal of financial assets measured at amortized cost	(141,526)	-	(218,986)	-	(14,441)	-	(656,959)	-
Foreign exchange gain (loss), net	(5,018,172)	(8)	(1,355,104)	(2)	4,301,577	2	12,844,754	7
Impairment loss on assets, net (Note 4)	18,819	-	(319)	-	6,898	-	(12,068)	-
Share of the profit (loss) of associates and joint ventures	(361,958)	(1)	(140,661)	-	619,664	1	85,528	-
Gain (loss) on reclassification using the overlay approach (Note 8)	5,206,612	8	(3,343,448)	(5)	(12,602,359)	(7)	3,328,164	2
Others (Note 48)	488,184	1	546,880	1	1,634,902	1	2,240,727	1
Total noninterest profits and gains, net	46,210,385	74	56,371,313	79	141,637,883	75	149,130,196	78
TOTAL NET REVENUES	62,167,331	100	71,066,397	100	188,428,160	100	190,705,679	100
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES, NET	86,021	-	58,982	-	8,439	-	(115,554)	-
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(48,293,995)	(78)	(59,034,592)	(83)	(148,789,486)	(79)	(156,267,699)	(82)
OPERATING EXPENSES (Notes 22, 33, 43 and 48)								
Employee benefits	(4,402,762)	(7)	(3,917,240)	(5)	(12,816,258)	(7)	(11,931,869)	(6)
Depreciation and amortization	(831,032)	(1)	(606,079)	(1)	(2,450,477)	(1)	(1,812,664)	(1)
Other general and administrative expenses	(1,630,062)	(3)	(1,835,020)	(3)	(4,638,359)	(3)	(5,464,891)	(3)
Total operating expenses	(6,863,856)	(11)	(6,358,339)	(9)	(19,905,094)	(11)	(19,209,424)	(10)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT BEFORE INCOME TAX	$ 7,095,501	11	$ 5,732,448	8	$ 19,742,019	10	$ 15,113,002	8
INCOME TAX EXPENSE (Note 44)	(1,244,130)	(2)	(839,426)	(1)	(2,294,312)	(1)	(1,012,450)	-
NET PROFIT FOR THE PERIOD	5,851,371	9	4,893,022	7	17,447,707	9	14,100,552	8
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss, net of income tax								
Remeasurement of defined benefit plans	-	-	-	-	-	-	104	-
Share of the other comprehensive income (loss) of associates and joint ventures	264,071	-	44,653	-	790,446	1	(100,191)	-
Gain (loss) on equity instruments measured at fair value through other comprehensive income	(2,763,514)	(4)	(112,179)	-	548,279	-	(3,206,485)	(2)
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 44)	469,583	1	24,551	-	(20,034)	-	605,883	-
Items that will be reclassified subsequently to profit or loss, net of income tax								
Exchange differences on translation of foreign financial statements	(188,291)	-	(64,396)	-	313,554	-	669,271	1
Share of the other comprehensive income (loss) of associates and joint ventures	(110,343)	-	7,488	-	(59,246)	-	121,768	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	(1,799,110)	(3)	(341,568)	(1)	(8,202,104)	(5)	3,677,202	2
Gain (loss) on debt instruments measured at fair value through other comprehensive income	11,102,282	18	2,417,885	3	41,129,140	22	(17,117,440)	(9)
Other comprehensive income (loss) reclassified using the overlay approach (Note 8)	(5,206,612)	(9)	3,343,448	5	12,602,359	7	(3,328,164)	(2)
Other comprehensive income (loss) for the period, net of income tax	1,768,066	3	5,319,882	7	47,102,394	25	(18,678,052)	(10)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 7,619,437	12	$ 10,212,904	14	$ 64,550,101	34	$ (4,577,500)	(2)

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CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 2,817,458	4	$ 2,439,132	3	$ 10,618,901	6	$ 8,489,532	4
Non-controlling interests	3,033,913	5	2,453,890	4	6,828,806	3	5,611,020	3
	$ 5,851,371	9	$ 4,893,022	7	$ 17,447,707	9	$ 14,100,552	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	$ 3,398,203	5	$ 4,329,756	6	$ 29,757,887	16	$ 1,515,969	1
Non-controlling interests	4,221,234	7	5,883,148	8	34,792,214	18	(6,093,469)	(3)
	$ 7,619,437	12	$ 10,212,904	14	$ 64,550,101	34	$ (4,577,500)	(2)
EARNINGS PER SHARE (Note 45)								
Basic	$ 0.19		$ 0.17		$ 0.73		$ 0.59	
Diluted	$ 0.19		$ 0.17		$ 0.73		$ 0.59	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Per Share Amount)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent														
	Capital			Retained Earnings			Other Equity								
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072	$ 81,544,066	$ 249,224,138
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)
Special reserve reserved	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	8,489,532	-	-	-	-	-	-	8,489,532	5,611,020	14,100,552
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	59	781,406	(6,962,262)	-	(792,766)	-	-	(6,973,563)	(11,704,489)	(18,678,052)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	8,489,591	781,406	(6,962,262)	-	(792,766)	-	-	1,515,969	(6,093,469)	(4,577,500)
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-	-	-
Disposal of the Corporation shares, as treasury shares	-	-	69,515	-	-	-	-	-	-	-	-	144,884	214,399	-	214,399
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529	-	287,529
Share-based payments	16,376	26,061	(4,674)	-	-	-	-	-	-	-	5,472	-	43,235	-	43,235
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,773,864)	(1,773,864)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	164,111	-	(164,111)	-	-	-	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	47,703	-	-	-	-	-	-	47,703	88,755	136,458
BALANCE AT SEPTEMBER 30, 2018	$ 149,572,949	$ 31,223	$ 1,526,089	$ 6,776,135	$ 565,041	$ 15,435,129	$ (1,250,543)	$ (3,176,403)	$ -	$ (247,457)	$ (2,850)	$ (3,854,221)	$ 165,375,092	$ 75,509,220	$ 240,884,312
BALANCE AT JANUARY 1, 2019	$ 149,622,812	$ 10,748	$ 1,630,992	$ 6,776,135	$ 565,041	$ 14,754,530	$ (930,286)	$ (5,138,562)	$ -	$ (4,451,944)	$ (1,339)	$ (3,605,444)	$ 159,232,683	$ 64,330,223	$ 223,562,906
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-	-	-
Cash dividends - NT$0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	-	(3,666,666)	-	(3,666,666)
	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	-	(3,666,666)	-	(3,666,666)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(391)	-	-	-	-	-	-	-	-	-	(391)	-	(391)
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	-	(823,129)	-	(823,129)
Other changes in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	-	54,273	-	54,273
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	10,618,901	-	-	-	-	-	-	10,618,901	6,828,806	17,447,707
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	232	352,669	14,656,691	-	4,129,394	-	-	19,138,986	27,963,408	47,102,394
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	10,619,133	352,669	14,656,691	-	4,129,394	-	-	29,757,887	34,792,214	64,550,101
Disposal of the Corporation shares, as treasury shares	-	-	87,765	-	-	-	-	-	-	-	-	218,911	306,676	-	306,676
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	123,668	-	-	-	-	-	-	-	-	-	123,668	-	123,668
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(1,043)	(23)	(11,727)	-	(5,322)	-	7,299	(78,426)	6,220,092	6,141,666
Share-based payments	37,009	(7,348)	1,249	-	-	(7,240)	-	-	-	-	1,076	-	24,746	-	24,746
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	149,706	149,706
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(4,114)	-	4,114	-	-	-	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	(3,851)	-	-	-	-	-	-	(3,851)	(7,170)	(11,021)
BALANCE AT SEPTEMBER 30, 2019	$ 149,659,821	$ 3,400	$ 1,006,817	$ 7,561,404	$ 10,797,899	$ 10,672,622	$ (577,640)	$ 9,510,516	$ -	$ (327,872)	$ (263)	$ (3,379,234)	$ 184,927,470	$ 105,485,065	$ 290,412,535

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 19,742,019	$ 15,113,002
Adjustments to reconcile net profit		
Depreciation expenses	1,455,890	799,053
Amortization expenses	994,587	1,013,611
(Reversal) allowance for bad debts and losses on guarantees, net	(8,439)	115,554
Loss (gain) on financial assets and liabilities measured at fair value through profit or loss, net	(14,998,604)	13,799,560
Interest expense	7,353,006	5,662,488
Interest income	(54,143,283)	(47,237,971)
Dividend income	(9,006,012)	(7,626,987)
Net changes in insurance liabilities	150,584,750	160,682,255
Net changes in reserve for changes in foreign exchange valuation	2,371,418	52,671
Share of profit of associates and joint ventures	(608,337)	(76,018)
Gain (loss) on reclassification using the overlay approach	12,602,359	(3,328,164)
Gain on disposal of investments	(3,413,288)	(3,486,441)
Gain (loss) on unrealized foreign currency exchange	(8,284,010)	(15,685,906)
Others	13,982	(595,603)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	76,111	3,572,010
Financial assets at fair value through profit or loss	(66,795,784)	(54,260,678)
Financial assets at fair value through other comprehensive income	8,009,837	(34,592,043)
Debt investments measured at amortized cost	(22,598)	(6,376,998)
Securities purchased under resell agreements	-	828,846
Receivables	(13,516,343)	(19,511,553)
Discount and loans	(17,942,578)	(41,345,310)
Other financial assets	(17,566,593)	(9,152,646)
Other assets	(1,493,012)	(21,700,093)
Deposits from the Central Bank and financial institutions	3,252,816	234,593
Financial liabilities at fair value through profit or loss	(41,509,857)	7,965,140
Notes and bonds issued under repurchase agreements	2,905,164	54,080,967
Payables	39,606,102	14,129,653
Deposits and remittances	14,286,346	63,094,870
Other financial liabilities	7,573,867	37,483
Other liabilities	(2,361,474)	4,325,285
Cash generated from operations	19,158,042	80,530,630
Interest received	48,113,321	36,331,670
Dividend received	9,348,756	7,936,038
Interest paid	(6,542,831)	(4,518,227)
Income tax paid	(766,930)	(5,699,757)
Net cash generated from operating activities	69,310,358	114,580,354

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$(130,851,098)	$ (97,226,007)
Proceeds from sale of financial assets at fair value through other comprehensive income	110,460,726	77,876,786
Acquisition of financial assets measured at amortized cost	(114,151,668)	(106,484,549)
Proceeds from sale of financial assets measured at amortized cost	47,925,179	6,540,249
Maturity principal from financial assets measured at amortized cost	22,540,753	16,511,666
Acquisition of equity-method investments	(475,982)	(175,007)
Acquisition of property and equipment	(2,610,496)	(1,239,775)
Cash received through mergers	-	49,856,478
Others	167,229	905,576
Net cash used in investing activities	(66,995,357)	(53,434,583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	148,110	(2,546,237)
Increase in commercial paper payable	(438,870)	(1,389,515)
Proceeds from issuance of corporate bonds	5,000,000	-
Repayments of corporate bonds	(1,000,000)	(5,200,000)
Proceeds from bank debentures	3,100,000	-
Proceeds from long-term borrowings	400,000	-
Repayments of long-term borrowings	(527,080)	(157,865)
Repayments of the principal portion of lease liabilities	(731,547)	-
Cash dividends paid	(4,366,127)	(8,686,848)
Sale of treasury shares	306,676	-
Changes in non-controlling interests	6,142,176	(1,993,320)
Others	23,242	33,783
Net cash generated from (used in) financing activities	8,056,580	(19,940,002)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	91,489	383,637
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,463,070	41,589,406
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	114,495,133	132,256,162
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 124,958,203	$ 173,845,568

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2019 and 2018:

	September 30	
	2019	2018
Cash and cash equivalents in consolidated balance sheets	$ 61,301,519	$ 79,453,756
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	10,845,834	12,939,301
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	52,810,850	81,452,511
Cash and cash equivalents in consolidated statements of cash flows	$ 124,958,203	$ 173,845,568

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

China Development Financial Holding Corporation (the Corporation) was established by CDIB Capital Group (formerly China Development Industrial Bank) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB Capital Group became a wholly owned subsidiary of the Corporation after the share swap.

The Corporation acquired First Taiwan Securities Corporation (First Taiwan) and Grand Cathay Securities Corporation (Grand Cathay) through a share swap on November 8, 2002. The effective date of the merger between Grand Cathay and First Taiwan was December 31, 2003. Grand Cathay was the survivor company after the merger.

On April 30, 2012, the Corporation's board of the directors approved the acquisition of 100% shares of KGI Securities through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares during the public tender offer period. The Corporation acquired KGI Securities' remaining shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On September 15, 2014, the Corporation acquired KGI Bank through a share swap. Thus, KGI Bank became the Corporation's wholly owned subsidiary.

On March 13, 2017, the Corporation hold 100% equity interests of China Development Asset Management Corporation which was previously held by CDIB Capital Group. China Development Asset Management Corporation has merged with its subsidiaries, including Development Industrial Bank Asset Management Corp., Chung Hwa Growth 3 Asset Management Corp. and Chung Hwa Growth 4 Asset Management Corp. on July 1, 2019. Chung Hwa Growth 3 Asset Management Corp. was the surviving company after the merger and was renamed as China Development Asset Management Corporation on the same day.

On August 15, 2017, the Corporation's board of directors approved the acquisition of 25.33% shares of China Life Insurance through public tender offer from August 17, 2017 to September 6, 2017. After the Corporation acquired ordinary shares through public tender offer, China Life Insurance became a subsidiary of the Corporation as defined by the Financial Holding Company Act. On March 25, 2019, the Corporation's board of directors approved to apply for the participation of capital increase by cash of China Life. After the Corporation acquired ordinary shares, The Corporation holds 26.16% of the ordinary shares of China Life Insurance. The acquired shares plus 8.66% shares of China Life Insurance held by a subsidiary, KGI Securities (excluding KGI Securities' hedging accounts of derivative products) are equivalent to 34.82% shares of China Life Insurance.

The Corporation invests in and manages the businesses of finance-related institutions and investees.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TSE).

CDIB Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1999, CDIB Capital Group was converted from a trust corporation into an industrial bank under government approval.

On May 1, 2015, CDIB Capital Group's board of the directors approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in the CDIB Capital Group's leasing subsidiaries and in the Taiwan Financial Asset Service Corporation.

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and CDIB Capital Group will continue to expand its assets management business. The Financial Supervisory Commission (FSC) approved the conversion on March 10, 2017 with Official Letter No. 10600025880.

CDIB Capital Group's main operations included securities investment, investment financial related business, venture capital and other activities approved by the authorities.

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of September 30, 2019, KGI Securities had a head office and 77 branches which included head office.

KGI Securities operates as a securities underwriter, dealer, broker, future trading, future dealer, trust, wealth management, offshore securities and other related business as approved by authorities.

KGI Bank was established on January 14, 1992. As of September 30, 2019, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 53 domestic branches.

KGI Bank engages in banking operations are regulated under the banking Act.

China Development Asset Management Corporation (formerly Chung Hwa Growth 3 Asset Management Corp.) was established on November 5, 2003, and its operation includes acquiring, valuation, auction and management of debts from financial institution, acquiring of accounts receivable, management of overdue accounts receivable, and leasing and investment of real estate.

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of September 30, 2019, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

On October 19, 2017, China Life Insurance's board of directors approved the acquisition of the following from Allianz Taiwan Life Insurance Co., Ltd.: A portion of the traditional insurance policies and additional attachments valued at NT$1 dollar. This acquisition has been approved by the FSC on February 27, 2018, and then the delivery was completed on May 18, 2018.

China Life Insurance is mainly engaged in the business of life insurance, offshore life insurance paid and received for foreign currency and other insurance-related businesses approved by competent authorities.

For more information on the organization and business of the consolidated entities, please refer to Table 7 (attached).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on November 25, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting

The related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRSs) would not have any material impact on the Group's accounting policies, except for the following:

- IFRS 16 "Leases"

  IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

  Definition of a lease

  The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

  The Group as lessee

  The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

  The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

  Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payment. The Group applies IAS 36 to all right-of-use assets.

  The Group also applies the following practical expedients:

  a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The range of lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.73%-9.79%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 7,780,478
Less: Recognition exemption for short-term leases	(60,173)
Less: Recognition exemption for leases of low-value assets	(9,371)
Undiscounted amounts on January 1, 2019	$ 7,710,934
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 4,384,963
Add (less): Adjustments as a result of a different treatment of extension and termination options	1,481,786
Lease liabilities recognized on January 1, 2019	$ 5,866,749

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019

With the application of IFRS 16, right-of-use assets and lease liabilities will increase by $19,046,650 thousand and $5,866,749 thousand, and prepayments will decrease by $13,179,901 thousand on January 1, 2019.

b. The IFRS endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the standards mentioned above and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2021
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate, i.e. the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence control in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate, i.e. the Group's share of the gain or loss is eliminated.

2) IFRS 17 "Insurance Contract"

IFRS 17 establishes the principle for the accounting treatment of insurance contracts and supersedes IFRS 4 "Insurance Contract". The principle is as follows:

<u>Level of aggregation</u>

An entity shall identify portfolios of insurance contracts. A portfolio comprises contracts that are subject to similar risks and managed together. Contracts within a particular product line, such as motor policies, are expected to have similar risks, and if they are managed together would be in the same portfolio. For all issued insurance contracts in a portfolio, any entity shall divide it into:

a) A group of contracts that are onerous at initial recognition, if any;

b) A group of contracts that at initial recognition have no significant risk of becoming onerous, if any, and

c) A group of the remaining contracts in the portfolio, if any.

An entity is permitted to divide portfolios into more groups than required above. However, groups cannot include contracts issued more than one year apart.

Recognition

An entity shall recognize a group of insurance contracts it issues from the earliest of:

a) The beginning of the coverage period;

b) The date when the first payment from a policyholder becomes due; and

c) When the Group becomes onerous.

Measurement

On initial recognition, an entity shall measure a group of contracts at the total of the amount of fulfilment cash flows ("FCF") and the contractual service margin ("CSM"). FCF comprises the estimate of future cash flow, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows and risk adjustment for non-financial risk. The CSM represents the unearned profit the entity will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the Group of contracts is onerous, results in no income or expenses arising from:

a) The initial recognition of an amount for the FCF;

b) The derecognition at that date of any asset or liability recognized for acquisition cash flows; and

c) The cash inflows and outflows arising from the contracts in the Group at that date.

Subsequent measurement

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage and the liability for incurred claims, both determined as at that date.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any preciously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the Group being equal to the FCF and the CSM of the Group being zero. The CSM cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium allocation approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach (PAA) on the condition that:

a) The entity reasonably expects the that this will be an approximation of General Model; or

b) Contracts with a coverage period of one year or less are eligible for PAA.

If at the inception of the Group, an entity expects significant variance in the FCF during the period before a claim is incurred, such contracts are not eligible to condition (a).

Using the RAA, the liability for remaining coverage shall be initially recognized at the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. This is subsequently adjusted for change in the composition of the Group and amortization of acquisition cash flows and reduced over the coverage period with the reduction recorded as revenue, excluding any investment component paid or transferred to the liability for incurred claims.

Investment contracts with a discretionary participation feature

An investment contract with a discretionary participation feature (DPF) is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of IFRS 17 only if the issuer also issues insurance contracts.

Modification and derecognition

If the terms of an insurance contract are modified, an entity shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

An entity shall de-recognize an insurance contract when it is extinguished or substantially modified.

Transition

An entity shall apply IFRS 17 retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Fair value approach shall be used if the information is not reasonable and supportable information.

Under the fair value approach, an entity determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 "Interim Financial Reporting" endorsed by the FSC. Disclosure information included in the interim financial report is less than disclosures required in a full set of annual financial reports.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All the consolidated accounts in the financial statements were categorized according to the nature of each account and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

Principles for Preparing Consolidated Financial Statements

The compiling entity of the consolidated financial report includes the Group. All significant intra-group transactions, balances, and unrealized income and expenses are eliminated in full upon consolidation.

The accounting policies of the subsidiary are applied consistently with the Corporation.

The functional currency of the Corporation is the New Taiwan dollar, and the consolidated financial statements are presented in New Taiwan dollars.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the consolidated entities included in the consolidated financial statements included 60, 63 and 65 companies, respectively (please refer to the attached Table 7).

Except for the following description, the accounting policies of the consolidated financial statements are applied consistently with the consolidated statement for the year ended December 31, 2018.

Retirement Benefit Costs

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 for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

Leases

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is (or contains) a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group’s net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

It refers to the consolidated statement for the year ended December 31, 2018

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash in banks	$ 50,793,112	$ 48,315,132	$ 70,042,294
Due from banks	3,025,140	3,922,906	2,923,110
Short-term notes	2,521,316	3,366,859	2,667,888
Check for clearing	2,262,886	751,499	552,183
Cash on hand	1,695,097	1,734,504	1,580,133
Future excess margin	1,003,968	1,516,523	1,688,148
	$ 61,301,519	$ 59,607,423	$ 79,453,756

Cash and cash equivalents as of December 31, 2018 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of September 30, 2019 and 2018:

	December 31, 2018
Cash and cash equivalents in consolidated balance sheet	$ 59,607,423
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	15,117,176
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	39,770,534
Cash and cash equivalents in consolidated statement of cash flow	$ 114,495,133

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Call loans to financial institutions	$ 6,864,381	$ 6,643,433	$ 11,278,857
Deposit reserve - demand accounts	9,414,331	8,854,579	9,405,053
Deposit reserve - checking accounts	4,332,314	9,467,197	4,702,337
Due from the Central Bank - interbank settlement funds	1,305,278	1,300,216	700,135
Deposit reserve - foreign currencies	167,627	165,958	164,975
Due from the Central Bank	-	-	2,500,000
	$ 22,083,931	$ 26,431,383	$ 28,751,357

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserve is determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 49.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial instrument			
Interest rate swap contracts	$ 33,124,341	$ 14,276,585	$ 19,545,825
Currency swap and forward exchange contracts	10,170,855	9,911,136	14,857,148
Options and futures contracts	6,472,242	4,143,945	4,513,644
Others	2,521,063	1,423,617	1,392,044
Non-derivative financial assets			
Mutual funds	131,700,241	44,986,204	33,013,575
Shares	131,530,012	108,988,496	139,922,152
Operating securities (Note 9)	70,605,213	51,128,316	60,579,234
Bank debentures	41,424,420	53,166,795	44,170,372
Corporate bonds	18,388,747	13,439,633	14,066,467
Commercial papers	11,703,080	7,020,871	14,635,163
Others	17,265,054	17,188,833	18,470,762
	474,905,268	325,674,431	365,166,386
Financial assets designated as at FVTPL			
Government bonds	14,188,113	20,515,907	11,491,504
Others	28,258,040	28,740,696	27,454,873
	42,446,153	49,256,603	38,946,377
Financial assets at FVTPL	$ 517,351,421	$ 374,931,034	$ 404,112,763
Financial liabilities held for trading			
Derivative financial instrument			
Interest rate swap contracts	$ 33,785,951	$ 16,967,047	$ 23,004,857
Options and futures contracts	20,501,641	22,123,276	20,999,362
Currency swap and forward exchange contracts	8,672,972	8,882,350	14,391,774
Others	4,700,680	2,870,703	7,544,139
Non-derivative financial liabilities			
Borrowed securities payable	2,399,913	4,339,043	4,588,406
Others	1,393,373	402,286	79,996
	71,454,530	55,584,705	70,608,534
Financial liabilities designated as at FVTPL			
Bank debentures payable	30,784,107	27,131,475	26,263,838
Structured products	4,858,391	3,155,241	648,503
Others	1,912,093	1,915,304	1,875,848
	37,554,591	32,202,020	28,788,189
Financial liabilities at FVTPL	$ 109,009,121	$ 87,786,725	$ 99,396,723

As of September 30, 2019, December 31, 2018 and September 30, 2018, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	September 30, 2019	December 31, 2018	September 30, 2018	Issuance Period	Method of Paying Principles and Interests	Interest Rate
15KGIB1	$ 3,290,452	$ 3,257,698	$ 3,238,406	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,414,620	3,380,630	3,360,610	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,414,620	3,380,630	3,360,610	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,483,360	2,458,640	2,444,080	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,208,400	6,146,600	6,110,200	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	6,208,400	6,146,600	6,110,200	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	4,966,720	4,917,280	4,888,160	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	29,986,572	29,688,078	29,512,266			
Valuation adjustments	797,535	(2,556,603)	(3,248,428)			
	$ 30,784,107	$ 27,131,475	$ 26,263,838			

Note 1: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after two years from the issue date (inclusive).

Note 2: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after one year from the issue date (inclusive).

Note 3: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after five years from the issue date (inclusive).

China Life Insurance elected to adopt the overlay approach in expressing financial assets designated as at FVTPL under IFRS 4 "Insurance Contracts" starting from application of IFRS 9 in 2018. Investment of financial assets relating insurance contracts issued by China Life Insurance designated as at adoption of the overlay approach financial assets were as follows:

Financial assets mandatorily classified as at FVTPL

	September 30, 2019	December 31, 2018	September 30, 2018
Mutual funds	$ 131,842,911	$ 43,632,536	$ 31,288,802
Shares	123,453,672	101,694,025	129,243,445
Bank debentures	39,979,136	52,914,479	43,897,086
Corporate bonds	17,709,355	12,961,579	13,288,552
	$ 312,985,074	$ 211,202,619	$ 217,717,885

For the three and nine months ended September 30, 2019 and 2018, reclassification amount under profit or loss and other comprehensive income of designated as at adoption of the overlay approach financial assets is described as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Gain (loss) on application of IFRS 9	$ 3,690,985	$ 11,354,791	$ 29,886,776	$ 12,143,624
Loss (gain) on application of IAS 39	(8,897,597)	(8,011,343)	(17,284,417)	(15,471,788)
Gain (loss) on reclassification using the overlay approach	$ (5,206,612)	$ 3,343,448	$ 12,602,359	$ (3,328,164)

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL increased from $6,703,923 thousand to $11,910,535 thousand for the three months ended September 30, 2019; gain on financial assets measured at FVTPL decrease from $9,085,219 thousand to $5,741,771 thousand for the three months ended September 30, 2018. Gain on financial assets measured at FVTPL decreased from $23,209,624 thousand to $10,607,265 thousand for the nine months ended September 30, 2019; loss on financial assets measured at FVTPL decreased from $6,677,276 thousand to $3,349,112 thousand for the nine months ended September 30, 2019 and 2018.

The contract (nominal) amounts of the Group's outstanding derivative financial instruments as of September 30, 2019, December 31, 2018 and September 30, 2018 are summarized as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Currency swap and forward exchange contracts	$ 1,969,646,628	$ 2,083,698,557	$ 2,144,200,642
Interest rate swap contracts	1,358,834,568	1,302,045,596	1,252,248,330
Options and futures contracts	672,664,930	744,617,319	750,700,990
Non-deliverable forward contracts	329,080,226	240,344,692	197,025,065
Cross-currency swap contracts	25,106,891	32,681,055	33,313,322
Assets swap contracts	23,760,944	27,162,701	11,898,776
Structured products contracts	12,381,889	7,205,434	14,002,570
Credit default swap contracts	2,471,782	2,959,775	5,606,149
Commodity swap contracts	590,097	964,180	1,179,679
Equity derivative financial contracts	68,127	123,291	763,221

As of September 30, 2019, December 31, 2018 and September 30, 2018, financial assets at fair value through profit or loss with aggregate carrying values of $53,752,354 thousand, $47,273,587 thousand and $46,695,182 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Group signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015, entrusting shares of Capital Securities Corporation to them. The trustee deals with the shares in accordance with the contract during the contract period. The shares of Capital Securities Corporation held by CDIB Capital Group have been fully disposed of by August 2017.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 49.

9. OPERATING SECURITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Dealing			
Overseas securities	$ 33,126,962	$ 25,976,409	$ 30,238,760
Corporate bonds	10,781,929	8,433,846	8,170,803
Government bonds	8,616,000	8,038,635	11,162,977
Listed, OTC and emerging market stock	2,964,136	2,376,519	2,338,188
Others	2,998,000	1,337,879	3,063,010
	58,487,027	46,163,288	54,973,738
Underwriting			
Corporate bonds	816,176	486,298	691,270
Listed and OTC stock	304,521	46,981	126,608
Others	117,550	-	10,060
	1,238,247	533,279	827,938
Hedge positions			
Mutual funds	4,002,277	2,085,719	1,559,732
Corporate bonds	3,550,980	-	-
Listed and OTC stock	3,075,995	2,129,947	3,161,953
Others	250,687	216,083	55,873
	10,879,939	4,431,749	4,777,558
	$ 70,605,213	$ 51,128,316	$ 60,579,234

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2019	December 31, 2018	September 30, 2018
Investments in debt instruments at FVTOCI			
Government bonds	$ 171,794,182	$ 185,779,230	$ 170,458,765
Bank debentures	136,554,410	103,734,454	98,604,631
Corporate bonds	136,083,565	118,547,705	112,584,290
Negotiable certificates of deposit	64,561,878	48,698,585	43,465,200
Less: Security deposit	(9,833)	(9,861)	(10,770)
	508,984,202	456,750,113	425,102,116
Investments in equity instruments at FVTOCI			
Common stocks	23,514,543	17,050,968	18,798,134
Preferred stocks	11,977,698	11,534,853	8,206,066
	35,492,241	28,585,821	27,004,200
	$ 544,476,443	$ 485,335,934	$ 452,106,316

a. Investments in debt instruments at FVTOCI

As of September 30, 2019, December 31, 2018 and September 30, 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of $23,787,983 thousand, $62,699,207 thousand and $72,497,795 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on investments in debt instruments at FVTOCI pledged as collateral for the Group, please refer to Note 49.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 56.

b. Investments in equity instruments at FVTOCI

For the nine months ended September 30, 2019 and 2018, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $4,466,243 thousand and $4,662,993 thousand, respectively. The Group transferred a loss of $4,114 thousand and a gain of $164,111 thousand from other equity related-unrealized gain on financial assets at fair value through other comprehensive income to retained earnings.

For the three and nine months ended September 30, 2019 and 2018, dividend income for $681,505 thousand, $359,553 thousand, $805,683 thousand and $516,898 thousand, respectively, and those related to investments held as of September 30, 2019 and 2018 were $695,669 thousand and $456,606 thousand, respectively, and those related to investments derecognized as of September 30, 2019 and 2018 were $110,014 thousand and $60,292 thousand, respectively.

There are no any investments in equity instruments at FVTOCI pledged as collateral for the Group.

11. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
Bank debentures	$ 584,024,737	$ 554,605,427	$ 543,209,798
Corporate bonds	294,139,256	265,513,453	248,713,372
Government bonds	95,292,816	91,516,528	78,840,131
Others	57,269,816	58,900,871	57,657,026
	$ 1,030,726,625	$ 970,536,279	$ 928,420,327

As of September 30, 2019, December 31, 2018 and September 30, 2018, investments in debt instruments at amortized cost, with aggregate carrying values of $279,378 thousand, $291,964 thousand and $290,235 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There are no any investments in debt instruments at amortized cost that are pledged as collateral for the Group.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at amortized cost, please refer to Note 56.

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Corporate bonds	$ 19,827,811	$ 15,196,326	$ 23,137,803
Commercial papers	13,204,676	10,244,264	23,268,478
Government bonds	11,337,626	6,589,991	23,738,011
Bank debentures	7,940,737	6,689,953	10,172,585
Negotiable certificates of deposit	500,000	1,050,000	1,454,234
	$ 52,810,850	$ 39,770,534	$ 81,771,111
Resold amounts	$ 52,846,257	$ 39,819,654	$ 81,813,186
Last maturity date	October 2019	January 2019	November 2018

13. RECEIVABLES, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Receivable accounts for settlement	$ 33,500,864	$ 18,167,610	$ 37,164,626
Margin loans receivable, securities financing refundable deposits and deposits payable for securities financing	21,602,638	21,181,502	28,200,808
Interest receivable	15,949,229	16,287,188	14,682,342
Exchange clearing receivable	7,896,669	6,308,741	3,376,117
Accounts receivable factoring without recourse	7,456,668	8,180,472	10,016,172
Trading securities receivable	7,175,397	8,031,155	7,344,176
Accounts receivable - forfeiting	5,387,601	8,122,872	7,647,195
Installment accounts and lease receivables	3,985,085	3,703,463	3,703,687
Others	10,407,650	11,021,392	10,700,069
	113,361,801	101,004,395	122,835,192
Less: Allowance for bad debts	(1,642,991)	(1,706,909)	(1,729,678)
Unrealized interest revenue	(215,438)	(198,107)	(190,384)
	$ 111,503,372	$ 99,099,379	$ 120,915,130

For the information on credit risk management and impairment loss analysis of receivables, please refer to Note 49.

For the amount of receivables pledged as collateral for the Group, please refer to Note 56.

14. DISCOUNTS AND LOANS, NET

		September 30, 2019	December 31, 2018	September 30, 2018
Short-term loans		$ 79,249,096	$ 82,152,934	$ 87,823,185
Medium-term loans		205,296,201	191,493,381	187,852,956
Long-term loans		74,314,422	67,260,197	63,687,349
Loans reclassified to nonperforming loans		360,273	423,086	454,454
Export negotiations		96,130	56,079	42,865
Policy loans		26,598,214	26,403,907	25,749,206
Automatic premium loans		5,828,190	5,822,457	5,972,675
		391,742,526	373,612,041	371,582,690
Less:	Allowance for bad debts	(4,572,038)	(4,352,345)	(4,348,820)
	Discounts on loans	(124,027)	(128,300)	(122,596)
		$ 387,046,461	$ 369,131,396	$ 367,111,274

For the information on credit risk management and impairment loss analysis of discounts and loans, please refer to Note 56.

15. REINSURANCE ASSETS, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Claims recoverable from reinsurers	$ 554,662	$ 456,849	$ 571,461
Due from reinsurers and ceding companies	17,694	175	12,064
Reinsurance reserve assets			
Ceded unearned premium reserve	55,015	50,125	51,001
Ceded reserve for claims	29,953	27,204	23,232
	84,968	77,329	74,233
	$ 657,324	$ 534,353	$ 657,758

No impairment loss was recognized for reinsurance assets.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	September 30, 2019		December 31, 2018		September 30, 2018	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 6,645,510	34	$ 5,364,742	34	$ 5,782,540	34
CDIB Capital Asia Partners L.P.	3,945,873	-	3,587,002	-	3,615,195	-
KGI Securities (Thailand) Public Company Limited	2,548,131	35	2,416,178	35	2,302,616	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,534,553	-	1,648,309	-	1,663,332	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,342,729	-	1,421,496	-	1,406,831	-
CDIB Capital Health Ventures Limited	740,045	43	749,682	43	776,129	43
CDIB Capital Creative Industries Limited	627,274	46	696,239	46	710,269	46
Others	339,017		219,278		190,837	
	$ 17,722,132		$ 16,102,926		$ 16,447,749	

Investments accounted for using the equity method and the Group's share of earnings and other comprehensive income of CDIB & Partners Investment Holding Corporation and KGI Securities (Thailand) Public Company Limited are calculated based on reviewed financial statements; those of other affiliates are calculated based on un reviewed financial statements. Management believes that the financial statements of these investees had not been reviewed, there would have been no significant effect on the consolidated financial statements.

There are no any investments under equity method was pledged as collateral for the Group.

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

The Corporation's subsidiaries have equities of structured entities which the Corporation's subsidiaries do not have significant influence but rights and obligations in accordance with the contract.

September 30, 2019

	Partnership Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 8,521,988	$ 2,824,686	$ 11,346,674
Debt instruments measured at amortized cost	-	58,639,055	58,639,055
Maximum exposure	8,521,988	61,463,741	69,985,729

December 31, 2018

	Partnership Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 6,824,619	$ 1,751,160	$ 8,575,779
Debt instruments measured at amortized cost	-	60,397,100	60,397,100
Maximum exposure	6,824,619	62,148,260	68,972,879

September 30, 2018

	Partnership Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	$ 7,726,914	$ 2,579,413	$ 10,306,327
Debt instruments measured at amortized cost	-	59,198,590	59,198,590
Maximum exposure	7,726,914	61,778,003	69,504,917

b. Management on structured entities

The Corporation's subsidiaries have the equities of structured entities as well as the obligations to their investment and management. The Corporation's subsidiaries have significant influence over the above investments.

The funds of unconsolidated structured entities are from the Corporation's subsidiaries and external third parties.

	September 30, 2019	December 31, 2018	September 30, 2018
Management on partnership equity fund			
Total assets	$ 23,873,207	$ 22,431,078	$ 22,252,535
Total liabilities	132,831	102,172	188,980
Investments accounted for using the equity method	7,117,445	6,831,114	6,819,359
Financial assets designated as at FVTPL	716,253	476,289	449,033
Maximum exposure	7,833,698	7,307,403	7,268,392

18. RESTRICTED ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Restricted demand deposits	$ 44,111,776	$ 43,724,691	$ 46,938,219
Accounts receivables	110,514	106,867	116,654
Others	88,010	96,011	99,176
	$ 44,310,300	$ 43,927,569	$ 47,154,049

The above restricted demand deposits refer to amounts received from clients for business.

After the filing of certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 50), CDIB Capital Group could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

For the information on restricted assets pledged as collateral for the Group, please refer to Note 49.

19. OTHER FINANCIAL ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Separate-account insurance products	$ 77,020,488	$ 63,501,665	$ 67,045,065
Customer margin accounts	25,729,164	20,496,181	25,884,317
Others	6,003,048	7,364,684	7,248,050
	$ 108,752,700	$ 91,362,530	$ 100,177,432

Separate account Insurance Products

a. Separate account insurance products - assets and liabilities

	Assets		
	September 30, 2019	December 31, 2018	September 30, 2018
Cash in banks	$ 6,480,375	$ 387,402	$ 533,310
Financial assets at fair value through profit or loss	70,496,557	63,050,586	66,450,269
Other receivables	43,556	63,677	61,486
	$ 77,020,488	$ 63,501,665	$ 67,045,065

	Liabilities		
	September 30, 2019	December 31, 2018	September 30, 2018
Reserve for separate account	$ 76,962,818	$ 63,353,697	$ 66,742,905
Other payables	57,670	147,968	302,160
	$ 77,020,488	$ 63,501,665	$ 67,045,065

b. Separate account insurance products - revenues and expenses

	Revenues			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Premium income	$ 1,457,861	$ 1,448,562	$ 4,081,270	$ 4,760,994
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(225,670)	(463,407)	3,104,849	(677,979)
Interest income	380	601	582	744
Other revenues	43,987	45,228	132,964	138,283
Foreign exchange gains	(63,142)	21,554	188,510	290,806
	$ 1,213,416	$ 1,052,538	$ 7,508,175	$ 4,512,848

	Expenses			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Insurance claim payments	$ 1,162,704	$ 1,343,151	$ 3,596,009	$ 4,569,465
Net change in separate-account reserve	(504,628)	(790,117)	2,457,167	(1,501,507)
Custodian fee	555,340	499,504	1,454,999	1,444,890
	$ 1,213,416	$ 1,052,538	$ 7,508,175	$ 4,512,848

c. The rebate from counterparties in the investment-linked insurance business, which recognized as service fee revenue, for the three and nine months ended September 30, 2019 and 2018 was $108,106 thousand, $110,583 thousand, $325,433 thousand and $286,710 thousand, respectively.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 49.

20. INVESTMENT PROPERTY, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Land	$ 20,085,441	$ 20,024,687	$ 20,035,352
Buildings and facilities	5,197,512	5,407,733	5,378,924
	$ 25,282,953	$ 25,432,420	$ 25,414,276

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of investment properties during the three and nine months ended September 30, 2019 and 2018.

The above items of investment property were depreciated on a straight-line basis at estimated economic lives as follows:

Buildings and facilities	
Main building and parking spaces	30-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years

The fair values of the Group's investment property as of September 30, 2019, December 31, 2018 and September 30, 2018 were $25,089,322 thousand, $25,033,305 thousand and $25,104,165 thousand, respectively. Investment property was categorized into Level 3.

The Corporation's subsidiaries had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was $2,520,610 thousand, $2,520,610 thousand and $2,520,574 thousand, respectively, at September 30, 2019, December 31, 2018 and September 30, 2018. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

The fair value of their investment property of the Group, besides the effectiveness of the evaluation of June 30, 2019 and 2018 based on the real estate appraisers of China life insurance Co., Ltd. The Group examined the effectiveness of fair value of 2018 and 2017 by the Group, respectively. After evaluating, the group agree that the fair value on September 30, 2019 and 2018 are effective.

Valuation of fair values above mentioned, except the fair values of investment properties held by CDIB Capital Group and KGI Securities for the year ended December 31, 2018, and the fair values of investment properties held by subsidiaries of KGI Securities for the years ended December 31, 2018 and 2017 were arrived at without appraisal from independent appraisers, but instead were arrived at by reference to available external appraisal reports for the previous period and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for the valuation of their investment properties. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

The Group's investment property is mainly based on leased building with lease terms of 1 to 10 years and some lessees have priority to rent the leased building. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend.

The maturity analysis of lease payments receivable under operating leases of investment properties as of September 30, 2019 were as follows:

	September 30, 2019
Year 1	$ 444,700
Year 2	416,461
Year 3	257,130
Year 4	164,888
Year 5	140,968
Year 5 onwards	226,545
	$ 1,650,692

The investment property leased by the Group for operating leases is depreciated on a straight-line basis over their estimated useful lives as follows:

	Estimated Useful Lives
Buildings	30-60 years

All of the Group's investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged for the Group to secure borrowings were reflected in Note 49.

21. PROPERTY AND EQUIPMENT, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Land	$ 20,187,307	$ 20,222,381	$ 20,336,363
Buildings and facilities	5,960,280	6,144,281	6,270,258
Machinery and computer equipment	1,182,195	826,709	775,168
Other equipment	370,806	304,436	316,812
Leasehold improvements	307,110	315,272	332,942
Transportation equipment	307,021	6,079	6,531
Leased assets	-	658,309	647,034
	28,314,719	28,477,467	28,685,108
Prepayments for acquisition of properties	5,475,415	3,239,830	2,704,503
	$ 33,790,134	$ 31,717,297	$ 31,389,611

	September 30, 2019
Assets used by the Group	$ 33,120,841
Assets leased under operating leases	669,293
	$ 33,790,134

Except for depreciation recognized, the Group had no significant addition, disposal and impairment of property and equipment during the three and nine months ended September 30, 2019 and 2018.

The above items of self-use property and equipment are depreciated on a straight-line basis over the estimated economic lives as follows:

Buildings and facilities	3-60 years
Machinery and computer equipment	3-15 years
Transportation equipment	4-10 years
Other equipment	3-12 years
Leasehold improvements	Depend on the age or the durable life of lease, whichever is shorter

The operating lease of the group's subsidiaries are mainly based on leased light passenger vehicle with lease terms of 1 to 5 years without an option to extend for any additional years.

The maturity analysis of lease payments receivable was as follows:

	September 30, 2019
Year 1	$ 107,064
Year 2	63,340
Year 3	22,589
Year 4	4,380
Year 5	669
	$ 198,042

The investment property leased by the Group for operating leases is depreciated on a straight-line basis based over their estimated useful lives as follows:

	Estimated Useful Lives
Machinery equipment	4-20 years
Transportation equipment	3-5 years

For the information on property and equipment pledged as collateral for the Group, please refer to Note 49.

22. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2019
Carrying amounts	
Royalty-surface rights	$ 13,027,670
Buildings and facilities	3,445,448
Land	2,074,334
Computer equipment	130,048
Transportation equipment	30,605
Other equipment	18,828
	$ 18,726,933

	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets	$ 480,240

	For the Three Months Ended September 30	For the Nine Months Ended September 30
Depreciation of right-of-use assets		
Royalty-surface rights	$ 50,651	$ 151,953
Buildings and facilities	204,104	599,616
Land	8,061	24,183
Computer equipment	17,079	50,372
Transportation equipment	4,971	14,254
Other equipment	3,778	8,481
	$ 288,644	$ 848,859

The depreciation expense of the right-of-use asset recognized in profit or loss for the three and nine months ended September 30, 2019 were $229,932 thousand and $672,723 thousand.

b. Lease liabilities

	September 30, 2019
Carrying amounts	$ 5,720,770

Range of discount rate for lease liabilities were as follows:

	September 30, 2019
Buildings and facilities	0.12%-9.79%
Land	3.50%
Computer equipment	0.86%-0.92%
Transportation equipment	0.12%-1.07%
Other equipment	0.12%-1.07%

The maturity analysis of lease liabilities were as follows:

	September 30, 2019
Not later than 1 year	$ 925,660
Later than 1 year and not later than 5 years	2,215,856
Later than 5 years	5,849,457
	$ 8,990,973

c. Material lease-in activities and terms

The Group leases land, building, computer equipment, transportation equipment and other equipment with lease terms of 1 to 10 years. In the contract, the Group has options to lease the building at the end of the lease terms. The lease contract for the right of superficies has been established indicates that China Life Insurance also leases land with lease terms of 70 years.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment for the Group, please refer Notes 20 and 21, respectively.

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	$ 22,602	$ 77,718
Expenses relating to low-value asset leases	$ 1,667	$ 3,418
Total cash outflow for leases		$ 812,156

The Group leases certain assets which qualify as short-term leases and certain assets which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

23. INTANGIBLE ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Purchase policy value	$ 12,493,426	$ 12,767,519	$ 12,864,534
Operation rights	3,713,778	4,191,909	4,358,821
Goodwill	3,373,026	3,369,090	3,355,983
Computer software	1,130,046	806,233	700,980
Others	36,396	36,396	36,396
	$ 20,746,672	$ 21,171,147	$ 21,316,714

Except for amortization recognized, the Group's had no significant addition, disposal, and impairment of other intangible assets during the three and nine months ended September 30, 2019 and 2018.

Apart from the purchase policy value is amortized on present value of annuity of expected remaining policies over effective period of policies, the other items of intangible assets above are amortized on a straight-line basis over the estimated economic lives as follows:

Operation rights	7-20 years
Computer software	3-6 years

24. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Security borrowing margins	$ 27,091,794	$ 10,778,769	$ 8,122,587
Operating guarantee deposits	8,131,780	7,438,483	7,437,924
Guarantee deposits paid	7,527,642	13,733,989	20,465,134
Prepaid expense	1,427,152	1,265,709	1,284,043
Prepayment - surface rights	-	13,179,623	13,230,274
Others	1,571,612	2,505,788	1,829,262
	$ 45,749,980	$ 48,902,361	$ 52,369,224

Prepayment - the surface rights are land of China Life Insurance use rights for 13 government properties, including Taipei Academy and Zhong-Lun Housing that were acquired on November 28, 2013. The execution date of the contract was January 20, 2014 for a term of 70 years. The expiration date is January 19, 2084. The Group adapted IFRS 16 from January 1, 2019, and did not restate the comparative consolidated financial statement by the transaction of IFRS 16.

For the information on other assets pledged as collateral for the Group, please refer to Note 49.

25. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Call loans from financial institutions	$ 25,497,584	$ 22,242,268	$ 28,879,616
Deposits from Chunghwa Post Co., Ltd.	190,146	192,646	222,933
	$ 25,687,730	$ 22,434,914	$ 29,102,549

26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Government bonds	$ 53,097,830	$ 58,385,910	$ 56,143,909
Corporate bonds	44,448,542	36,276,317	40,188,217
Bank debentures	29,339,025	30,237,248	57,758,498
Commercial paper	1,498,667	579,425	167,970
	$ 128,384,064	$ 125,478,900	$ 154,258,594
Repurchased amounts	$ 128,553,017	$ 125,952,224	$ 154,638,809
Last maturity date	December 2019	May 2019	February 2019

27. COMMERCIAL PAPER PAYABLE, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Commercial paper payable	$ 14,549,002	$ 14,989,859	$ 19,165,455
Less: Unamortized discount	(1,970)	(3,957)	(5,578)
	$ 14,547,032	$ 14,985,902	$ 19,159,877
Range of rate	0.48%-2.19%	0.60%-2.59%	0.42%-2.34%

As of September 30, 2019, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Union Bank of Taiwan, Taiwan Bills Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Sunny Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $13,248,103 thousand, had no guarantee.

As of December 31, 2018, Ta Ching Finance Corporation, China Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Taishin International Bank, Shanghai Commercial Bank, Sunny Bank, Taiwan Business Bank and Far Eastern International Bank guaranteed the above commercial paper. However, some commercial paper which amounted to $11,668,008 thousand, had no guarantee.

As of September 30, 2018, Ta Ching Finance Corporation, China Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Union Bills Finance Corporation, Taishin Bills Finance Corporation, Shanghai Commercial Bank, Sunny Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper, which amounted to $15,532,006 thousand, had no guarantee.

28. PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable for settlement	$ 71,917,924	$ 45,453,733	$ 54,195,713
Accrued expenses and payable on insurance policies	12,738,226	11,126,598	10,809,262
Deposits payable for securities financing	11,832,857	14,465,995	16,122,206
Exchange clearing payable	2,487,390	4,838,810	5,228,632
Others	15,911,605	13,756,108	13,913,250
	$ 114,888,002	$ 89,641,244	$ 100,269,063

29. DEPOSITS AND REMITTANCES

	September 30, 2019	December 31, 2018	September 30, 2018
Time deposits	$ 229,855,671	$ 229,617,422	$ 260,385,517
Saving deposits	117,726,378	93,330,058	95,369,914
Demand deposits	53,449,874	55,634,932	45,121,266
Negotiable CDs	9,769,700	17,211,000	21,694,000
Checking deposits	1,465,286	2,440,582	2,591,854
Inward remittance	305,447	52,016	661,388
	$ 412,572,356	$ 398,286,010	$ 425,823,939

30. BONDS PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Corporate bonds payable	$ 27,800,000	$ 23,800,000	$ 23,800,000
Bank debentures payable	10,450,000	7,350,000	1,000,000
	$ 38,250,000	$ 31,150,000	$ 24,800,000

Corporate Bonds Payable

Name	September 30, 2019	December 31, 2018	September 30, 2018	Issuance Period	Method of Paying Principle and Interests	Interest Rate
1st corporate bonds in 2011 - the Corporation	$ -	$ 1,000,000	$ 1,000,000	Bond B 2012.03.07-2019.03.07	Interest payable annually; principal due on maturity	Bond B 1.42%
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	6,000,000	2015.03.30-2020.03.30	Interest payable annually; principal due on maturity	1.42%
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2,000,000	2015.09.15-2020.09.15	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2017 - the Corporation	10,000,000	10,000,000	10,000,000	Bond A 2017.09.08-2024.09.08 Bond B 2017.09.08-2027.09.08 Bond C 2017.09.08-2032.09.08	Interest payable annually; principal due on maturity	Bond A 1.75% Bond B 1.90% Bond C 2.10%
1st corporate bonds in 2019 - the Corporation	5,000,000	-	-	Bond A 2019.08.08-2026.08.08 Bond B 2019.08.08-2119.08.08	Interest payable annually; principal due on maturity	Bond A 0.88% Bond B 1.00%
1st corporate bonds in 2015 - KGI Securities	4,800,000	4,800,000	4,800,000	Bond A 2015.06.08-2018.06.08 Bond B 2015.06.08-2020.06.08	Interest payable annually; principal due on maturity	Bond A 1.20% Bond B 1.42%
Net amount	$ 27,800,000	$ 23,800,000	$ 23,800,000			
Fair value	$ 28,171,424	$ 24,225,699	$ 24,356,224			

Bank Debentures Payable

Name	September 30, 2019	December 31, 2018	September 30, 2018	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P06 KGIB 1	$ 1,000,000	$ 1,000,000	$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.90%
P07 KGIB 1	3,000,000	3,000,000	-	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	-	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08 KGIB 1	3,100,000	-	-	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.40%
	10,450,000	7,350,000	1,000,000			
Unamortized discount	-	-	-			
Net amount	$ 10,450,000	$ 7,350,000	$ 1,000,000			
Fair Value	$ 10,655,737	$ 7,360,509	$ 1,002,560			

Note: KGI Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in accordance with the requirements set by the competent authority. KGI Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

31. OTHER BORROWINGS

	September 30, 2019	December 31, 2018	September 30, 2018
Short-term credit borrowings	$ 10,041,135	$ 10,021,939	$ 9,341,670
Short-term secured borrowings	4,458,578	4,329,666	8,494,307
Note issuance facility	4,309,795	4,339,771	4,969,354
Long-term credit borrowings	29,582	126,685	194,828
	$ 18,839,090	$ 18,818,061	$ 23,000,159
Range of rate	0.61%-8.38%	0.72%-8.55%	0.65%-8.25%
Last maturity date	July 2021	July 2021	July 2021

32. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Insurance liabilities	$ 1,703,127,101	$ 1,552,528,196	$ 1,495,044,855
Foreign exchange valuation reserve	5,540,748	3,169,331	2,756,433
Provisions for employee benefits	945,987	1,040,517	982,331
Others	660,843	566,895	568,367
	$ 1,710,274,679	$ 1,557,304,939	$ 1,499,351,986

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at September 30, 2019, December 31, 2018 and September 30, 2018, China Life Insurance's movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Reserve for life insurance liabilities	$ 1,663,479,991	$ 1,513,115,547	$ 1,453,984,838
Unearned premium reserve	3,970,416	3,854,791	3,696,722
Reserve for claims	2,047,840	1,686,742	1,586,110
Special reserve	6,958,064	6,364,597	6,372,188
Premium deficiency reserve	7,069,728	7,504,145	8,081,280
Other reserve	19,601,062	20,002,374	21,323,717
	$ 1,703,127,101	$ 1,552,528,196	$ 1,495,044,855

a. Reserve for life insurance liabilities:

	September 30, 2019		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Life insurance	$ 1,307,042,411	$ 56,347,579	$ 1,363,389,990
Health insurance	130,049,150	-	130,049,150
Annuity insurance	686,390	167,417,178	168,103,568
Investment-linked insurance	1,783,621	-	1,783,621
	$ 1,439,561,572	$ 223,764,757	$ 1,663,326,329

Note: The total amount of liability reserve is $1,663,479,991 thousand on September 30, 2019 after reserve for life insurance-accrued paid is added.

	December 31, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Life insurance	$ 1,173,394,667	$ 56,735,343	$ 1,230,130,010
Health insurance	122,642,721	-	122,642,721
Annuity insurance	647,909	157,700,581	158,348,490
Investment-linked insurance	1,834,656	-	1,834,656
	$ 1,298,519,953	$ 214,435,924	$ 1,512,955,877

Note: The total amount of liability reserve is $1,513,115,547 thousand on December 31, 2018 after reserve for life insurance-accrued paid is added.

	September 30, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Life insurance	$ 1,116,910,127	$ 57,443,453	$ 1,174,353,580
Health insurance	119,492,569	-	119,492,569
Annuity insurance	645,638	157,549,234	158,194,872
Investment-linked insurance	1,842,082	-	1,842,082
	$ 1,238,890,416	$ 214,992,687	$ 1,453,883,103

Note: The total amount of liability reserve is $1,453,984,838 thousand on September 30, 2018 after reserve for life insurance-accrued paid is added.

Movement in reserve for life insurance liabilities is summarized below:

	For the Nine Months Ended September 30, 2019		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Beginning balance	$ 1,298,519,952	$ 214,435,925	$ 1,512,955,877
Reserve	189,968,705	22,395,951	212,634,656
Recover	(50,347,109)	(13,322,753)	(63,669,862)
Foreign exchange gains	1,418,780	255,634	1,674,414
Other (Note 1)	1,244	-	1,244
Ending balance (Note 2)	$ 1,439,561,572	$ 223,764,757	$ 1,663,326,329

Note 1: The amount of the acquisition of a partial traditional insurance policies of Allianz Life Insurance is based on the contract to cover the deficiency during the replenishment period.

Note 2: The total amount of liability reserve is $1,663,479,991 thousand on September 30, 2019 after reserve for life insurance-accrued paid is added.

	For the Nine Months Ended September 30, 2018		
	Insurance Contract	**Financial Instruments with Discretionary Participation Feature**	**Total**
Beginning balance	$ 1,048,113,729	$ 215,730,420	$ 1,263,844,149
Reserve	196,727,728	14,065,486	210,793,214
Recover	(37,978,403)	(15,412,244)	(53,390,647)
Foreign exchange gains	3,509,408	609,025	4,118,433
Other (Note 1)	28,517,954	-	28,517,954
Ending balance (Note 2)	$ 1,238,890,416	$ 214,992,687	$ 1,453,883,103

Note 1: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

Note 2: The total amount of liability reserve is $1,453,984,838 thousand on September 30, 2018 after reserve for life insurance-accrued paid is added.

b. Unearned premium reserve

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 980	$ -	$ 980
Individual injury insurance	1,230,180	-	1,230,180
Individual health insurance	1,854,726	-	1,854,726
Group insurance	824,221	-	824,221
Investment-linked insurance	60,195	-	60,195
Annuity insurance	-	114	114
	3,970,302	114	3,970,416
Less ceded unearned premium reserve			
Individual life insurance	15,724	-	15,724
Individual injury insurance	1,034	-	1,034
Individual health insurance	29,985	-	29,985
Group insurance	3,134	-	3,134
Investment-linked insurance	5,138	-	5,138
	55,015	-	55,015
Net amount	$ 3,915,287	$ 114	$ 3,915,401

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,160	$ -	$ 1,160
Individual injury insurance	1,237,170	-	1,237,170
Individual health insurance	2,011,560	-	2,011,560
Group insurance	555,939	-	555,939
Investment-linked insurance	48,909	-	48,909
Annuity insurance	-	53	53
	3,854,738	53	3,854,791
Less ceded unearned premium reserve			
Individual life insurance	10,712	-	10,712
Individual injury insurance	1,513	-	1,513
Individual health insurance	27,559	-	27,559
Group insurance	5,267	-	5,267
Investment-linked insurance	5,074	-	5,074
	50,125	-	50,125
Net amount	$ 3,804,613	$ 53	$ 3,804,666

	September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,075	$ 1	$ 1,076
Individual injury insurance	1,095,571	-	1,095,571
Individual health insurance	1,743,680	-	1,743,680
Group insurance	799,587	-	799,587
Investment-linked insurance	56,755	-	56,755
Annuity insurance	-	53	53
	3,696,668	54	3,696,722
Less ceded unearned premium reserve			
Individual life insurance	15,105	-	15,105
Individual injury insurance	976	-	976
Individual health insurance	27,306	-	27,306
Group insurance	2,606	-	2,606
Investment-linked insurance	5,008	-	5,008
	51,001	-	51,001
Net amount	$ 3,645,667	$ 54	$ 3,645,721

Movement in unearned premium reserve is summarized below:

	For the Nine Months Ended September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,854,738	$ 53	$ 3,854,791
Reserve	3,006,618	114	3,006,732
Recover	(2,891,054)	(53)	(2,891,107)
Foreign exchange gains	-	-	-
Ending balance	3,970,302	114	3,970,416
Less ceded unearned premium reserve			
Beginning balance	50,125	-	50,125
Increase	43,259	-	43,259
Decrease	(38,369)	-	(38,369)
Ending balance	55,015	-	55,015
Net amount	$ 3,915,287	$ 114	$ 3,915,401

	For the Nine Months Ended September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,384,833	$ 57	$ 3,384,890
Reserve	2,835,978	54	2,836,032
Recover	(2,560,345)	(57)	(2,560,402)
Foreign exchanges gains	1	-	1
Others (Note)	36,201	-	36,201
Ending balance	3,696,668	54	3,696,722
Less ceded unearned premium reserve			
Beginning balance	49,879	-	49,879
Increase	38,543	-	38,543
Decrease	(37,421)	-	(37,421)
Ending balance	51,001	-	51,001
Net amount	$ 3,645,667	$ 54	$ 3,645,721

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

c. Reserve for claims

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 222,575	$ 91,673	$ 314,248
Unreported claim	1,852	-	1,852
Individual injury insurance			
Reported but not paid claim	35,909	-	35,909
Unreported claim	371,963	-	371,963
Individual health insurance			
Reported but not paid claim	53,303	-	53,303
Unreported claim	663,814	-	663,814
Group insurance			
Reported but not paid claim	98,752	-	98,752
Unreported claim	426,406	-	426,406
Investment-linked insurance			
Reported but not paid claim	32,498	-	32,498
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	48,964	48,964
Unreported claim	-	131	131
	1,907,072	140,768	2,047,840

(Continued)

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Less ceded reserve for claims			
Individual life insurance	$ 19,250	-	$ 19,250
Individual injury insurance	-	-	-
Individual health insurance	2,903	-	2,903
Group insurance	7,800	-	7,800
	29,953	-	29,953
Net amount	$ 1,877,119	$ 140,768	$ 2,017,887

(Concluded)

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 260,846	$ 81,393	$ 342,239
Unreported claim	1,497	-	1,497
Individual injury insurance			
Reported but not paid claim	52,370	-	52,370
Unreported claim	207,078	-	207,078
Individual health insurance			
Reported but not paid claim	93,733	-	93,733
Unreported claim	508,774	-	508,774
Group insurance			
Reported but not paid claim	56,073	-	56,073
Unreported claim	397,937	-	397,937
Investment-linked insurance			
Reported but not paid claim	11,657	-	11,657
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	15,299	15,299
Unreported claim	-	85	85
	1,589,965	96,777	1,686,742
Less ceded reserve for claims			
Individual life insurance	5,654	-	5,654
Individual injury insurance	4,687	-	4,687
Individual health insurance	13,863	-	13,863
Group insurance	3,000	-	3,000
	27,204	-	27,204
Net amount	$ 1,562,761	$ 96,777	$ 1,659,538

	September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	$ 242,112	$ 79,169	$ 321,281
Unreported claim	520	-	520
Individual injury insurance			
Reported but not paid claim	63,251	-	63,251
Unreported claim	172,523	-	172,523
Individual health insurance			
Reported but not paid claim	95,344	-	95,344
Unreported claim	478,527	-	478,527
Group insurance			
Reported but not paid claim	83,053	-	83,053
Unreported claim	326,362	-	326,362
Investment-linked insurance			
Reported but not paid claim	7,550	-	7,550
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	37,648	37,648
Unreported claim	-	51	51
	1,469,242	116,868	1,586,110
Less ceded reserve for claims			
Individual life insurance	7,140	-	7,140
Individual injury insurance	10,383	-	10,383
Individual health insurance	4,377	-	4,377
Group insurance	1,332	-	1,332
	23,232	-	23,232
	$ 1,446,010	$ 116,868	$ 1,562,878

Movement in reserve for claims is summarized below:

	For the Nine Months Ended September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,589,965	$ 96,777	$ 1,686,742
Reserve	1,906,658	140,603	2,047,261
Recover	(1,589,965)	(96,777)	(1,686,742)
Gains (losses) on foreign exchange	414	165	579
Ending balance	1,907,072	140,768	2,047,840
Less ceded unearned premium reserve			
Beginning balance	27,204	-	27,204
Increase	29,953	-	29,953
Decrease	(27,204)	-	(27,204)
Ending balance	29,953	-	29,953
Net amount	$ 1,877,119	$ 140,768	$ 2,017,887

	For the Nine Months Ended September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,437,951	$ 106,826	$ 1,544,777
Reserve	1,469,625	117,078	1,586,703
Recover	(1,446,997)	(106,826)	(1,553,823)
Gains (losses) on foreign exchange	(383)	(210)	(593)
Other (Note)	9,046	-	9,046
Ending balance	1,469,242	116,868	1,586,110
Less ceded unearned premium reserve			
Beginning balance	12,484	-	12,484
Increase	23,232	-	23,232
Decrease	(12,484)	-	(12,484)
Ending balance	23,232	-	23,232
Net amount	$ 1,446,010	$ 116,868	$ 1,562,878

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

China Life Insurance's 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, such as, actual loss rate will lead to fluctuations of claims. The actuarial department will evaluate periodically to make reasonable estimate of claims reserve.

d. Special reserve

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,958,064	$ -	$ 6,958,064
Dividend risk reserve	-	-	-
	$ 6,958,064	$ -	$ 6,958,064

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,364,597	$ -	$ 6,364,597
Dividend risk reserve	-	-	-
	$ 6,364,597	$ -	$ 6,364,597

	September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	$ 6,372,188	$ -	$ 6,372,188
Dividend risk reserve	-	-	-
	$ 6,372,188	$ -	$ 6,372,188

Movement in special reserve is summarized below:

	For the Nine Months Ended September 30	
	2019	2018
	Insurance Contract	Insurance Contract
Beginning balance	$ 6,364,597	$ 6,259,742
Adjustment to IFRS 9	-	(6,676)
Adjusted beginning balance	6,364,597	6,253,066
Reserve for participating policy dividend revenue	2,314,329	1,976,188
Recover for participating policy dividend revenue	(1,733,386)	(1,720,408)
Gains (losses) on equity instruments from participating dividend policy measured at FVTOCI	12,524	(136,658)
Ending balance	$ 6,958,064	$ 6,372,188

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

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,578	$ -	$ 1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	-	539	539
	$ 6,398,564	$ 539	$ 6,399,103

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,578	$ -	$ 1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	-	539	539
	$ 6,398,564	$ 539	$ 6,399,103

	September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 1,893	$ -	$ 1,893
Individual injury insurance	846,176	-	846,176
Individual health insurance	2,286,647	-	2,286,647
Group insurance	2,857,669	-	2,857,669
Annuity insurance	-	593	593
	$ 5,992,385	$ 593	$ 5,992,978

f. Premium deficiency reserve

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 6,944,312	$ -	$ 6,944,312
Individual health insurance	125,416	-	125,416
	$ 7,069,728	$ -	$ 7,069,728

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 7,376,763	$ -	$ 7,376,763
Individual health insurance	127,382	-	127,382
	$ 7,504,145	$ -	$ 7,504,145

	September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 7,954,172	$ -	$ 7,954,172
Individual injury insurance	127,108	-	127,108
	$ 8,081,280	$ -	$ 8,081,280

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

Movement in premium deficiency reserve is summarized as below:

	For the Nine Months Ended September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 7,504,145	$ -	$ 7,504,145
Reserve	1,828,915	-	1,828,915
Recover	(2,271,624)	-	(2,271,624)
Gains (losses) on foreign exchange	8,292	-	8,292
Ending balance	$ 7,069,728	$ -	$ 7,069,728

	For the Nine Months Ended September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 9,164,460	$ -	$ 9,164,460
Reserve	975,663	-	975,663
Recover	(2,081,051)	-	(2,081,051)
Gains (losses) on foreign exchange	22,207	-	22,207
Others (Note)	1	-	1
Ending balance	$ 8,081,280	$ -	$ 8,081,280

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

g. Other reserve

	September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 19,601,062	$ -	$ 19,601,062

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 20,002,374	$ -	$ 20,002,374

	September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	$ 21,323,717	$ -	$ 21,323,717

Movement in other reserve is summarized as below:

	For the Nine Months Ended September 30, 2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 20,002,374	$ -	$ 20,002,374
Recover	(401,312)	-	(401,312)
Ending balance	$ 19,601,062	$ -	$ 19,601,062

	For the Nine Months Ended September 30, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ -	$ -	$ -
Recover	(307,392)	-	(307,392)
Others (Note)	21,631,109	-	21,631,109
Ending balance	$ 21,323,717	$ -	$ 21,323,717

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

h. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature		
	September 30, 2019	December 31, 2018	September 30, 2018
Reserve for life insurance liabilities	$ 1,663,326,329	$ 1,512,955,877	$ 1,453,883,103
Unearned premium reserve	3,970,416	3,854,791	3,696,722
Premium deficiency reserve	7,069,728	7,504,145	8,081,280
Special reserve	6,958,064	6,364,597	6,372,188
Other reserve	19,601,062	20,002,374	21,323,717
Book value of insurance liabilities	$ 1,700,925,599	$ 1,550,681,784	$ 1,493,357,010
Estimated present value of cash flows	$ 1,273,389,849	$ 1,256,360,366	$ 1,135,728,005
Balance of liability adequacy reserve	$ -	$ -	$ -

China Life Insurance's liability adequacy testing methodology is listed as follows:

	September 30, 2019
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2018), and discount rates were evaluated with consideration of current information.

	December 31, 2018 and September 30, 2018
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2017), and discount rates were evaluated with consideration of current information.

i. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ 3,169,331	$ 2,703,763
Reserve		
Compulsory reserve	1,330,311	807,985
Extra reserve	3,568,202	1,629,553
	4,898,513	2,437,538
Recover	(2,527,096)	(2,384,868)
Ending balance	$ 5,540,748	$ 2,756,433

3) Effects due to foreign exchange valuation reserve

Item	For the Nine Months Ended September 30, 2019		
	Inapplicable Amount	Applicable Amount	Effects
Net income	$ 14,847,321	$ 12,950,187	$ (1,897,134)
Earnings per share (dollar)	3.56	3.10	(0.46)
Foreign exchange valuation reserve	-	5,540,748	5,540,748
Equity	139,910,591	136,821,055	(3,089,536)

Item	For the Nine Months Ended September 30, 2018		
	Inapplicable Amount	Applicable Amount	Effects
Net income	$ 10,537,951	$ 10,495,815	$ (42,136)
Earnings per share (dollar)	2.63	2.62	(0.01)
Foreign exchange valuation reserve	-	2,756,433	2,756,433
Equity	91,843,913	90,981,829	(862,084)

33. RETIREMENT BENEFIT PLANS

The Group's retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017, and recognized respectively period.

The Group recognized its contributions under defined benefit plans as pension expenses (recognized as employee benefits) amounting to $7,000 thousand $9,134 thousand, $21,018 thousand and $27,670 thousand, respectively and recognized pension expenses (recognized as employee benefits) under defined contribution plans amounting to $153,171 thousand $151,244 thousand, $458,732 thousand and $456,495 thousand, respectively for the three and nine months ended September 30, 2019 and 2018.

34. OTHER FINANCIAL LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Separate-account product liabilities	$ 77,020,488	$ 63,501,665	$ 67,045,065
Principal received on structured products	28,881,447	26,253,350	24,204,151
Customers' equity accounts - futures	26,213,735	21,398,531	26,561,039
Others	386,439	385,853	383,720
	$ 132,502,109	$ 111,539,399	$ 118,193,975

35. EQUITY

a. Capital

Common stock

	September 30, 2019	December 31, 2018	September 30, 2018
Numbers of shares authorized (in thousands)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands)	14,966,322	14,963,356	14,960,417
Shares issued	$ 149,663,221	$ 149,633,560	$ 149,604,172

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
Arising from treasury stock transactions	$ 837,776	$ 1,449,472	$ 1,342,255
Share-based payments awards	88,047	86,798	90,089
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994	80,994
Others	-	13,728	12,751
	$ 1,006,817	$ 1,630,992	$ 1,526,089

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury share transactions and excess of consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Corporation's capital surplus and once a year.

The capital surplus from long-term investments may not be used for any purpose.

Under Order No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion comes from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, the surplus may be distributed as cash dividends or transferred to capital in the period of conversion, and the distribution is exempted from the appropriation restrictions of Article 41 of the Securities and Exchange Act and Article 8 of the Securities and Exchange Act Enforcement Rules.

c. Special revenue

According to Rule No. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, Grand Cathay and GCFC reclassified the default reserve and the trading loss reserve that had been set up until December 31, 2010 to special reserve. The Group also recognizes special revenue according to the percentage of holdings by the Group to subsidiaries directly and indirectly.

This special reserve should be used only to offset a deficit or when the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital or according to Rule No. 09900738571 issued by FSC, the Corporation reclassified the legal reserve which exceed paid-in capital, then reversed the surpass part to retained earnings in line with the approval of FSC.

Under a directive issued by the SFB, whenever the components of shareholders' equity which includes unrealized gains or losses on financial instruments and cumulative translation adjustment but not treasury stock have debit balances, a special reserve equal to the total debit balance should be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

When transitioning to IFRSs, the Group recognizes or reserves special revenue, under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Appropriation of earnings

To continually expand the Corporation's operations and increase its profitability as well as comply with the Corporation Act and relevant regulations, the Corporation adopts the residual dividend policy. The Corporation decides the conditions for time and amount of dividend allocation based on regulations and the Company's Articles of Incorporation. Taking the Corporation's business plan into account, the Corporation would pay dividends in the form of stock. In any case the cash dividends should not be less than 10% of total dividends distributed.

The board of director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years' accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year's net income, followed by a special reserve or reversal defined by laws and plus the earnings as dividends to shareholders. After the distribution of priority preferred share dividends in accordance with the regulations, the final remainder of distribution for bonus with 30% to 100% of distribution given the unappropriated earnings at the beginning of the period, as proposed by the board of directors and approved in the shareholders' meeting.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

On June 14, 2019, the board of the directors approved the earnings appropriation and capital surplus cash payment of 2018. On June 22, 2018, shareholders' meeting approved the resolution on the appropriations from the earnings of 2017, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT$)	
	2018	**2017**	**2018**	**2017**
Earnings appropriation				
Legal reserve	$ 785,269	$ 1,169,529		
Appropriation (reversal) of special reserve	10,232,858	(1,713,561)		
Cash dividends	3,666,666	8,974,377	$ 0.245	$ 0.600
Capital surplus cash payment				
Capital surplus	823,129	-	0.055	-

Related information can be accessed at the Market Observation Post System on website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	**2018**
Beginning balance	$ 64,330,223	$ 81,544,066
Effect of retrospective application and retrospective restatement	-	1,743,732
Attributable to non-controlling interests		
Share of profit for the period	6,828,806	5,611,020
Exchange differences on translation of foreign financial statements	4,317	9,633
Actual losses arising from defined benefit plans	-	(82)
Gain (loss) on equity instruments measured at FVTOCI	286,398	(1,806,379)
Gain (loss) on debt instrument measured at FVTOCI	20,008,749	(8,432,686)
Other comprehensive income (loss) reclassified using the overlay approach	7,663,944	(1,474,975)
Payment of cash dividends by subsidiaries	(61,257)	(1,993,320)
Changes in percentage of ownership interests in subsidiaries	6,220,092	-
Changes in non-controlling interests arising from paying dividends to subsidiaries	109,986	219,503
Others	93,807	88,708
Ending balance	$ 105,485,065	$ 75,509,220

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

Subsidiaries	The Main Place of Business	Non-controlling Interests Held by the Proportion of Equity		
		September 30, 2019	December 31, 2018	September 30, 2018
China Life Insurance Company Limited	Taipei	65.18%	65.04%	65.04%

	Net Income Attributed to Non-controlling Interests			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
China Life Insurance Company Limited	$ 3,019,886	$ 2,432,486	$ 6,784,048	$ 5,525,854

	Non-controlling Interests		
	September 30, 2019	December 31, 2018	September 30, 2018
China Life Insurance Company Limited	$ 101,850,196	$ 60,661,102	$ 71,852,886

The following aggregated financial information was prepared based on the amount before the intercompany transaction sales, and it has reflected the impact of the purchase method when the company acquired China Life Insurance Company Limited.

China Life Insurance Company Limited

	September 30, 2019	December 31, 2018	September 30, 2018
Total assets	$ 1,984,504,498	$ 1,734,540,477	$ 1,697,466,911
Total liabilities	1,829,250,496	1,642,279,604	1,587,998,921
Equity	$ 155,254,002	$ 92,260,873	$ 109,467,990
Equity attributable to:			
Owners of parent	$ 53,403,806	$ 31,599,771	$ 37,615,104
Non-controlling interest	101,850,196	60,661,102	71,852,886
	$ 155,254,002	$ 92,260,873	$ 109,467,990

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Revenue	$ 82,918,560	$ 91,151,319	$ 258,334,017	$ 245,995,135
Net profit for the period	$ 4,633,098	$ 3,739,894	$ 10,419,954	$ 8,495,877
Other comprehensive income	1,826,244	5,277,289	42,990,205	(17,990,603)
Total comprehensive income	$ 6,459,342	$ 9,017,183	$ 53,410,159	$ (9,494,726)
Net profit attributable to:				
Owners of parent	$ 1,613,212	$ 1,307,408	$ 3,635,906	$ 2,970,023
Non-controlling interest	3,019,886	2,432,486	6,784,048	5,525,854
	$ 4,633,098	$ 3,739,894	$ 10,419,954	$ 8,495,877
Comprehensive income attributable to:				
Owners of parent	$ 2,249,097	$ 3,152,264	$ 18,660,503	$ (3,319,204)
Non-controlling interest	4,210,245	5,864,919	34,749,656	(6,175,522)
	$ 6,459,342	$ 9,017,183	$ 53,410,159	$ (9,494,726)

	For the Nine Months Ended September 30	
	2019	2018
Cash flows		
From operating activities	$ 59,281,671	$ 67,877,964
From investing activities	(66,237,435)	(54,256,064)
From financing activities	9,159,534	(3,029,119)
Net increase in cash	$ 2,203,770	$ 10,592,781

37. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Period (In Thousands)	Share Increase During the Period (In Thousands)	Share Decrease During the Period (In Thousands)	Shares at End of the Period (In Thousands)
For the nine months ended September 30, 2019				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	443,531	-	31,304	412,227
For the nine months ended September 30, 2018				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	519,062	-	40,846	478,216

The Corporation’s shares held by subsidiaries are regarded as treasury stock. The Corporation’s shares held by KGI Securities, calculated at the Corporation’s stockholding percentage of book value on the completion day of acquisition were treated as treasury stock. The market prices of the shares were $1,999,349 thousand, $2,399,876 thousand and $3,210,078 thousand on September 30, 2019, December 31, 2018 and September 30, 2018, respectively. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to them. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. The Corporation’s shares held by China Life Insurance are also treated as treasury stock and recognized book value by the proportion of shares acquired on the purchase date of acquisition. The market prices of the shares were $1,809,631 thousand, $1,911,243 thousand and $2,241,581 thousand on September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

Under the Securities and Exchange Act, the Corporation should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Corporation should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and realized capital surplus arising from gains on disposal of properties and donated capital. The Corporation should not use treasury shares to secure any of its obligations and should not exercise any shareholders’ rights on those shares.

38. INTEREST PROFIT, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest revenues				
Securities	$ 14,284,508	$ 12,611,496	$ 41,587,746	$ 35,358,850
Discounts and loans	2,975,919	2,852,138	8,918,860	8,111,733
Margin loans and refinancing margin	355,835	488,417	1,053,072	1,540,668
Due from and call loans to banks	88,734	121,011	301,656	356,180
Others	742,659	720,319	2,281,949	1,870,540
	18,447,655	16,793,381	54,143,283	47,237,971
Interest expenses				
Deposits	1,234,943	1,170,705	3,940,573	3,097,674
Notes and bonds issued under repurchase agreements	667,823	464,423	1,862,673	1,221,019
Borrowing interest expense	146,211	125,712	305,284	316,647
Deposit from banks	125,864	111,266	352,657	336,095
Corporate bonds	101,378	98,165	289,923	318,712
Others	214,490	128,026	601,896	372,341
	2,490,709	2,098,297	7,353,006	5,662,488
Interest profit, net	$ 15,956,946	$ 14,695,084	$ 46,790,277	$ 41,575,483

39. SERVICE FEE AND COMMISSION, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Service fee revenue and commission income				
Brokerage	$ 2,078,123	$ 2,128,764	$ 5,912,642	$ 6,967,953
Commission income - insurance	250,942	237,730	740,209	711,929
Security lending	239,968	212,219	605,303	513,255
Trust	147,977	115,905	390,140	439,682
Others	488,216	498,660	1,630,159	1,502,191
	3,205,226	3,193,278	9,278,453	10,135,010
Service fee expense and commission expense				
Commission expense - insurance	2,747,386	2,965,702	8,931,280	8,427,243
Brokerage	331,073	322,234	981,600	933,876
Others	485,168	445,287	1,344,048	1,184,343
	3,563,627	3,733,223	11,256,928	10,545,462
Service fee and commission, net	$ (358,401)	$ (539,945)	$ (1,978,475)	$ (410,452)

40. INSURANCE BUSINESS, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Insurance business income				
Premium income	$ 61,589,646	$ 74,366,862	$ 199,991,759	$ 201,852,619
Reinsurance premium expense	(326,869)	(304,373)	(987,899)	(910,651)
Changes in unearned premium reserve	125,154	146,291	(110,735)	(274,508)
Retained earned premium	61,387,931	74,208,780	198,893,125	200,667,460
Separate-account insurance products revenues	1,213,416	1,052,538	7,508,175	4,512,848
	62,601,347	75,261,318	206,401,300	205,180,308
Insurance business expense				
Insurance claim payments	(23,286,564)	(22,559,712)	(75,703,707)	(64,744,252)
Claims recovered from reinsures	181,025	158,892	535,136	551,070
Retained claim payments	(23,105,539)	(22,400,820)	(75,168,571)	(64,193,182)
Brokerage expense	(3,770)	(2,270)	(8,569)	(5,726)
Disbursements toward industry stability fund	(117,041)	(111,565)	(324,673)	(353,815)
Changes in foreign exchange valuation reserve	(348,869)	313,913	(2,371,418)	(52,671)
Separate-account insurance products expenses	(1,213,416)	(1,052,538)	(7,508,175)	(4,512,848)
	(24,788,635)	(23,253,280)	(85,381,406)	(69,118,242)
Insurance business, net	$ 37,812,712	$ 52,008,038	$ 121,019,894	$ 136,062,066

41. GAIN (LOSS) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Stocks	$ (747,838)	$ 10,579,043	$ 14,640,925	$ 14,010,348
Derivatives	1,526,533	(2,835,594)	(13,599,623)	(20,955,815)
Mutual funds	3,411,640	(278,063)	12,216,592	1,051,469
Bonds	1,809,977	1,838,646	3,730,093	2,065,422
Operating securities	(114,427)	(1,017,865)	1,577,428	(690,905)
Others	753,124	799,052	4,644,209	(2,157,795)
	$ 6,639,009	$ 9,085,219	$ 23,209,624	$ (6,677,276)

For the three and nine months ended September 30, 2019 and 2018, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of $1,603,952 thousand $1,095,884 thousand, $4,583,113 thousand and $2,640,167 thousand, respectively, dividend income of $5,733,379 thousand $5,683,876 thousand, $8,200,329 thousand and $7,110,089 thousand, respectively and interest expense of $355,436 thousand $338,412 thousand, $1,054,475 thousand and $929,213 thousand, respectively.

42. REALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Gain on bond disposal	$ 1,243,600	$ (29,914)	$ 4,634,916	$ 1,808,814
Dividend income	681,506	359,553	805,683	516,898
	$ 1,925,106	$ 329,639	$ 5,440,599	$ 2,325,712

43. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Employee benefit expense				
Salaries and wages	$ 3,748,690	$ 3,286,457	$ 10,714,663	$ 9,927,100
Employee insurance	258,040	227,660	821,422	778,783
Pension	160,171	160,378	479,750	484,165
Others	235,861	242,745	800,423	741,821
	$ 4,402,762	$ 3,917,240	$ 12,816,258	$ 11,931,869
Depreciation and amortization expenses	$ 831,032	$ 606,079	$ 2,450,477	$ 1,812,664

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the nine months ended September 30, 2019 and 2018, the employees' compensation and the remuneration to directors and supervisors both were $107,713 thousand and $88,622 thousand, respectively.

The employees' compensation bonus of employees and remuneration to directors and supervisors for 2018 and 2017 which have been approved by the board of directors on March 25, 2019 and March 26, 2018, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2018 and 2017 were reported on the shareholders meeting on June 14, 2019 and June 22, 2018.

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation to employees	$ 80,000	$ 116,000
Remuneration of directors and supervisors	79,000	110,000

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

The information on the proposed and approved compensation to employees and directors and supervisor is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

44. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance on February 12, 2003, a financial holding company and its domestic subsidiaries holding over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings in accordance with Article 49 of Financial Holding Company Act and Article 40 of Business Mergers and Acquisitions Act. Thus, the Corporation adopted the linked-tax system for income tax filing with its eligible subsidiaries, income tax and unappropriated earnings tax filings.

The accounting treatment applied to linked-tax system for income tax filings is to adjust the difference between the consolidated current/deferred taxes and the individual current/deferred taxes of the Group, and allocate income tax expense/benefit to the Corporation and each subsidiary's pro rata; related amounts are recognized as current tax assets or current tax liabilities.

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current income tax				
Current period	$ 208,454	$ (175,675)	$ 772,472	$ 857,516
Prior years	(107,282)	(2,435)	(340,840)	(150,523)
	101,172	(178,110)	431,632	706,993
Deferred income tax				
Current period	1,142,958	1,017,536	1,862,680	1,001,866
Adjustment in tax rate	-	-	-	(696,409)
	1,142,958	1,017,536	1,862,680	305,457
Income tax expense recognized in profit or loss	$ 1,244,130	$ 839,426	$ 2,294,312	$ 1,012,450

In February 2018, the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax expense (benefit) recognized in other comprehensive income were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current income tax				
(Gain) loss on equity instruments at fair value through other comprehensive income	$ -	$ 12,312	$ -	$ 11,352
Deferred income tax				
Adjustment in tax rate	-	-	-	409,086
(Gain) loss on equity instruments at fair value through other comprehensive income	(469,583)	(36,863)	20,034	(789,091)
(Gain) loss on debt instruments at fair value through other comprehensive income	2,097,873	260,274	7,393,084	(2,885,676)
(Gain) loss on reclassification using the overlay approach	(298,763)	81,294	809,020	(1,028,756)
Income tax expense (benefit)	$ 1,329,527	$ 317,017	$ 8,222,138	$ (4,283,085)

c. Income tax expense (benefit) recognized in equity were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Current income tax (benefit)				
Disposal of equity instruments at fair value through other comprehensive income	$ (10,364)	$ 28,795	$ (8,608)	$ -
Income tax recognized in equity dividend policy	(1,503)	-	(1,503)	-
Deferred income tax (benefit)				
Gain (loss) on equity instruments at fair value through other comprehensive income	10,364	(28,795)	8,608	-
Deferred income tax related to tax losses and reversals	2,505	-	-	-
	$ 1,002	$ -	$ (1,503)	$ -

d. Income tax assessments

The Corporation's income tax returns through 2014 had been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corp. through 2017 had been examined by the tax authorities. Income tax returns of KGI Bank and formerly Wanyin Insurance Broker through 2014 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2013 had been examined by the tax authorities.

The income tax returns of KGI Securities for the years through 2014 had been examined by the tax authorities.

The income tax returns of KGI Securities Investment Advisory Co., Ltd., KGI Insurance Brokers Co., Ltd., KGI Venture Capital Co., Ltd., KGI Securities Investment Trust Co., Ltd., KGI Futures Co., Ltd. and KGI Information Technology Co., Ltd. for the year through 2017 had been examined by the tax authorities. Income tax returns of GSFC through 2016 had been examined by the tax authorities.

CDIB Capital Group's income tax returns through 2014 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Inc., through 2017 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2016 and as of 2014 had been examined by the tax authorities.

Income tax returns of China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., through 2017 had been examined by the tax authorities.

Capital Life Insurance's income tax returns through 2017 had been examined by the tax authorities.

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Basic EPS	$ 0.19	$ 0.17	$ 0.73	$ 0.59
Diluted EPS	$ 0.19	$ 0.17	$ 0.73	$ 0.59

The earnings and weighted average number of common shares outstanding in the computation of EPS were as follows:

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Earnings used in the computation of EPS	$ 2,817,458	$ 2,439,132	$ 10,618,901	$ 8,489,532

Weighted Average Number of Common Shares Outstanding (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Weighted average number of common shares outstanding in computation of basic EPS	14,553,542	14,476,590	14,542,540	14,471,816
Effect of dilutive potentially common shares:				
Employee share options	12,348	18,791	12,586	19,099
Restricted shares	388	2,010	624	2,538
Weighted average number of common shares outstanding in computation of diluted EPS	14,566,278	14,497,391	14,555,750	14,493,453

46. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

The Corporation acquired 100% of KGI Bank share through a share swap. In accordance with this contract, the Corporation granted options to replace KGI Bank's options granted in May and August 2011. Qualified employees of KGI Bank were granted 30,862 and 11,088 thousand options on conversion date. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 6.64 and 6.96 years and exercisable at certain percentages from now.

Besides, the Corporation granted 44,850 thousand employee stock options in October 2014. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 7 years and exercisable 2 years after the issuance date.

For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Nine Months Ended September 30			
	2019		2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	56,166	$ 7.54	64,118	$ 7.93
Options exercised	(2,966)	7.46	(4,244)	7.66
Options invalid	(600)	7.48	(720)	7.83
Balance at September 30	52,600	7.33	59,154	7.54
Options exercisable, end of period	44,822	7.34	39,734	7.55
Weighted-average remaining contractual life (years)	1.84		2.86	

The weighted-average share price at the date of exercise of share options from January 1 to September 30, 2019 and 2018 were $9.90 and $11.07, respectively.

Options granted on conversion date were priced using the trinomial trees model and the inputs to the model were as follows:

Grant-date share price	$9.54-$10
Exercise price	$7.68-$9.99
Expected volatility	14.94%-15.45%
Expected life	6.64-7 years
Expected dividend yield	1.50%
Risk-free interest rate	1.5647%-1.6283%
Early exercise of the multiplier	1.63

Expected volatility was based on the historical share price volatility over the past 1 year.

Compensation costs for the three and nine months ended September 30, 2019 and 2018 were $543 thousand, $1,462 thousand, $1,542 thousand and $5,239 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is $56,997 thousand in total, and $10 per face value totaled 5,700 thousand shares with issue price of $0 (free issuance) at February 9, 2015. Further, the board of directors made February 13, 2015 as the base-date for capital increase. Fair value on the payment day of the stock was $10.80.

The board of directors of the Corporation has decided to issue restricted shares plan which is $44,780 thousand in total, and $10 per face value totaled 4,478 thousand shares with issue price of $0 (free issuance) at February 1, 2016. Further, the board of directors made February 4, 2016 as the base-date for capital increase. Fair value on the payment day of the stock was $7.61.

The board of directors of the Corporation has decided to issue restricted shares plan which is $13,216 thousand in total, and $10 per face value totaled 1,322 thousand shares with issue price of $0 (free issuance) at January 19, 2017. Further, the board of directors made January 25, 2017 as the base-date for capital increase. Fair value on the payment day of the stock was $7.98.

The vesting portion of shares is summarized and managed year by year, and the vesting rate of the shares is 40%, 30% and 30% for 1-year, 2-year and 3-year respectively. Employees who have not met the vesting conditions cannot sell, pledge, transfer, donate, asking the Corporation to buy them back or in any other way dispose of these shares except inheritance. Besides, employees don't have preemptive rights when capital increase but do share the same rights of issued common stock (which includes but not confined to cash dividend, stock dividend, capital decrease, capital surplus cash (stock) or any rights that was originated from legal subject such as consolidation, split or stock-exchange which we called "allocated rights" thereafter). Allocated rights have to be in the trust before meeting the vesting conditions.

After the restricted shares are allocated to employees, the Corporation will retrieve and cancel the stocks with no reimbursement if the vesting conditions are not met. The Corporation will also retrieve the allocated rights at the rate of shares of vesting conditions not met divided by shares allocated, with no reimbursement. If it is stocks that are retrieved, they shall be cancelled in each year of the vesting period.

For the three and nine months ended September 30, 2019 and 2018, the Corporation recognized $263 thousand, $1,511 thousand, $1,075 thousand and $5,472 thousand as compensation cost.

47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 25, 2019, the Group subscribed for the additional new shares issued by of China Life Insurance at a percentage different from its existing ownership percentage, resulting in a reduction of its equity interests in China Life Insurance from 34.96% to 34.82%.

The above transactions were accounted for as equity transactions, since there is no change of the Group's control over China Life Insurance.

	China Life Insurance
Cash consideration received	$ 6,157,290
Changes in non-controlling interests	(6,235,645)
Reattribution of other equity to (from) non-controlling interests	
- exchange differences on translating the financial statements of foreign operations	23
- unrealized gain (loss) on financial assets at FVTOCI	11,727
- other comprehensive income reclassified using the overlay approach	5,322
Treasury shares	(7,299)
Capital surplus	216
Differences recognized from equity transactions	$ (68,366)
Line items adjusted for equity transactions	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ (67,394)
Retained earnings	(972)
	$ (68,366)

48. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

a. Related parties

Related Party	Relationship with the Group
Others	Other related parties

b. Significant transactions with related-parties

1) Cash in banks (recognized as cash and cash equivalents)

	Amount	%
December 31, 2018	$ 291,210	-
September 30, 2018	47,885	-

For the three and nine months ended September 30, 2019 and 2018, the interest revenues from cash in bank were $13 thousand, $10 thousand, $47 thousand and $159 thousand, respectively.

2) Due from banks (recognized as cash and cash equivalents)

	Amount	%
December 31, 2018	$ 200,611	-
September 30, 2018	278,141	-

For the three and nine months ended September 30, 2019 and 2018, the interest revenues from due from banks were all $0 thousand.

3) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	Amount	%
September 30, 2019	$ 11,949,541	2
December 31, 2018	6,032,510	2
September 30, 2018	3,148,647	1

4) Bank debentures (recognized as debt instruments measured at amortized cost)

	Amount	%
December 31, 2018	$ 2,571,674	-
September 30, 2018	2,539,673	-

For the three and nine months ended September 30, 2019 and 2018, the interest revenues from bank debentures were $0 thousand, $26,191 thousand, $49,257 thousand and $70,873 thousand, respectively.

5) Purchase and sale of bonds

		Purchase of Bonds		Sale of Bonds
For the nine months ended September 30, 2019				
Other related parties	$	49,636	$	739,213
For the nine months ended September 30, 2018				
Other related parties		1,227,536		1,583,289

6) Revenue receivable (recognized as receivables, net)

		Amount	%
September 30, 2019	$	146,295	-
December 31, 2018		123,303	-
September 30, 2018		20,738	-

7) Receivable on margin loans (recognized as receivables, net)

		Amount	%
September 30, 2019	$	12,078	-
December 31, 2018		15,935	-
September 30, 2018		18,066	-

8) Credit card receivable (recognized as receivables, net)

		Amount	%
September 30, 2019	$	19,184	-
December 31, 2018		22,433	-
September 30, 2018		20,608	-

9) Receivables from securities sale (recognized as receivables, net)

		Amount	%
December 31, 2018	$	459,512	-

10) Other receivables (recognized as receivables, net)

		Amount	%
September 30, 2019	$	34,498	-
December 31, 2018		40,374	-
September 30, 2018		14,288	-

11) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
September 30, 2019	$ 1,083,757	-	1.54-5.99
December 31, 2018	1,150,686	-	1.54-15.00
September 30, 2018	1,067,933	-	1.54-15.00

For the three and nine months ended September 30, 2019 and 2018, the interest revenues from discounts and loans were $4,344 thousand, $4,027 thousand, $13,063 thousand and $12,254 thousand, respectively.

For the Nine Months Ended September 30, 2019

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	36	$ 33,565	$ 18,290	$ 18,290	$ -	None	Yes
Residential mortgage loans	84	1,313,225	1,050,934	1,050,934	-	Real estate	Yes
Others	7	15,419	14,533	14,533	-	Real estate	Yes

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	40	$ 34,371	$ 21,486	$ 21,486	$ -	None	Yes
Residential mortgage loans	85	1,399,026	1,123,527	1,123,527	-	Real estate	Yes
Others	12	19,712	5,673	5,673	-	Real estate	Yes

For the Nine Months Ended September 30, 2018

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	39	$ 31,151	$ 19,609	$ 19,609	$ -	None	Yes
Residential mortgage loans	79	1,286,577	1,039,815	1,039,815	-	Real estate	Yes
Others	10	15,094	8,509	8,509	-	Real estate	Yes

China Life Insurance

	Amount	%
September 30, 2019	$ 12,672	-
December 31, 2018	4,134	-
September 30, 2018	1,585	-

12) Capital increase by cash of China Life Insurance

	For the Nine Months Ended September 30
	Amount
2019	
Other related parties	$ 139,531

13) Prepaid subscriptions (recognized as other assets, net)

	Amount	%
September 30, 2019	$ 388,990	-

14) Call loans from banks (recognized as deposits from the Central Bank and financial institutions)

	December 31, 2018		September 30, 2018	
	Amount	%	Amount	%
Other related parties	$ 908,555	4	$ 7,666,120	26

For the three and nine months ended September 30, 2019 and 2018, the interest expenses from call loans from banks were $0 thousand, $21,978 thousand, $14,477 thousand and $28,428 thousand, respectively.

15) Notes and bonds issued under repurchase agreements

	Amount	%
September 30, 2019	$ 150,037	-

16) Guarantee price deposits received from securities borrowers (recognized as payables)

	Amount	%
December 31, 2018	$ 5,191	-
September 30, 2018	14,329	-

17) Deposits payable for securities financing (recognized as payables)

	Amount	%
December 31, 2018	$ 5,739	-
September 30, 2018	15,843	-

18) Other payables (recognized as payables)

	Amount	%
September 30, 2019	$ 30,205	-
December 31, 2018	21,006	-
September 30, 2018	23,783	-

19) Deposits and remittances

	Amount	%	Interest Rate (%)
September 30, 2019	$ 1,173,202	-	0-5.58
December 31, 2018	1,117,220	-	0-5.58
September 30, 2018	987,177	-	0-5.58

For the three and nine months ended September 30, 2019 and 2018, the interest expenses from deposits and remittances were $2,615 thousand, $2,137 thousand, $8,773 thousand and $6,416 thousand, respectively.

20) Short-term borrowings (recognized as other borrowings)

	Amount	%
September 30, 2018	$ 91,653	-

For the three and nine months ended September 30, 2019 and 2018, the interest expenses from short-term borrowings were $9 thousand, $3,782 thousand, $3,705 thousand and $7,561 thousand, respectively.

21) Premium income (recognized as net income from insurance operations)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Other related parties	$ 57,414	-	$ 191,386	-
2018				
Other related parties	98,425	-	217,425	-

22) Consulting service revenue (recognized as other noninterest profits and gains, net)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Other related parties	$ 141,126	29	$ 441,595	27
2018				
Other related parties	138,058	25	422,456	19

23) Donation (recognized as other general and administrative expense)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2019				
Other related parties	$ 10,000	1	$ 40,000	1
2018				
Other related parties	10,000	-	10,000	-

24) Gain (loss) on financial assets or liabilities measured at FVTPL-dividend income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	**%**	**Amount**	**%**
2019				
Other related parties	$ 54,023	1	$ 108,179	1
2018				
Other related parties	279	-	279	-

25) Outstanding derivative financial instruments

KGI Bank

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,320,368	$ 642,233	Financial assets at FVTPL	$ 150,929
					Financial liabilities at FVTPL	2,366

September 30, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,247,407	$ 968,271	Financial assets at FVTPL	$ 479,789
					Financial liabilities at FVTPL	5,188

China Life Insurance

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US$ 299,000	Financial assets at FVTPL	$ 14,352
		October 08, 2018 - February 14, 2019	US$ 295,000	Financial liabilities at FVTPL	17,414

September 30, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet Account	Balance Sheet Balance
Other related parties	Currency swap contracts	August 10, 2018 - November 23, 2018	US$ 449,000	Financial assets at FVTPL	$ 59,314
		July 09, 2018 - November 20, 2018	US$ 195,000	Financial liabilities at FVTPL	55,701

KGI Securities

	September 30, 2019
Structured products	
Other related parties	$ 30,133

26) Issuance of letters of guarantee by related parties due to business needs

	December 31, 2018	September 30, 2018
Other related parties	$ 540,000	$ 500,000

27) Compensation of key management personnel

	For the Three Months Ended September 30 2019	For the Three Months Ended September 30 2018	For the Nine Months Ended September 30 2019	For the Nine Months Ended September 30 2018
Salary and short-term benefits	$ 141,706	$ 139,490	$ 444,484	$ 413,802
Share-based payment	264	1,222	1,708	4,660
Post-employment benefits	804	728	2,219	2,174
	$ 142,774	$ 141,440	$ 448,411	$ 420,636

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by KGI Bank to any related party were fully secured, and the other terms of these credits were similar to those for third parties.

c. Related-party transactions were at costs or prices of at least NT$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

KGI Bank and subsidiaries

Related Party	Relationship with the KGI Bank and Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Due from banks (recognized as cash and cash equivalents)

	December 31, 2018		September 30, 2018	
	Amount	%	Amount	%
Other related parties	$ 200,611	3	$ 278,141	5

2) Futures contract (recognized as cash and cash equivalents and Financial assets at FVTPL)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 155,942	-	$ 464,124	1	$ 672,147	1

3) Bank debentures (recognized as debt instruments measured at amortized cost)

	December 31, 2018		September 30, 2018	
	Amount	%	Amount	%
Other related parties	$ 921,744	8	$ 916,286	8

4) Receivables from securities sale (recognized as receivables, net)

	September 30, 2018	
	Amount	%
Subsidiary of the parent company	$ 652,186	2

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2019		
Subsidiary of the parent company	$ 396,477	$ 712,331
For the nine months ended September 30, 2018		
Subsidiary of the parent company	3,431,410	1,261,147
Other related parties	877,050	-

6) Lease arrangements

		September 30, 2019
Lease Liabilities	Subsidiary of the parent company	$ 125,786

Determination of rental price above is similar with market price, and payment of rental fee is on a monthly/quarterly basis.

7) Call loans from other banks (recognized as deposits from the Central Bank and banks)

	December 31, 2018		September 30, 2018	
	Amount	%	Amount	%
Other related parties	$ 908,555	4	$ 7,666,120	28

8) Payable on parent (recognized as current tax liabilities)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Parent company	$ 572,729	100	$ 530,563	100	$ 496,115	100

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns.

9) Deposits and remittances

	Amount	%	Interest Rate (%)
September 30, 2019			
Parent company	$ 3,357,071	1	0-0.73
Subsidiary of the parent company	7,910,222	2	0-1.03
December 31, 2018			
Parent company	5,019,205	1	0-0.73
Subsidiary of the parent company	18,239,625	4	0-1.03
September 30, 2018			
Parent company	4,992,655	1	0-0.63
Subsidiary of the parent company	10,380,055	2	0-1.03

10) Service fee revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Subsidiary of the parent company	$ 84,970	18	$ 263,526	16
2018				
Subsidiary of the parent company	114,221	23	231,668	14

11) Outstanding derivative financial instrument

September 30, 2019

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019 - February 26, 2022	$ 180,000	$ 6,278	Financial assets at FVTPL	$ 6,278
	Asset swap - options	March 12, 2019 - February 11, 2022	180,000	(13,481)	Financial liabilities at FVTPL	13,481
	Interest rate swap contracts	November 04, 2016 - January 24, 2020	372,504	4,181	Financial assets at FVTPL	105
					Financial liabilities at FVTPL	468
	Currency swap contracts	March 27, 2019 - November 29, 2019	11,951,170	21,967	Financial assets at FVTPL	55,937
					Financial liabilities at FVTPL	33,970

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,320,368	$ 642,233	Financial assets at FVTPL	$ 150,929
					Financial liabilities at FVTPL	2,366
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 18, 2017 - February 01, 2020	602,120	(13,226)	Financial assets at FVTPL	2,740
					Financial liabilities at FVTPL	7,058
	Asset swap - options	January 18, 2017 - December 31, 2019	602,120	52,985	Financial liabilities at FVTPL	14,231
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	636,173	(101)	Financial assets at FVTPL	544
					Financial liabilities at FVTPL	4,544
	Currency swap contracts	July 19, 2018 - February 27, 2019	15,520,165	36,905	Financial assets at FVTPL	49,613
					Financial liabilities at FVTPL	12,709

September 30, 2018

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 07, 2047	$ 12,247,407	$ 968,271	Financial assets at FVTPL	$ 479,789
					Financial liabilities at FVTPL	5,188
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 18, 2017 - March 02, 2020	632,389	(6,815)	Financial assets at FVTPL	4,178
					Financial liabilities at FVTPL	2,085
	Asset swap - options	January 18, 2017 - February 14, 2020	632,389	34,311	Financial liabilities at FVTPL	32,906
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	632,406	(3,424)	Financial liabilities at FVTPL	7,323
	Currency swap contracts	July 05, 2018 - January 04, 2019	13,900,705	7,161	Financial assets at FVTPL	45,147
					Financial liabilities at FVTPL	37,985

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	December 31, 2018 Amount	%	September 30, 2018 Amount	%
Subsidiary of the parent company	$ 2,738,863	20	$ 4,377,653	26

2) Financial assets at fair value through profit and loss - current

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Open ended fund and money market instruments						
Other related parties	$ 577,862	1	$ 465,958	1	$ 385,401	1
Operating securities						
Other related parties	644,363	1	-	-	-	-

3) Financial assets at fair value through other comprehensive income - current

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Stocks						
Parent company	$ 1,999,349	9	$ 2,399,876	17	$ 3,210,078	25

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2019		
Subsidiary of the parent company	$ 3,164,523	$ 13,247,468
Other related parties	-	739,213
For the nine months ended September 30, 2018		
Subsidiary of the parent company	3,251,974	8,968,717
Other related parties	350,486	1,583,289

5) Guarantee deposits received in futures contracts

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Subsidiary of the parent company	$ 501,153	2	$ 919,916	4	$ 707,777	3

6) Amounts held for settlement (recognized as other current assets)

	September 30, 2019	
	Amount	**%**
Subsidiary of the parent company	$ 132,235	-

7) Restricted assets (recognized as other current assets)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,643,767	3	$ 1,202,572	3	$ 1,149,654	2

8) Notes and bonds issued under repurchase agreement

	September 30, 2019	
	Amount	%
Other related parties	$ 150,037	-

9) Customers' equity accounts - futures

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 155,741	1	$ 394,377	2	$ 561,933	2

10) Payables

	September 30, 2018	
	Amount	%
Subsidiary of the parent company	$ 653,824	1

11) Current tax liabilities

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Parent company	$ 701,499	81	$ 740,985	81	$ 614,702	72

12) Other operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Subsidiary of the parent company	$ 141,575	26	$ 380,602	29
2018				
Subsidiary of the parent company	142,978	52	297,234	51

13) Other operating expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Subsidiary of the parent company	$ 44,358	5	$ 136,410	5

14) Other income and loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2018				
Parent company	$ 169,551	24	$ 169,551	11

15) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	September 30, 2019	December 31, 2018	September 30, 2018
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 180,000	$ 602,120	$ 632,389

b) Asset swap options contracts - long option

	September 30, 2019	December 31, 2018	September 30, 2018
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 180,000	$ 602,120	$ 632,389

c) Interest rate swap contracts

	September 30, 2019	December 31, 2018	September 30, 2018
	Contract Amount (Principal)	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	$ 372,504	$ 636,173	$ 632,406

16) Issuance of letters of guarantee by related parties due to business needs

	December 31, 2018	September 30, 2018
Other related parties	$ 540,000	$ 500,000

CDIB Capital Group and subsidiaries

Related Party	Relationship with CDIB Capital Group and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 5,236,560	46	$ 6,566,990	39	$ 3,866,282	30

2) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss-current)

	September 30, 2019		December 31, 2018	
	Amount	%	Amount	%
Other related parties	$ 200,906	71	$ 150,215	65

3) Revenue receivable (recognized as other receivables)

	September 30, 2019	
	Amount	%
Other related parties	$ 101,660	13

4) Prepaid subscriptions (recognized as other current assets)

	September 30, 2019	
	Amount	%
Other related parties	$ 388,990	81

5) Sale of securities receivable (recognized as other receivables)

	December 31, 2018	
	Amount	%
Other related parties	$ 459,512	41

6) Receivables from parent (recognized as current tax assets)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Parent company	$ 211,214	93	$ 317,267	98	$ 312,656	97

The receivables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

7) Payables to parent (recognized as current tax liabilities)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Parent company	$ 544,001	78	$ 523,096	96	$ 398,923	94

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

8) Consulting service revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Other related parties	$ 50,502	32	$ 162,685	33
2018				
Other related parties	61,389	39	179,338	38

China Development Asset Management Corp.

Related Party	Relationship with the China Development Asset Management Corp. Group and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss - current)

	Amount	%
December 31, 2018	$ 150,187	100
September 30, 2018	100,018	65

China Life Insurance

Related Party	Relationship with the China Life Insurance
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Subsidiary of the parent company	$ 374,600	1	$ 6,719,483	16	$ 189,872	-
Other related parties	-	-	223,286	1	-	-

2) Receivables

	September 30, 2018	
	Amount	%
Subsidiary of the parent company	$ 1,161,840	5

3) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Other related parties	$ 10,445,955	3	$ 5,159,700	2	$ 2,483,150	1

4) Financial assets at fair value through other comprehensive income

	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Stocks						
Parent company	$ 5,197,207	1	$ 5,467,191	2	$ 6,412,138	2

5) Financial assets measured at amortized cost

	December 31, 2018		September 30, 2018	
	Amount	%	Amount	%
Other related parties	$ 1,649,930	-	$ 1,623,387	-

6) Investment balances appointed to related parties' discretionary investment

	September 30, 2019
Subsidiary of the parent company	$ 1,732,716

7) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the nine months ended September 30, 2019		
Subsidiary of the parent company	$ 12,850,481	$ 2,452,192
For the nine months ended September 30, 2018		
Subsidiary of the parent company	5,537,247	1,990,827

8) Service fee revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 45,347	16	$ 138,967	17

9) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Parent company	$ 168,740	3	$ 168,740	3
2018				
Parent company	337,481	7	337,481	7

10) Commission fee

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Amount	%	Amount	%
2019				
Subsidiary of the parent company	$ 242,122	8	$ 643,099	7
2018				
Subsidiary of the parent company	251,969	8	521,090	6

11) Outstanding derivative financial instrument

September 30, 2019

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	August 07, 2019 - November 29, 2019	US$ 110,000	Financial assets at FVTPL	$ 34,187
		March 27, 2019 - November 15, 2019	US$ 275,000	Financial liabilities at FVTPL	55,712

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 25, 2018 - February 27, 2019	US$ 250,000	Financial assets at FVTPL	$ 12,884
		July 05, 2018 - February 15, 2019	US$ 255,000	Financial liabilities at FVTPL	49,387
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US$ 299,000	Financial assets at FVTPL	14,352
		October 08, 2018 - February 14, 2019	US$ 295,000	Financial liabilities at FVTPL	17,414

September 30, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	August 16, 2018 - November 14, 2018	US$ 190,000	Financial assets at FVTPL	$ 38,115
		July 05, 2018 - January 04, 2019	US$ 265,000	Financial liabilities at FVTPL	44,854
Other related parties	Currency swap contracts	August 10, 2018 - November 23, 2018	US$ 449.000	Financial assets at FVTPL	59,314
		July 09, 2018 - November 20, 2018	US$ 195,000	Financial liabilities at FVTPL	55,701

49. PLEDGED ASSETS

The following assets have been (a) pledged to various financial institutions as guarantees and collaterals for short-term loans, commercial papers payable, long-term loans, and overdraft, (b) pledged with Taipei Exchange Securities Market for settlement reserve, (c) required by the Central Bank for day-term overdraft, (d) required by government for bidding of government bonds, (e) pledged as part of the requirements for filing a petition for tax reassessment, (f) pledged as operating guarantee, compensation reserve and wealth management compensation, (g) pledged as guarantee deposit for oversees bonds sold with repurchase agreement, and (h) derivative transactions security deposit.

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	$ 17,699,104	$ 16,198,186	$ 14,999,272
Other assets - operating guarantee deposits	8,131,780	7,438,483	7,437,924
Property and equipment, net	4,531,605	4,743,952	4,755,655

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable - installment accounts receivables and lease receivables	$ 2,451,589	$ 2,380,148	$ 2,275,787
Other financial assets - pledged time deposits	2,473,966	2,367,110	963,212
Financial assets at fair value through other comprehensive income - bonds and stocks	1,380,134	181,348	181,850
Other assets - guarantee deposit paid	1,337,299	1,502,485	10,968
Due from the Central Bank and call loans to financial institutions	-	-	2,500,000
Financial assets at fair value through profit or loss - bonds and stocks	564,984	203,177	203,050
Investment property, net	272,207	392,390	390,599
Other assets - competitive bid transactions guarantee	99,753	369,445	399,398
Checking accounts - restricted for agent's stock transfer purposes	47,645	51,074	53,795
Restricted assets - impound account	40,365	44,936	45,381

(Concluded)

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on September 30, 2019, December 31, 2018 and September 30, 2018 have been pledged.

50. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 54 and 56 were summarized as follows:

a. In April 2007, CDIB Capital Group and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB Capital Group suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US$11,978 thousand (NT$371,821 thousand based on the exchange rate of September 30, 2019) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of September 30, 2019. In addition, Morgan Stanley overlooked CDIB Capital Group's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB Capital Group reserves the right of legal proceedings in August 2010.

b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds which issued on November 7, 2007, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. On June 14, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to $133,308 thousand plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court.

c. Plaintiffs, Digital Imaging Solution Global Ltd. ("Digital") and Minda Consulting Ltd. ("Minda"), advocated that GT based on stock pledge generated from loans of HK$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda's approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals.

d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of $592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. CDIB Capital Management Corporation and Powercom Ltd. could not estimate the related possible loss because the case was currently pending with the Taipei District Court and the final outcome of the court is uncertain.

e. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In December 2012, a third party regards revoked a lawsuit claiming that KGI Bank fraudulently infringed upon the property rights of creditors (credit litigation amounted to $481,157 thousand) on Dun Nan building. On February 14, 2014, the Taipei District Court judged that KGI Bank lost the lawsuit and has to return the amount of $1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the original adjudication in favor of the third party was revoked by the court, which indicated KGI Bank on the second trial. The third party filed an appeal but the court rejected the third party's appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court. On November 9, 2018, the lawsuit is currently proceeded by The Supreme Court as of the day the Corporation's board of the directors approve the consolidated financial statements.

f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Except for extra services will be charged by professional rates, the basic framework, support service, IT application service, integration and transformation of server and so on are charged by the contract. In response to information age and to improve quality of service, KGI Bank keeps replacing its core system and other related systems. After that, KGI Bank will reduce its demand on the basic framework and IT application services mentioned before. The contract about related service scope, which was approved by the board of directors on August 21, 2018, came into effect on January 1, 2019. As of September 30, 2019, KGI Bank has to pay a total of $240,151 thousand in the future contract periods.

g. On December 16, 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2017 signed the first contract change protocol, modify the total amount of the contract is $5,623,913 thousand. As of September 30, 2019, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is $3,291,290 thousand and unpaid amount is $2,332,623 thousand.

51. SUBSEQUENT EVENTS

On May 29, 2019, Global Securities Finance Corporation approved to assigned their right of margin trading, short selling, and securities lending management to Yuanto Securities Co., Ltd. (GSFC) in shareholders' meeting. The transaction price were $15,000 thousand go with the price adjustment mechanism decided by both transaction parties, and the amount of related claims, collateral and rights as of the date of business assignment. The transaction was authorized by Fair Trade Commission on August 14, 2019 and the FSC on October 14, 2019, respectively. And the date of assignment was October 21, 2019. Global Securities Finance Corporation had received $10,500 thousand of down payment, which recognized as unearned receipt, in advance.

52. BUSINESS COMBINATIONS

Traditional Insurance Policies of Allianz Taiwan Life Insurance

China Life Insurance acquired a part of the asset and liability business of the traditional insurance policies of Allianz Taiwan Life Insurance at a consideration price of NT$1. The settlement date was May 18, 2018.

Assets acquired and liabilities assumed on the settlement date were as follows:

	Fair Value on Settlement Date
Financial assets (including cash and cash equivalents of $49,856,478)	$ 50,766,127
Financial liabilities	(2,569)
Insurance liabilities	(50,194,310)
Other liabilities	(357)
	$ 568,891

The bargain purchase gain due to the partial acquisition of the traditional insurance business of Allianz Taiwan Life Insurance was $568,891 thousand, which was generated by the acquisition consideration of $1 minus the fair value of the net identifiable assets of $568,891 thousand.

Had the acquisition happened on January 1, 2018, the pro forma net revenue and net income before tax of the Group for the nine months ended September 30, 2018 would have been $190,966,308 thousand and $15,447,225 thousand, respectively.

53. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, KGI BANK, KGI SECURITIES AND CHINA LIFE INSURANCE

Consolidated Profitability

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	0.91	0.78
	After income tax	0.81	0.73
Return on net worth	Before income tax	10.24	8.12
	After income tax	9.05	7.57
Profit margin		9.26	7.39

Profitability of CDFH

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	7.01	5.85
	After income tax	7.05	5.71
Return on net worth	Before income tax	8.13	6.83
	After income tax	8.23	6.71
Profit margin		93.03	89.24

Profitability of KGI Bank

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	0.72	0.64
	After income tax	0.56	0.51
Return on net worth	Before income tax	8.13	6.91
	After income tax	6.26	5.51
Profit margin		34.89	33.24

Profitability of KGI Securities

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	2.87	2.73
	After income tax	2.94	2.49
Return on net worth	Before income tax	9.51	8.81
	After income tax	9.75	8.01
Profit margin		58.73	44.51

Profitability of China Life Insurance

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	1.07	0.87
	After income tax	0.94	0.89
Return on net worth	Before income tax	18.72	14.23
	After income tax	16.45	14.56
Profit margin		4.97	4.24

54. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

1) Level 1 fair values are quoted prices in active markets for financial instruments.

2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.

3) Level 3 refers to inputs that are not based on observable market data.

b. Fair value

1) The fair value hierarchy of financial instruments were as follows:

September 30, 2019

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 134,615,605	$ 139,522	$ 5,969,360	$ 140,724,487
Bond investments	49,697,811	59,693,061	-	109,390,872
Others	137,203,354	22,141,234	13,156,820	172,501,408
Financial assets designated as at FVTPL	11,880,336	29,532,559	1,033,258	42,446,153
Financial assets at FVTOCI				
Stock investments	18,609,740	83,177	16,799,324	35,492,241
Bond investments	284,525,701	159,896,623	-	444,422,324
Others	-	64,561,878	-	64,561,878
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,756,346	36,940	-	3,793,286
Financial liabilities designated as at FVTPL	-	31,805,609	-	31,805,609
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	1,033,735	51,081,783	172,983	52,288,501
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	609,016	64,829,585	2,222,643	67,661,244
Financial liabilities designated as at FVTPL	-	5,748,982	-	5,748,982

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 111,453,828	$ 81,132	$ 6,918,536	$ 118,453,496
Bond investments	41,989,438	61,457,028	191,943	103,638,409
Others	47,323,015	15,470,248	11,033,980	73,827,243
Financial assets designated as at FVTPL	6,169,907	42,512,632	574,064	49,256,603
Financial assets at FVTOCI				
Stock investments	17,462,411	12,316	11,111,094	28,585,821
Bond investments	235,021,765	173,029,763	-	408,051,528
Others	-	48,698,585	-	48,698,585
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,091,924	1,649,405	-	4,741,329
Financial liabilities designated as at FVTPL	-	29,046,779	-	29,046,779
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	927,604	28,660,132	167,547	29,755,283
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	746,457	49,325,395	771,524	50,843,376
Financial liabilities designated as at FVTPL	-	3,155,241	-	3,155,241

September 30, 2018

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	$ 141,240,801	$ 419,394	$ 9,060,414	$ 150,720,609
Bond investments	47,241,576	54,643,463	585,632	102,470,671
Others	34,753,004	25,254,677	11,658,764	71,666,445
Financial assets designated as at FVTPL	5,510,787	32,840,724	594,866	38,946,377
Financial assets at FVTOCI				
Stock investments	14,510,059	13,208	12,480,933	27,004,200
Bond investments	228,679,730	152,957,186	-	381,636,916
Others	-	43,465,200	-	43,465,200
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	2,001,428	2,666,974	-	4,668,402
Financial liabilities designated as at FVTPL	-	28,139,686	-	28,139,686
Derivative financial instruments				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	988,470	39,111,741	208,450	40,308,661
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	694,140	64,442,373	803,619	65,940,132
Financial liabilities designated as at FVTPL	-	648,503	-	648,503

2) Evaluation technology at fair value

   For financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value is determined at quoted market prices. When market prices of the Group's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Group uses for fair value estimation is consistent with that generally used in the market; the basis of the theory are commonly recognized by the industry. The type of relevant methodology can roughly divided into analytical solution model (for example: Black-school model) and numerical method model (for example Monet Carlo simulation).

3) Reconciliation of fair value

   a) The limitation of valuation techniques and uncertain inputs

      Valuation techniques incorporate assumptions are dependent on the instrument type and available market data. However, certain model inputs may be less readily determinable from valuation techniques. In these circumstances, valuation model would adopt additional parameters and/or model assumptions such as model risk or Liquidity Risk and so on, to make fair value adjustment. According to our policies of Valuation management and relevant control procedure, the Corporation's management considers that Valuation adjustments are necessary and appropriate. To accept approaches and principles for the making the appropriate adjustments, all parameters and price information should be evaluated thoroughly and make reference from market situation.

   b) Credit risk valuation adjustments

      Credit risk valuation adjustments are classified into Credit value adjustments and Debit value adjustments, and definitions are the following:

      - The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.

      - The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

      The Group calculates their debit valuation adjustment on the basis of their international credit assessment and model and international accounting standard of a counterparty's probability of default (PD), which is subject to standard supervisory parameters, take loss given default (LGD) into consideration and multiplied by their estimates of the counterparty's exposure at default (EAD).

      The Group calculates the counterparty's EAD with OTC derivative's market to market value and the counterparty's LGD, which is 60 percent of EAD based on Taiwan Stock Exchange (TWSE) guidance.

      The Group takes Credit risk valuation adjustments for determining the fair value of financial instruments and reflect counterparty's credit risk and the Corporation's credit quality.

4) Transfer between the Level 1 and Level 2

	For the Nine Months Ended September 30, 2019		For the Nine Months Ended September 30, 2018	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVOCI - bond investments	$ 9,667,084	$ 5,263,626	$ 5,188,610	$ 14,928,473

Because of changes in market liquidity, evaluation sources applied by some NTD treasury bill will change. It makes the applicable level of bond's fair value change from level one into level two or level two into level one.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Nine Months Ended September 30, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	$ 18,312,006	$ 1,391,560	$ 4,015,325	$ -	$ (4,323,770)	$ (95,958)	$ 19,229,163
Financial assets designated as at FVTPL	574,064	92,095	367,464	-	(365)	-	1,033,258
Financial assets at FVTOCI	11,111,094	371,396	5,379,349	-	(62,515)	-	16,799,324

For the Nine Months Ended September 30, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	$ 20,739,321	$ 124,616	$ 2,549,264	$ -	$ (1,792,860)	$ (107,081)	$ 21,513,260
Financial assets designated as at FVTPL	457,036	34,826	165,292	-	(62,288)	-	594,866
Financial assets at FVTOCI	16,855,341	(4,309,308)	42,000	-	(107,100)	-	12,480,933

The movements of financial liabilities with Level 3 fair value were as follows:

For the Nine Months Ended September 30, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 771,524	$ 138,364	$ 1,528,246	$ -	$ (215,491)	$ -	$ 2,222,643

For the Nine Months Ended September 30, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	$ 449,041	$ (21,887)	$ 896,961	$ -	$ (520,496)	$ -	$ 803,619

The total gains or losses for the nine months ended September 30, 2019 and 2018 included a gain of $438,258 thousand and a gain of $1,869,654 thousand relating to assets and liabilities measured at fair value on Level 3 fair value measurement and held at the end of reporting date.

6) Quantitative information about significant unobservable inputs (Level 3)

KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at September 30, 2019	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	$ 357,200	Market approach, net asset method	P/B, P/E, Discount for lack of liquidity and control	1.26-7.17, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	171,237	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	170,812	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	$ 381,396	Market approach, net asset method	P/B, P/E, Discount for lack of liquidity and control	1.15-9.94, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	147,234	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	146,087	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	Fair Value at September 30, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	$ 375,391	Market approach, net asset method	P/B, P/E, Discount for lack of liquidity and control	1.15-14.21, 11%-29%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	194,568	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	192,973	HullWhite, Libor Market Model, discounted cash flow	Quality/Factor/ FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

KGI Securities and subsidiaries

The explanation of quantitative information about significant unobservable inputs in fair value measurement and sensitivity analysis significant unobservable inputs used by repetitive basis to fair value Level 3 financial asset of KGI Securities and subsidiaries were as follows:

September 30, 2019

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23.00%-26.00%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable

(Continued)

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	12.48%-47.15%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	0.57%-40.59%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	12.44%-55.37%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

(Concluded)

December 31, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23%-26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	24.93%-62.14%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.
Financial liabilities				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	2.18%-14.04%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	21.32%-47.70%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

September 30, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
Financial assets				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23%-26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	17.82%-77.58%	According to condition of contract, fair value of asset may be higher or lower.
Financial liabilities				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	1.76%-61.54%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	8.56%-51.75%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

History volatility used by martingale pricing technique in KGI Securities depends on moving weighted average method, and sampling period refer to maturity in initial contract; if maturity is less than 6 months, sampling period is between 20 to 180 days; if maturity is between 6 months to 12 months, sampling period is between 20 to 360 days; if maturity is more than 12 months, sampling period is between 20 to initial maturity days.

The recovery rate adopted by KGI Securities in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the recovery rate is set to be 0.25. KGI Securities set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

KGI Securities and subsidiaries adopts pricing model and pricing parameters cautiously, producing reasonable fair value measurement, however, different pricing model or parameters may lead to different outcome. To those financial assets and liabilities categorized into Level 3, effects of current period net income or loss affected by changes in pricing parameters were as follows:

September 30, 2019

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/Negative Change	Positive Impact	Negative Impact
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/ recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	$ 263	$ 250
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+ 25%/-25%	540	535
Financial liabilities				
Derivative instruments				
Structured products - options	Historical volatility	- 25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	- 25%/+25%	(1)	(1)

December 31, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/Negative Change	Positive Impact	Negative Impact
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/ recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	$ 359	$ 368
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+25%/-25%	2,173	1,997
Financial liabilities				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	(12)	(12)

September 30, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	**Positive/Negative Change**	**Positive Impact**	**Negative Impact**
Financial assets				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/ recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	$ 264	$ 264
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+25%/-25%	2,271	2,003
Financial liabilities				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	78	100
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	2,816	2,983

CDIB Capital Group and subsidiaries

Equity securities are classified fair value Level 3 financial asset by CDIB Capital Group and subsidiaries. Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at September 30, 2019	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 14,670,236	Market approach	P/B P/S Discount for lack of liquidity	0.76-2.44 0.44-5.40 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 10.06%-15.39% 3.25%-7.00%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity Non-controlling interest discount	23%-29% 11%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	34.29%-34.69%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 15,426,051	Market approach	P/B P/S Discount for lack of liquidity	0.66-2.06 0.31-9.44 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 10.33%-14.14% 3.00%-7.00%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity Non-controlling interest discount	23%-29% 11%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	39.05%-39.20%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at September 30, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	$ 18,646,315	Market approach	P/B P/S Discount for lack of liquidity	0.75-1.81 0.42-10.70 23%-29%	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity WACC Growth rate	23%-29% 10.59%-12.45% 3%-7%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
		Net asset adjustment method	Discount for lack of liquidity Non-controlling interest discount	23%-29% 11%	When the higher the discount for lack of liquidity, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	35.59%-39.75%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

China Life Insurance

Equity securities are classified into fair value Level 3 financial asset by China Life Insurance. Quantitative information about the significant unobservable input was set out below:

	September 30, 2019			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
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 rate	6.03%	The higher the cost of capital rate, 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%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.

	December 31, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Options	Volatility in stock price for the 90-day period	35.139%	The higher the volatility in stock price for the 90-day period, the higher the estimated fair value.
	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 rate	6.18%	The higher the cost of capital rate, 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%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.

	September 30, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
Financial assets				
Financial assets at fair value through profit or loss	Options	Volatility in stock price for the 90-day period	22.777%	The higher the volatility in stock price for the 90-day period, the higher the fair value of convertible bonds.
	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 rate	6.36%	The higher the cost of capital rate, 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%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

7) Pricing process of Level 3 fair value

KGI Bank and subsidiaries

KGI Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

KGI Securities and subsidiaries

When KGI Securities has those derivatives that their fair value are hard to reach or they are categorized as derivative financial assets with no active market, reasonability of fair value of those financial assets are assessed by related department according to the Guidelines of Asset Valuation Operation set by KGI Securities, and the outcomes of the valuation will be recorded in the book by treasury department.

CDIB Capital Group and subsidiaries

The valuation method and parameters adopted by CDIB Capital Group and subsidiaries conform to the general market practice which the theoretical basis is generally identified by the industry. Besides, the department exams and adjusts inputs that pricing model needed periodically to insure outcomes are reasonable.

China Life Insurance

China Life Insurance 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. China Life Insurance analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to China Life Insurance's accounting policies at each reporting date.

c. Fair value of financial instruments not carried at fair value

Assets and liabilities measured at cost, excluding debt investments measured at amortized cost, guarantee deposits paid, bank debentures payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

Fair value of bonds payable with quoted price in an active market are evaluated using the market price; bonds payable with no quoted prices in an active market are estimated by valuation methods or the opponent's price.

55. INFORMATION OF INSURANCE CONTRACTS

a. 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 China Life Insurance's overall risk appetite and risk tolerance, review and approve China Life Insurance'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 report to risk management committee and made the final approval by the board of directors. Besides the risk management committee, China Life Insurance set up an assets and liabilities risk management team to strengthen the risk management organization and structure.

In addition, China Life Insurance establishes the risk management department independent to the business units, which is responsible for the implementation of various risk management measures and the fulfillment of each risk management system, including monitoring the daily risks, measuring and evaluating related issues, assisting the board to develop Company's risk appetite, executing the risk management policies 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 China Life Insurance's risk management policy.

2) Risk management policies, procedures and methods:

According to risk management policies, China Life Insurance 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 Risk Management Policy”, approved by the board of directors, China Life Insurance follows the principle of centralized management and specialization, and assigns responsible risk management department to manage various risks, including market, credit, operation, liquidity, underwriting, claim resew, insurance product development and pricing, asset-liability management, reinsurance and catastrophe risk based on the sources of risk. In addition, China Life Insurance 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. China Life Insurance 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. China Life Insurance sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows China Life Insurance to form, implement, monitor and correct related strategies within the tolerable range and achieves China Life Insurance’s predetermined financial goals. The contents include the following items:

a) Risk identification related to matching of assets and liabilities.
b) Risk measurement related to matching of assets and liabilities.
c) Risk responses related to matching of assets and liabilities.

b. 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 China Life Insurance as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by China Life Insurance, 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 China Life Insurance 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 September 30, 2019, 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 China Life Insurance's insurance liability inadequate.

2) Interpretation for concentration of insurance risks

a) China Life Insurance's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. China Life Insurance 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 32 for concentration of risk before and after the reinsurance for China Life Insurance.

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

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
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	$ 2,802,952	
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	2,941,834		
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	3,145,367			
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	3,354,412				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,055,906					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,054,694						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,308,327							
2015	3,530,448	4,420,482	4,498,438	4,510,113	4,515,428								
2016	3,721,820	4,648,280	4,743,133	4,755,331									
2017	4,320,234	5,400,952	5,513,693										
2018	4,775,948	5,884,331											
2019	3,596,308												$ 1,500,926

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims	423,384
Claim reserve for discount on no claim	123,530
Reserve for claims balance	$ 2,047,840

b) Retained business loss development trend

Accident Year	Development Year												Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	
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	$ 2,739,491	
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	2,875,229		
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	3,074,153			
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	3,278,466				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,986,718					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,985,533						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,210,783							
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,413,195								
2016	3,657,093	4,560,257	4,647,033	4,647,723									
2017	4,244,930	5,298,470	5,401,352										
2018	4,692,869	5,772,319											
2019	3,533,460												$ 1,493,126

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims	401,231
Claim reserve for discount on no claim	123,530
Reserve for claims balance	$ 2,017,887

China Life Insurance 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. China Life Insurance 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 China Life Insurance, the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing China Life Insurance to be exposed to the risk of financial loss. If China Life Insurance 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.

China Life Insurance'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, China Life Insurance decides to deal with reinsurance companies that have good credits. China Life Insurance sets related selection standard, makes regular assessment and monitors the reinsurers' financial business condition, credit status and rating. Also, it will adjust the business scope and scale based on the circumstances to prevent from over concentration of credit risk.

5) Liquidity risk:

As at September 30, 2019, December 31, 2018 and September 30, 2018, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
September 30, 2019					
Insurance liabilities of investment contracts with discretionary participation features	$ (52,955,977)	$ 67,592,280	$ 151,387,797	$ 621,362,500	$ 3,553,624,308
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
December 31, 2018					
Insurance liabilities of investment contracts with discretionary participation features	(33,630,030)	39,944,163	129,971,782	558,939,147	3,349,786,380
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
September 30, 2018					
Insurance liabilities of investment contracts with discretionary participation features	(27,083,173)	35,945,017	115,395,800	536,929,171	3,278,614,663
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note 1: This table estimates net cash flow of all related insurance liabilities at it starting point.

Note 2: The actual maturity date will change according to the exercise of termination right by the policyholders.

Note 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.

6) Market risk:

Pursuant to the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", when China Life Insurance 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 China Life Insurance'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.

56. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

The Corporation has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including business, operational and liquidity risks.

The Corporation has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. The Corporation also has a risk management department to plan and manage the risk management system, supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

KGI Bank and subsidiaries

KGI Bank has planned a proper risk management system regarding market risk, credit risk, and operating risk related to the operation of company as a basis of following risk management procedures.

KGI Bank also planned the mechanism of analysis, monitoring, and report related to overall risk management. Further, it reports to senior management, and committee or board of directors with risk management function; KGI bank keeps related information updated in response to the actual risks encountering significant changes in macroeconomics or financial market to monitor and response effectively.

KGI Bank's risk management not only focuses on individual department but consider the comprehensive effects from an overall corporation perspective.

KGI Bank undertakes risk identification with consistent asset portfolio classification as well as correlation between each other, and establishes a consistent measure according to the different types of exposure.

KGI Bank's risk management divisions are as follows:

1) Board of directors

   The KGI Bank's board of director supervise the establishment of risk management structure and culture, ensures efficiency of operation in risk management, reviews important risk control report and bear the ultimate responsibility of risk management.

2) Risk management committee

   KGI Bank has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues.

3) Business and management departments

   The department is responsible for ensuring compliance of risk management regulations while conducting the operations to practice the control of daily risk.

4) Risk management department

   KGI Bank establishes a risk management department which is independent from operating departments to take charge of planning and managing of risk management system and to provide overall risk management information to senior management and the board of directors.

5) Internal audit department

   The department takes charge of establishment of all risk mechanisms and audit the compliance and implementation of mechanism.

Risk management is a joint duty to all KGI Bank's department including business, legal, compliance of law, finance, accounting, administration, operating, audit departments and so on, should all practice it actively, and through coordination of intra-departments to carry out the overall risk management.

<u>KGI Securities and subsidiaries</u>

1) Financial risk management objectives

   The KGI Securities' Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of KGI Securities and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, KGI Securities uses risk appetite as a base according to venture capital allocation. While setting risk appetite, KGI Securities takes the amount of liquid capital and financial and operational goal into consideration.

2) Risk management organization

   KGI Securities' risk management organization framework, which monitors, plans, and executes related risk management affairs, includes board of directors, risk management department, business department and other related departments. KGI Securities' business departments and back offices should comply with risk management regulations and reports all anomalies and their effects to Risk Management Committee (RMC) and Investment Review Committee (IRC) in time. Risk management organizations' functions and responsibilities are as follows:

The board of directors is the highest decisive department in KGI Securities, and it also bears ultimate responsibility while monitoring the execution of overall risk management system.

Functions and responsibilities of committees: RMS executes risk management decisions made by board of directors, which include reviewing KGI Securities' every department's risk-based, capital allocation, risk-based limit and their management system, reviewing guidelines regarding risk management, and inspecting related countermeasures according to risk reports submitted by departments; IRC examines underwriting of securities, assisting of business projects and non-subsidiary investments; and Merchandise Review Committee (MRC) sets up the reviewing system of KGI Securities' for sale of commodities, trusted investment and management of new business and financial instruments.

Business department is responsible for setting risk management systems, managing and reporting daily risks which belong to its department and executing internal controls effectively which correspond to the government regulations and risk management policies.

Risk management department's functions and responsibilities are ensuring the execution of policies approved by board of directors, making risk management rules and guidelines, controlling the measuring, monitoring and evaluating of daily risk, producing periodic (daily, weekly or monthly) risk management reports and submitting them to management, and developing or assisting the exploitation and maintenance of risk management information system.

Legal affair department's functions and responsibilities are providing legal consultations, drafting, reviewing and taking custody of major contracts and monitoring litigation and non-litigation cases.

Legal compliance department's functions and responsibilities are conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible to make sure that all operations and management guidelines are updated accordingly as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department is responsible for KGI Securities' dispatching and usage of capital, setting up and maintaining finance credits with financial institution, lowering capital costs and managing liquidity risks.

Internal audit department's function and responsibilities are auditing execution of regulations and business operations, proposing amendments in time, and tracing improving progresses after reporting defects and anomalies to the board of directors.

Finance department, settlement department, information department and other related department should understand the risk facing in its industry thoroughly on the basis of risk management related regulations, take necessary risk control measures into consideration while setting up operating management guidelines to assist in completing the whole cooperation's various risk management tasks, and monitor transaction processes regarding valuation, confirmation of price information, preparation of income statement, processing and confirming of transaction, settling, verifying of accounts, asset control, information safety and maintenance of information.

3) Risk management system

KGI Securities has planned proper risk management system regarding market risk, credit risk, operating risk, liquidity risk, legal risk and other risks related to the operation of company as a basis of following risk management procedures.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for advices and opinions, and it will be conducted following the Corporation's established guidelines and related standards.

4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. The evaluation and strategies of important risk are explained as follows:

a) Market risk

KGI Securities restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restraint risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

KGI Securities implemented the MSCI Risk Manager, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce venture capital allocation.

To establish reliability of value at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to help the management understand the risk tolerance level of KGI Securities.

b) Credit risk

The risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the firms, single credit valuation level. Also, set different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine KGI Securities' credit risk exposure and the use of various credit risk limitation amount.

KGI Securities sets proper credit limits by considering capital risk, KGI Securities' net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the traits of transactions, and the characters of instruments, etc. KGI Securities would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

c) Liquidity risk

The liquidity risk could be divided into two categories: Market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of KGI Securities and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, KGI Securities established fund-flow simulation analysis mechanism according to the anticipation of the future cash need and the fund transferring ability of KGI Securities made by fund transfer unit. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

d) Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

The operation risk of each unit's business is examined and controlled by relative back desk unit such as clearing unit and the information department. In addition to the compliance of law and regulation, the internal audit department would implement examination by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

5) Risk hedge and mitigation strategy

KGI Securities had decided regulations to manage to engage in hedging and risk mitigation measures in all operations based on KGI Securities' capital scale and risk tolerance. Such measures include: Risk acceptance, risk adverse, risk transfer and risk control. Reasonable risk avoidance mechanisms can effectively limit a company's risk within a pre-approved range. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes previously approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

<u>CDIB Capital Group and subsidiaries</u>

CDIB Capital Group has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies.

CDIB Capital Group has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB Capital Group also has a risk management department to plan and manage the risk management system and provide related information to the management and the board of directors.

<u>China Life Insurance</u>

China Life Insurance's financial risk management objectives are primarily managing risks arising from holding financial assets. According to China Life Insurance's risk management policies, the main financial risks is market risk, credit risk and liquidity risk. China Life Insurance 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.

b. Credit risk

<u>KGI Bank and subsidiaries</u>

1) Definition and source of credit risk

Credit risk is the risk of financial loss to KGI Bank if a creditor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including loans, call loans to banks, banking book securities investment, financial derivatives, repurchase agreement transactions and other operating activities.

2) Credit risk management policy

KGI Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. KGI Bank also adjusts the credit risk structure accordingly so that credit portfolios are within KGI Bank's risk appetite. Further, KGI Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to alleviate shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, KGI Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their backgrounds accurately and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level. The credit authorities approve credits in accordance with KGI Bank's credit limit structure and authorization policies. KGI Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of KGI Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of KGI Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For delinquent loans, KGI Bank uses the concentration management method, together with information systems and analysis models, to conduct regular loan reviews for the enhanced management of overdue loans and expedite the collection of nonperforming loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to risk management committee and board of directors.

3) Mitigation of risks or hedging of credit risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within KGI Bank's tolerance range.

If clients are found to have bad credit features, KGI Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating KGI Bank's credit risk. In addition, KGI Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

Without taking into account irrevocable collateral or other credit enhancements and maximum exposure of unused amount for unused revolving credit without credit card and cash card, the maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; the maximum exposure of credit risk from off-balance sheet financial instruments was as follows:

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Irrevocable loan commitments, guarantees and letters of credit	$ 48,230,666	$ 37,251,576	$ 37,838,304

KGI Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

KGI Bank and subsidiaries' book values of maximum exposure credit risk for major credit assets were as follows:

	Discounts and Loans – September 30, 2019					
			Stage 3			
	Stage 1 – 12-month Expected Credit Losses	**Stage 2 – Lifetime Expected Credit Losses**	**Lifetime Expected Credit Losses**	**Purchased or Originated Credit-impaired Financial Asset**	**The Adjustment under the Recognition/ Discount**	**Total**
Short-term loans	$ 57,324,549	$ 896,555	$ 754,461	$ -		$ 58,975,565
Short-term secured loans	20,259,744	324	13,463	-		20,273,531
Medium-term loans	136,941,911	159,055	344,635	-		137,445,601
Medium-term secured loans	67,720,508	93,602	34,534	-		67,848,644
Long-term loans	1,461,056	243,803	469,230	-		2,174,089
Long-term secured loans	69,788,233	112,484	990,103	338,284		71,229,104
Loans reclassified to nonperforming loans	-	-	360,273	-		360,273
Export negotiations	96,130	-	-	-		96,130
Total book values	353,592,131	1,505,823	2,966,699	338,284		358,402,937
Impairment allowance	(1,550,124)	(152,133)	(485,598)	-		(2,187,855)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,366,178)	(2,366,178)
Adjusting for discounts and loans premium					(124,027)	(124,027)
	$ 352,042,007	$ 1,353,690	$ 2,481,101	$ 338,284	$ (2,490,205)	$ 353,724,877

	Receivables September 30, 2019					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card business	$ 2,825,153	$ 188,912	$ 102,407	$ -		$ 3,116,472
Accounts receivable - forfaiting	5,387,601	-	-	-		5,387,601
Accounts receivable factoring without recourse	7,456,342	44	316	-		7,456,702
Acceptances	236,717	-	-	-		236,717
Installment accounts and lease receivables	3,639,694	62,089	67,864	-		3,769,647
Total book value	19,545,507	251,045	170,587	-		19,967,139
Impairment allowance	(51,801)	(35,889)	(52,557)	-		(140,247)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (155,230)	(155,230)
	$ 19,493,706	$ 215,156	$ 118,030	$ -	$ (155,230)	$ 19,671,662

	Discounts and Loans December 31, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Recognition/ Discount	Total
Short-term loans	$ 59,431,415	$ 1,121,576	$ 614,463	$ -		$ 61,167,454
Short-term secured loans	20,978,083	2,600	4,797	-		20,985,480
Medium-term loans	135,657,957	192,409	361,245	-		136,211,611
Medium-term secured loans	55,203,609	62,808	11,912	-		55,278,329
Long-term loans	929,979	277,446	402,542	-		1,609,967
Long-term secured loans	63,377,413	96,527	1,010,702	-		64,484,642
Loans reclassified to nonperforming loans	-	-	420,512	-		420,512
Export negotiations	56,079	-	-	-		56,079
Total book values	335,634,535	1,753,366	2,826,173	-		340,214,074
Impairment allowance	(1,415,427)	(102,703)	(495,451)	-		(2,013,581)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,320,761)	(2,320,761)
Adjusting for discounts and loans premium					(128,300)	(128,300)
	$ 334,219,108	$ 1,650,663	$ 2,330,722	$ -	$ (2,449,061)	$ 335,751,432

	Receivables December 31, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card business	$ 2,449,428	$ 196,501	$ 91,043	$ -		$ 2,736,972
Accounts receivable - forfaiting	8,122,872	-	-	-		8,122,872
Accounts receivable factoring without recourse	8,180,068	280	160	-		8,180,508
Acceptances	140,770	-	-	-		140,770
Installment accounts and lease receivables	3,365,564	47,465	92,327	-		3,505,356
Total book value	22,258,702	244,246	183,530	-		22,686,478
Impairment allowance	(65,519)	(27,975)	(66,189)	-		(159,683)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (186,096)	(186,096)
	$ 22,193,183	$ 216,271	$ 117,341	$ -	$ (186,096)	$ 22,340,699

	Discounts and Loans					
	September 30, 2018					
			Stage 3			
	Stage 1	Stage 2		Purchased or	The Adjustment	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Originated Credit-impaired Financial Asset	under the Recognition/ Discount	Total
Short-term loans	$ 66,714,388	$ 1,156,046	$ 683,593	$ -		$ 68,554,027
Short-term secured loans	19,264,399	4,759	-	-		19,269,158
Medium-term loans	134,123,500	200,780	346,235	-		134,670,515
Medium-term secured loans	53,096,858	64,405	16,958	-		53,178,221
Long-term loans	1,218,356	254,008	412,367	-		1,884,731
Long-term secured loans	59,423,308	127,842	990,102	-		60,541,252
Loans reclassified to nonperforming loans	-	-	453,953	-		453,953
Export negotiations	42,865	-	-	-		42,865
Total book values	333,883,674	1,807,840	2,903,208	-		338,594,722
Impairment allowance	(1,372,910)	(98,876)	(505,199)	-		(1,976,985)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (2,326,098)	(2,326,098)
Adjusting for discounts and loans premium					(122,596)	(122,596)
	$ 332,510,764	$ 1,708,964	$ 2,398,009	$ -	$ (2,448,694)	$ 334,169,043

	Receivables					
	September 30, 2018					
			Stage 3			
	Stage 1	Stage 2		Purchased or		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card business	$ 2,589,618	$ 199,139	$ 92,851	$ -		$ 2,881,608
Accounts receivable - forfaiting	7,647,195	-	-	-		7,647,195
Accounts receivable factoring without recourse	10,015,743	249	217	-		10,016,209
Acceptances	65,498	-	-	-		65,498
Installment accounts and lease receivables	3,350,928	17,294	145,081	-		3,513,303
Total book value	23,668,982	216,682	238,149	-		24,123,813
Impairment allowance	(72,216)	(18,103)	(82,140)	-		(172,459)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans					$ (200,162)	(200,162)
	$ 23,596,766	$ 198,579	$ 156,009	$ -	$ (200,162)	$ 23,751,192

Maximum exposures to credit risk of financial instrument not applicable to impairment were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at FVTPL			
Debt instrument	$ 41,504,772	$ 35,640,472	$ 34,150,907
Derivatives instruments	42,881,483	23,860,387	33,725,352

5) Collaterals and credit enhancement

KGI Bank and its subsidiaries' pledged collaterals associated with credit include discounts, loans and receivables which contain real estate, properties (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, deposits guaranteed by authorities of treasury department of government, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and mortgages set in accordance with the laws including registration of land rights. Financial assets held by KGI Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

KGI Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. KGI Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

September 30, 2019

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 102,407	$ 25,302	$ 77,105	$ -
Accounts receivable factoring	316	19	297	-
Installment receivables and lease receivables	67,864	27,236	40,628	-
Discounts and loans	3,304,983	485,598	2,819,385	2,463,172
Total amount of impaired asset	$ 3,475,570	$ 538,155	$ 2,937,415	$ 2,463,172

December 31, 2018

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 91,043	$ 28,013	$ 63,030	$ -
Accounts receivable factoring	160	10	150	-
Installment receivables and lease receivables	92,327	38,166	54,161	96,449
Discounts and loans	2,826,173	495,451	2,330,722	2,267,860
Total amount of impaired asset	$ 3,009,703	$ 561,640	$ 2,448,063	$ 2,364,309

September 30, 2018

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	$ 92,851	$ 28,406	$ 64,445	$ -
Accounts receivable factoring	217	12	205	-
Installment receivables and lease receivables	145,081	53,722	91,359	95,684
Discounts and loans	2,903,208	505,199	2,398,009	2,427,728
Total amount of impaired asset	$ 3,141,357	$ 587,339	$ 2,554,018	$ 2,523,412

The amount the of KGI Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is $390,117 thousand and $427,453 thousand for the nine months ended September 30, 2019 and 2018.

6) Concentrations of credit risk

Concentrations of credit risk arise when there is only one counterparty, or when there is a number of more than one counterparties or exposure but they have comparable economic characteristics, or when such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Public and private enterprise	$ 234,384,837	65.40	$ 223,928,501	65.82	$ 225,673,977	66.65
Natural person	123,669,887	34.50	115,908,259	34.07	112,623,068	33.26
Non-profit organization	348,213	0.10	377,314	0.11	297,677	0.09
Total	$ 358,402,937	100.00	$ 340,214,074	100.00	$ 338,594,722	100.00

b) By region

Region	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	$ 263,373,869	73.49	$ 249,109,901	73.22	$ 250,482,332	73.98
Overseas	95,029,068	26.51	91,104,173	26.78	88,112,390	26.02
Total	$ 358,402,937	100.00	$ 340,214,074	100.00	$ 338,594,722	100.00

c) By collateral

Collateral	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Non-collateral	$ 198,939,916	55.51	$ 199,322,970	58.59	$ 205,433,765	60.67
Collateral						
Financial collateral	9,332,226	2.60	7,522,386	2.21	7,492,976	2.21
Property	126,015,895	35.16	112,842,633	33.17	105,972,071	31.30
Guarantee	16,246,615	4.53	14,661,938	4.31	14,565,794	4.30
Other	7,868,285	2.20	5,864,147	1.72	5,130,116	1.52
Total	$ 358,402,937	100.00	$ 340,214,074	100.00	$ 338,594,722	100.00

7) Management of foreclosed collateral

Foreclosed collaterals are recorded at cost, using lower-at-cost or market approach as of the balance sheet date. If collaterals were not disposed of within the statutory period, KGI Bank should apply for an extension of the disposal period and increase its provision for possible losses, if necessary.

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the book value is recognized as net other noninterest profit and gain.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the carrying amounts of the collaterals were $0 thousand. KGI Bank has loss on disposal of collaterals, which recognized as other noninterest profits and gains, net, with amounts of $14,874 thousand, $0 thousand, $14,874 thousand and $0 thousand for the three months and nine months ended September 30, 2019 and 2018, respectively.

8) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of nonperforming loan and overdue credits

Item			September 30, 2019				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 91,332	$ 79,132,348	0.12%	$ 973,260	1,065.63%
	Unsecured		78,173	161,471,510	0.05%	1,818,575	2,326.34%
Consumer loan	Mortgage (Note 4)		19,917	54,722,693	0.04%	822,213	4,128.26%
	Cash card		126,396	13,169,962	0.96%	315,109	249.30%
	Micro credit (Note 5)		184,121	24,276,953	0.76%	346,056	187.95%
	Other (Note 6)	Secured	19,254	25,607,980	0.08%	278,559	1,446.71%
		Unsecured	16	21,491	0.07%	261	1,655.87%
Total			519,209	358,402,937	0.14%	4,554,033	877.11%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 20,985	$ 3,116,472	0.67%	$ 59,925	285.56%
Account receivable - factored without recourse (Note 7)			34	7,456,702	0.00%	102,776	301,740.10%

Item			September 30, 2018				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 125,879	$ 61,020,556	0.21%	$ 775,434	616.02%
	Unsecured		128,849	168,474,605	0.08%	1,911,139	1,483.24%
Consumer loan	Mortgage (Note 4)		36,898	48,542,784	0.08%	733,576	1,988.10%
	Cash card		143,953	13,985,178	1.03%	301,278	209.29%
	Micro credit (Note 5)		163,802	22,971,294	0.71%	334,571	204.25%
	Other (Note 6)	Secured	23,753	23,571,572	0.10%	246,480	1,037.66%
		Unsecured	1,484	28,733	5.16%	605	40.72%
Total			624,618	338,594,722	0.18%	4,303,083	688.91%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 19,716	$ 2,881,608	0.68%	$ 59,080	299.65%
Account receivable - factored without recourse (Note 7)			9	10,016,209	0.00%	139,480	1,491,921.51%

Note 1: Non-performing loans are reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by Ministry of Finance. Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL/Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables/Credit card receivables balance.

Note 3: Coverage ratio = LLR/NPL. Coverage ratio of credit receivables: Allowance for credit losses/Overdue credit card receivables.

Note 4: Household mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and it does not include credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable - factoring without recourse.

b) Exemption of KGI Bank’s nonperforming loans and overdue receivables

Items	September 30, 2019		September 30, 2018	
	Discounts and Loans	**Accounts Receivable**	**Discounts and Loans**	**Accounts Receivable**
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 8,603	$ 117	$ 11,043	$ 140
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	50,452	6,567	45,316	4,809
Total	$ 59,055	$ 6,684	$ 56,359	$ 4,949

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of KGI Bank's credit extensions

September 30, 2019

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016811 Real estate activities for sale and rental	$ 8,191,717	12.85
2	B Group - 012699 Manufacture of other electronic parts and components not elsewhere classified	6,414,353	10.06
3	C Group - 011850 Manmade fiber manufacturing	5,753,613	9.02
4	D Group - 012711 Computer manufacturing	5,242,235	8.22
5	E Group - 016429 Activities of other holding companies	5,073,000	7.96
6	F Group - 016811 Real estate activities for sale and rental	5,019,596	7.87
7	G Group - 012613 Packaging and testing of semi-conductors	4,776,858	7.49
8	H Group - 016700 Real estate development activities	4,520,000	7.09
9	I Group - 012411 Iron and steel smelting	4,218,954	6.62
10	J Group - 012831 Electric wires and cables manufacturing	3,885,078	6.09

September 30, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	B Group - 012711 Computer manufacturing	$ 7,913,385	13.36
2	C Group - 011850 Manmade fiber manufacturing	7,330,080	12.38
3	G Group - 012613 Packaging and testing of semi-conductors	4,998,754	8.44
4	A Group - 016891 Real estate management	3,905,000	6.59
5	K Group - 016700 Real estate development activities	3,498,577	5.91
6	L Group - 015100 Civil aviation transportation	3,186,580	5.38
7	I Group - 012411 Iron and steel smelting	3,041,298	5.14
8	M Group - 014642 Wholesale of electronic equipment and parts	2,952,510	4.99
9	N Group - 012711 Computer manufacturing	2,929,182	4.95
10	O Group - 012620 Electronic passive devices manufacturing	2,892,267	4.88

9) Judgements of a significant increase in credit risk since initial recognition

Credit business

KGI Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since the initial recognition, primarily consideration of indicators and supporting information (including prospective information) were as the follows:

a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

b) Qualitative index

i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform its obligations.

ii. Actual or expected significant changes in borrower's operating results.

iii. The credit risk of other credit contracts of the same borrower has increased significantly.

iv. Individual credit assets, if the client did not suffer from financial difficulties at the time of the agreement can be included after assessment.

For the various types of credit assets of KGI Bank which are not be regarded as low credit risk, its can be assumed that the credit risk of such assets has not increased significantly since the initial recognition.

10) Definition of default and impaired credit of financial assets

The definition of default of the financial assets of the KGI Bank is the same as that of the impaired credit assets. If one or more of the following conditions are met, KGI Bank determines that the credit asset has defaulted and the credit is impaired:

a) Quantitative index

i. When the borrower's overdue payment of the contract is more than 90 days.

ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

If there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.

ii. Borrower's loan contract has been reclassified to nonperforming loans or has been written off as bad debts by the KGI Bank.

iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor of the borrower gives the borrower concessions that would not have been considered or agreed (agreements).

iv. For cases involving the sale of non-performing loans and suits.

v. Payment by the bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by KGI Bank is consistent with the definition of credit assets used for internal credit risk management purposes, and the relevant impairment assessment model is used.

The credit asset will be restore to the state of compliance and is not considered a credit impaired credit assets in default if it no longer meets the definition of default and credit impairment.

A debt instrument investor may also be deemed to have a credit impairment on the financial asset if the rating of the bond guarantor or issuer's rating deteriorates significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the bond.

ii. Before the maturity of the note or bond, it can be objectively determined that the bond guarantor or issuer may not be able to repay the principal and interest of the bond on time.

iii. Before the maturity of the note or bond, the bond guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.

iv. Before the maturity of the note or bond, the bond guarantor or issuer closes down or is in the process of perform other financial restructuring.

11) Write-off policy

The KGI Bank shall write off bad debts for non-performing loans and overdue receivables that meet one of the following requirements:

a) When reaching the criteria of write-off of the regulation.

b) There is a need to expedite the reduction of non-performing loans or for certain businesses that needs to comply with the requirements of the governing authorities.

c) Written off by the governing authorities or the financial inspection authorities.

d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor’s balance shall be written of within the period which specified in a).

e) Obtaining the documentary evidence or supporting documents with the assessments that it is not possible to recover the loan.

12) Amendment of contract cash flows of financial assets

KGI Bank may amend the contract cash flows of financial assets as a result of financial difficulties of borrowers, improvement of problematic debtors’ recovery rate or maintenance customer relationships. The contract amendments to cash flows amendment include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, KGI Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics.

Business	Combination	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly.
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly.
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired.
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly.
	Product + Stage 2	Credit risk has increased significantly.
	Product + Stage 3	Credit impaired.

KGI Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model l For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, KGI Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and include the loss given default ("LGD"). Multiply by the Exposure at default ("EAD") and taking into account the impact of the time value of money, the expected credit losses for 12 months and duration are calculated.

Probability of default is the probability of default of a borrower or counterparty over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default are used in the impairment assessment of KGI Bank credit business are based on internal historical information (such as credit loss experience, etc.) of each group, and adjust the history data based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default mean that KGI Bank can claim compensation for the book value held by borrowers (or the counterparty) after borrowers have defaulted. KGI Bank's exposure at default has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on balance sheet credits or part of credits that were already used; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months after the reporting date or expected lifetime to calculate exposure at default of expected credit loss.

14) Considerations of forward-looking information

KGI Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, KGI Bank selected the overall indicators that are highly relevant to lending as an adjustment parameter for default probability of lending. Based on the type of business, KGI Bank used different overall indicator. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. KGI Bank will make reference to external information (predicted value of internationally renowned economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors (basic economic conditions) quarterly; it contains the best estimate of the economic situation in the next five years, and for more than five years until the duration of the relevant financial instruments, it assumes a forecast that is equal to the fifth year.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

15) Changes of provisions for off-balance-sheet guarantees and commitments

The off-balance-sheet guarantees and commitments provisions for the nine months ended September 30, 2019 and 2018 are adjusted as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 150,970	$ 896	$ -	$ 1,670	$ -	$ 153,536	$ 62,440	$ 215,976
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(16)	16	-	-	-	-		-
From conversion to credit-impaired financial assets	(5)	(2)	-	7	-	-		-
To 12-month ECL	606	(342)	-	(264)	-	-		-
Derecognizing financial assets during the current period	(51,660)	(464)	-	(430)	-	(52,554)		(52,554)
Purchased or originated new financial assets	39,571	-	-	-	-	39,571		39,571
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							91,382	91,382
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	7,781	(550)	-	(417)	-	8,748		8,748
Balance at September 30, 2019	$ 147,247	$ 654	$ -	$ 1,400	$ -	$ 149,301	$ 153,822	$ 303,123

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment for the nine months ended September 30, 2019. Net increase of $43,998,562 thousand change in total book value resulted in abovementioned provisions increased by $87,147 thousand in comparison to the prior period.

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 161,030	$ 633	$ -	$ 1,726	$ -	$ 163,389	$ 27,441	$ 190,830
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(30)	30	-	-	-	-		-
From conversion to credit-impaired financial assets	(7)	-	-	7	-	-		-
To 12-month ECL	667	(201)	-	(466)	-	-		-
Derecognizing financial assets during the current period	(71,469)	-	-	-	-	(71,469)		(71,469)
Purchased or originated new financial assets	68,568	-	-	-	-	68,568		68,568
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							30,931	30,931
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	(455)	272	-	5	-	(178)		(178)
Balance at September 30, 2018	$ 158,304	$ 734	$ -	$ 1,272	$ -	$ 160,310	$ 58,372	$ 218,682

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the nine months ended September 30, 2018. Net increase of $46,840,977 thousand change in total book value resulted in abovementioned provisions increased by $27,852 thousand in comparison to the prior period.

16) A loss allowance for financial assets measured at amortized cost

There was no significant increase in the credit risk of debt instruments measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. As of September 30, 2019, December 31, 2018 and September 30, 2018, loss allowance for debt instruments measured at amortized cost due to the slight adjustment of the portfolio were $3,412 thousand, $3,581 thousand and $3,438 thousand, respectively.

17) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the nine months ended September 30, 2019 and 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 69,740	$ 28,458	$ 5	$ 1,183,155	$ -	$ 1,281,358	$ 237,888	$ 1,519,246
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(187)	7,208	-	(7,021)	-	-		-
From conversion to credit-impaired financial assets	(105)	(1,201)	-	1,306	-	-		-
To 12-month ECL	596	(261)	-	(335)	-	-		-
Derecognizing financial assets during the current period	(24,458)	(1,228)	(5)	(9,344)	-	(35,035)		(35,035)
Purchased or originated new financial assets	24,976	-	-	-	-	24,976		24,976
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							(32,134)	(32,134)
Write-off	-	-	-	(2,261)	-	(2,261)		(2,261)
Recovery of written-off	-	-	-	13,376	-	13,376		13,376
Effect of exchange rate changes and others	(14,509)	4,018	(2)	(5,437)	-	(15,926)		(15,926)
Balance at September 30, 2019	$ 56,053	$ 36,994	$ 2	$ 1,173,439	$ -	$ 1,266,488	$ 205,754	$ 1,472,242

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 108,302	$ 32,442	$ -	$ 1,232,581	$ -	$ 1,373,325	$ 135,280	$ 1,508,605
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,428)	3,307	-	(1,879)	-	-		-
From conversion to credit-impaired financial assets	(981)	(3,196)	-	4,177	-	-		-
To 12-month ECL	1,916	(114)	-	(1,802)	-	-		-
Derecognizing financial assets during the current period	(55,136)	(8,013)	-	(20,729)	-	(83,878)		(83,878)
Purchased or originated new financial assets	49,897	7	-	-	-	49,904		49,904
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							61,046	61,046
Write-off	-	(6,286)	-	(43,420)	-	(49,706)		(49,706)
Recovery of written-off	-	-	-	90,179	-	90,179		90,179
Effect of exchange rate changes and others	(25,625)	629	-	(12,477)	-	(37,473)		(37,473)
Balance at September 30, 2018	$ 76,945	$ 18,776	$ -	$ 1,246,630	$ -	$ 1,342,351	$ 196,326	$ 1,538,677

Changes in total book values of receivables for the nine months ended September 30, 2019 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 27,184,310	$ 251,010	$ 17	$ 1,891,476	$ -	$ 29,326,813
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(2)	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(57,650)	38,309	-	19,341	-	-
Purchased or originated new receivables	6,899,930	-	-	2,197	-	6,902,127
Write-off	-	-	-	(3,112)	-	(3,112)
Derecognition	(7,844,145)	(31,519)	(10)	(70,048)	-	(7,945,722)
Effect of exchange rate changes and others	82,510	33	-	11,009	-	93,552
Balance at September 30, 2019	$ 26,264,955	$ 257,833	$ 5	$ 1,850,865	$ -	$ 28,373,658

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 21,697,882	$ 251,185	$ -	$ 1,938,926	$ -	$ 23,887,993
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(105,378)	46,981	-	58,397	-	-
Purchased or originated new receivables	15,758,385	4,283	-	32,890	-	15,795,558
Write-off	-	(6,285)	-	(43,832)	-	(50,117)
Derecognition	(5,146,056)	(67,221)	-	(100,242)	-	(5,313,519)
Effect of exchange rate changes and others	335,791	(5,327)	-	29,625	-	360,089
Balance at September 30, 2018	$ 32,540,624	$ 223,616	$ -	$ 1,915,764	$ -	$ 34,680,004

18) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the nine months ended September 30, 2019 and 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 1,415,427	$ 95,618	$ 7,085	$ 495,451	$ -	$ 2,013,581	$ 2,320,761	$ 4,334,342
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(1,497)	11,103	-	(9,606)	-	-		-
From conversion to credit-impaired financial assets	(3,215)	(19,138)	(2,106)	24,459	-	-		-
To 12-month ECL	3,211	(2,533)	-	(678)	-	-		-
Derecognizing financial assets during the current period	(423,341)	(25,806)	(3,011)	(89,081)	-	(541,239)		(541,239)
Purchased or originated new financial assets	757,155	-	-	-	-	757,155		757,155
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							45,417	45,417
Write-off	-	-	-	(347,314)	-	(347,314)		(347,314)
Recovery of written-off	-	-	-	531,312	-	531,312		531,312
Effect of exchange rate changes and others	(197,616)	90,635	286	(118,945)	-	(225,640)		(225,640)
Balance at September 30, 2019	$ 1,550,124	$ 149,879	$ 2,254	$ 485,598	$ -	$ 2,187,855	$ 2,366,178	$ 4,554,033

	Stage 1	Stage 2		Stage 3				
		Lifetime ECL		Lifetime ECL				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance at January 1	$ 1,316,129	$ 129,626	$ -	$ 530,904	$ -	$ 1,976,659	$ 1,952,257	$ 3,928,916
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(2,506)	(2,511)	12,440	(7,423)	-	-		-
From conversion to credit-impaired financial assets	(3,293)	(25,478)	-	28,771	-	-		-
To 12-month ECL	2,575	(2,408)	-	(167)	-	-		-
Derecognizing financial assets during the current period	(336,958)	(4,538)	(3,717)	(14,903)	-	(360,116)		(360,116)
Purchased or originated new financial assets	939,449	1,285	-	7,259	-	947,993		947,993
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							373,841	373,841
Write-off	-	-	-	(332,714)	-	(332,714)		(332,714)
Recovery of written-off	-	-	-	555,742	-	555,742		555,742
Effect of exchange rate changes and others	(542,486)	(4,279)	(1,544)	(262,270)	-	(810,579)		(810,579)
Balance at September 30, 2018	$ 1,372,910	$ 91,697	$ 7,179	$ 505,199	$ -	$ 1,976,985	$ 2,326,098	$ 4,303,083

Changes in total book values of discounts and loans for the nine months ended September 30, 2019 and 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 335,634,535	$ 1,729,750	$ 23,616	$ 2,826,173	$ -	$ 340,214,074
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(7,020)	7,020	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(698,075)	13,426	-	684,649	-	-
Purchased or originated new discounts and loans	311,303,920	-	-	-	338,284	311,642,204
Write-off	-	-	-	(347,314)	-	(347,314)
Derecognition	(293,004,589)	(246,078)	(10,036)	(204,098)	-	(293,464,801)
Effect of exchange rate changes and others	356,340	1,275	890	269	-	358,774
Balance at September 30, 2019	$ 353,592,131	$ 1,498,373	$ 7,450	$ 2,966,699	$ 338,284	$ 358,402,937

	Stage 1	Stage 2		Stage 3		Total
		Lifetime ECL		Lifetime ECL		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	$ 292,239,778	$ 1,977,828	$ -	$ 3,457,226	$ -	$ 297,674,832
Conversion from individual financial instruments to lifetime ECL	-	(33,735)	33,735	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(13,113)	-	13,113	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(572,176)	164,939	-	407,237	-	-
Purchased or originated new discounts and loans	376,860,970	31,005	-	385,252	-	377,277,227
Write-off	-	-	-	(332,714)	-	(332,714)
Derecognition	(330,963,023)	(188,283)	(10,183)	(617,536)	-	(331,779,025)
Effect of exchange rate changes and others	(3,681,875)	(154,733)	380	(409,370)	-	(4,245,598)
Balance at September 30, 2018	$ 333,883,674	$ 1,783,908	$ 23,932	$ 2,903,208	$ -	$ 338,594,722

KGI Securities and subsidiaries

Credit risk analysis

1) Source of credit risk

   The credit risks that KGI Securities and subsidiaries are exposed to during financial transactions include issuer's credit risk, and counterparty credit risk and underlying assets credit risk.

   a) Issuer's credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face while possessing financial debt instruments when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

   b) Counterparty credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face when a counterparty in derivative financial instrument transactions or other counterparties do not complete a transaction or fulfill a payment obligation on the appointed date.

2) Credit risk management

   The investment, acquisition of fixed-income securities, other financial assets, and credit risk management of current counterparties are handled in accordance with KGI Securities and subsidiaries' internal control procedures and related regulations, and most of them have reached an external credit rating investment grade or above, so credit risk is very low.

3) Default and credit derogation definition of financial assets

   a) The definition of the credit assets default of the KGI Securities and subsidiaries are the same as that of the impaired credit assets. If there is evidence that the issuer or counterparty will be unable to pay, or has significant financial difficulties, such as:

      i. The issuer or counterparty has been bankrupt or may file a petition for bankruptcy or financial restructuring.

      ii. The contract of the other financial instrument of the issuer or counterparty has been breached.

      iii. The active market for the financial asset disappeared due to the financial difficulties of the issuer or counterparty.

      iv. Purchase or initiate financial assets at a substantial discount that reflects credit losses that have occurred.

   b) The aforementioned definition of default and credit impairment applies to the credit assets held by KGI Securities is consistent with the definition of credit assets used for internal credit risk management purposes, and is used in the relevant impairment assessment model.

   c) If a credit asset is assessed to no longer meets the definition of default and credit impairment, it should return to the state of compliance, and is no longer considered a credit asset for default and credit impairment.

   d) KGI securities and subsidiaries' financial assets are written-off if they are unable to reasonably expect that financial assets will be recovered (e.g., significant financial difficulties for the issuer or the debtor, or bankrupt).

4) Credit risk statement for financial assets

a) Cash and cash equivalents, other financial assets

KGI Securities deposits in creditworthy financial institutions and deposits a certain amount of securities in a specific accounts of the financial institution (Custodian Bank) designated by the futures companies. KGI Securities regularly evaluates the financial, operating and credit risk status of financial institutions and futures companies. The credit risk is under KGI Securities' control.

b) Financial assets measured at fair value through profit or loss - current

KGI Securities holds the unsecured corporate bonds, convertible (exchangeable) corporate bonds and part of the CB Asset Swap. Issuers of unsecured corporate bonds are listed/OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank. In most other holdings, KGI Securities conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. Therefore, the credit risk of the issuer has been effective control.

c) Financial assets measured at fair value through other comprehensive income (excluding equity instrument investments)

KGI Securities holds mainly the medium and long-term bond investment position. KGI Securities pays attention to the credit rating of each investment and the financial status of the issuer (or guarantee institution) in order to minimize credit risk.

d) Bonds purchased under resell agreements

The counterparties with bonds purchased under resell agreements are mainly creditworthy financial institutions and companies. Because KGI Securities holds bonds purchased under resell agreements as collateral, it can effectively reduce underlying exposure the counterparty's credit risk.

e) Receivables

Receivables mainly include margin loans receivable, trading securities receivable, futures trading margin receivable and accounts receivable, etc. The main credit risk is receivable on margin loans and trading securities receivable of credit trading customers. KGI Securities and subsidiaries closely monitor market fluctuations and counterparties credit history, and enforce related control measures to minimize the credit risk.

f) Customer margin accounts

The exclusive account for depositing customer margin accounts is mainly opened in creditworthy banks, financial institutions and companies with investment grades, so there is no significant credit risk.

g) Stock borrowing collateral price and guarantee deposits - borrowed securities

When KGI Securities and subsidiaries borrow securities from outside, they must deposit the guaranty fund into the financial institution designated by the other parties. Because KGI Securities and subsidiaries holds the foregoing borrowed securities simultaneously, it can effectively reduce the risk of the counterparty's credit risk.

h) Financial assets measured at amortized cost

Subsidiaries of KGI Securities held the principal of unsecured subordinated bonds and discounted value of coupon interests issued by Sunny Bank, Hwatai Bank and Panhsin Bank. Subsidiaries of KGI Securities Control the credit risk by evaluating the credit risk status of each financial institution.

i) Others noncurrent assets

Others noncurrent assets are mainly operating guarantee deposits, clearing and settlement funds and guarantee deposits-out. KGI Securities carefully evaluates the counterparty in accordance with the amount of deposit. The counterparties are a large number and the amount of each deposit is not high. The credit risk has been effectively dispersed, so the credit risk is very low.

5) Assessment of expected credit losses

a) Consideration of forward-looking information

KGI Securities and subsidiaries take forward-looking information into consideration when assessing whether there has been a significant increase in financial assets' credit risk after initial recognition and when measuring of expected credit losses.

Probability of default of debt instrument investment (except for at fair value through profit or loss) used by KGI Securities and subsidiaries is based on the probability of default contained forward-looking general economic information and regularly announced by international credit rating agencies.

Except for debt instrument investments, financial assets of KGI Securities and subsidiaries are analyzed using historical data to determine the economic factors that affect the expected credit losses of each asset portfolios, and supplemented by the best expectation announced by the government-affiliated institutions and academic research units. The best estimate of expected credit losses are reevaluate and revised on each financial reporting date.

b) Receivables and other financial assets

<u>KGI Securities and domestic subsidiaries</u>

KGI Securities and its domestic subsidiaries use simplified approach of IFRS 9 to measure the allowance losses by lifetime expected credit losses. The lifetime expected credit losses are based on historical records, current information, and forward-looking information calculated by a regression model. For the fact that KGI Securities and domestic subsidiaries' historical records of credit losses indicate that there is no significant difference in the loss patterns of different customer groups, it is not measured in groups.

<u>Overseas subsidiaries</u>

The financial assets of overseas subsidiaries whose credit risk do not increase significantly after initial recognition are measured as 12-month expected credit losses. For financial assets whose credit risk has increased significantly after initial recognition, they are measured as lifetime expected credit losses. Customers' past default records, counterparty credit ratings, current information and relevant forward-looking information are take into consideration when assessing expected credit losses. For the fact that there is no significant difference in the loss patterns of different customer groups of overseas subsidiaries, it is not measured in groups.

c) Debt instrument investment (except at fair value through profit or loss)

The original purchase is based on the premise that the credit risk is low, it is assessed whether the credit risk is significantly increased after the initial recognition on each balance sheet date to determine the method of measuring the allowance loss and its loss rate.

In order to measure expected credit losses, KGI Securities and subsidiaries consider the probability of default (PD) of financial assets or the issuer or counterparty for the next 12 months, which collectively consider the loss given default (LGD), and is multiplied by exposure at default (EAD). KGI Securities and subsidiaries assess financial assets measured at amortized cost with exposure at default and consider the impact of time value of money to calculate the expected credit losses for 12 months and lifetime, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and loss given default is the rate of loss caused by default by the issuer or counterparty. The probability of default and loss given default used by KGI Securities and subsidiaries in related assessment of impairment are mainly relied on the probability of default and loss given default that are regularly announced by international credit rating agencies.

The aforementioned impairment assessment method and related indicators of debt instrument investment are described as follows:

Degree of Credit Risk	Indicators	Measurement of Expected Credit Loss
Low credit risk	Ratings above BBB-/counterparty with good credit	12 months expected credit loss
Credit risk significantly increase	Ratings between BB+-C (Note)	Lifetime expected credit loss
Impaired/default	Ratings below D and impaired	Lifetime expected credit loss

Note: KGI Securities and subsidiaries consider information which indicates significant and evidential increase in credit risk (including forward-looking information) since the initial recognition. The main considerations including:

i. External credit ratings, overdue status information, credit spreads, other market information related to borrowers, issuers or counterparties, and the same borrowers' credit risk of other financial instruments increases significantly.

ii. Low credit risk: If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition.

6) The estimation techniques or material assumptions used by KGI Securities and subsidiaries to assess expected credit losses did not change significantly for the nine months ended September 30, 2019.

Disclosure of total book value and allowance loss for financial assets' expected credit loss

1) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of September 30, 2019, December 31, 2018 and September 30, 2018 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at debt instruments at fair value through other comprehensive income were $28,441,787 thousand, $16,110,773 thousand and $9,777,038 thousand, respectively, and allowance loss for financial assets at fair value through other comprehensive income were $11,207 thousand, $5,447 thousand and $3,074 thousand, respectively.

Accounts receivable and others

September 30, 2019

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 10,227,676	$ (1,963)	$ 10,225,713
Bonds purchased under resell agreement	27,371,731	-	27,371,731
Margin loans receivables	21,600,723	(2,017)	21,598,706
Trading securities receivables	7,175,397	(964)	7,174,433
Customer's margin accounts	26,386,108	(50)	26,386,058
Futures commission merchant receivable	169,244	(160,698)	8,546
Accounts receivable	29,763,807	(1,206)	29,762,601
Other current assets	47,980,291	(5,822)	47,974,469
Financial assets measured at amortized cost - non-current	799,833	(3,423)	796,410
Other non-current assets	4,848,547	(1,780,669)	3,067,878
	$ 176,323,357	$ (1,956,812)	$ 174,366,545

December 31, 2018

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 13,849,068	$ (532)	$ 13,848,536
Bonds purchased under resell agreement	19,448,839	(17)	19,448,822
Margin loans receivables	21,181,502	(1,871)	21,179,631
Trading securities receivables	8,031,155	(1,223)	8,029,932
Customer margin accounts	21,810,523	(48)	21,810,475
Futures commission merchant receivable	188,951	(176,333)	12,618
Accounts receivable	22,259,487	(1,113)	22,258,374
Other current assets	47,592,747	(12,958)	47,579,789
Financial assets measured at amortized cost - non-current	500,000	(3,293)	496,707
Other non-current assets	5,069,492	(1,797,288)	3,272,204
	$ 159,931,764	$ (1,994,676)	$ 157,937,088

September 30, 2018

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	$ 17,052,607	$ (529)	$ 17,052,078
Bonds purchased under resell agreement	37,792,857	(226)	37,792,631
Margin loans receivables	28,200,808	(2,047)	28,198,761
Trading securities receivables	7,344,176	(1,210)	7,342,966
Customer margin accounts	27,151,107	(1,258)	27,149,849
Futures commission merchant receivable	194,885	(180,835)	14,050
Accounts receivable	28,084,202	(979)	28,083,223
Other current assets	49,760,708	(9,768)	49,750,940
Financial assets measured at amortized cost - non-current	650,000	(3,459)	646,541
Other non-current assets	5,160,582	(1,788,739)	3,371,843
	$ 201,391,932	$ (1,989,050)	$ 199,402,882

2) Changes in allowance losses of KGI Securities and subsidiaries for the nine months ended September 30, 2019 and 2018 are as follows:

a) Financial assets at fair value through other comprehensive income

	12 Months Expected Credit Loss
January 1, 2019	$ 5,447
Increase	5,730
Change in exchange rate	30
September 30, 2019	$ 11,207
January 1, 2018 (IAS 39)	$ -
Adjustment to IFRS 9	293
January 1, 2018 (IFRS 9)	293
Increase	2,683
Change in exchange rate	98
September 30, 2018	$ 3,074

Investments in debt instruments at FVTOCI increased, and the allowance loss increased accordingly for the nine months ended September 30, 2019 and 2018.

b) Receivables and others

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Lifetime Expected Credit Loss)	Lifetime Expected Credit Loss (Simplify)	Total
January 1, 2019	$ 15,875	$ 217	$ 1,975,004	$ 3,580	$ 1,994,676
Addition (reversal)	(5,441)	184	(6,746)	(132)	(12,135)
Derecognizing financial assets during the current period	-	-	(19,188)	-	(19,188)
Written-off	-	-	(6,808)	-	(6,808)
Change in exchange rate	16	99	152	-	267
September 30, 2019	$ 10,450	$ 500	$ 1,942,414	$ 3,448	$ 1,956,812
January 1, 2018 (IAS 39)	$ -	$ -	$ 1,842,138	$ 806	$ 1,842,944
Adjustment to IFRS 9	13,036	2	13	3,003	16,054
January 1, 2018 (IFRS 9)	13,036	2	1,842,151	3,809	1,858,998
Addition (reversal)	2,398	278	105,796	(435)	108,037
Derecognizing financial assets during the current period	-	-	(5,773)	-	(5,773)
Written-off	-	-	(8,120)	-	(8,120)
Change in exchange rate	255	6	35,647	-	35,908
September 30, 2018	$ 15,689	$ 286	$ 1,969,701	$ 3,374	$ 1,989,050

c) The aforementioned total book value of receivables and other financial assets does not have a significant change. In February 2018 the futures trader of the subsidiary company defaulted due to deficiency of futures guarantee deposits. For the nine months ended September 30, 2018, KGI Securities and subsidiaries recognized an impairment loss of $97,372 thousand for the unrecovered futures commission merchant receivable.

CDIB Capital Group and subsidiaries

CDIB Capital Group is exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. The maximum exposure to credit risk is equal to the book value.

The maximum exposure to credit risk held by CDIB Capital Group and subsidiaries of the financial instruments is equal to the book value.

China Life Insurance

- Credit risk analysis

1) Credit risk refers to the counterparties fail to fulfill obligations, resulting in the risk of loss of value. Credit risks of China Life Insurance result from operating and financing activities, which mainly include lending, investing in financial instruments and receivables.

The departments of China Life Insurance follow credit risk policies, procedures and controls to manage credit risks. The credit risk assessment of all issuers or counterparties is based on comprehensive consideration of their financial status, credit ratings, historical transaction records, current economic environment, China Life Insurance's internal rating indicators, and etc. Also, China Life Insurance uses certain credit enhancement tools in due course to reduce the credit risk of a particular issuer or counterparty.

For investments of financial instruments, its original purchase is based on the premise that the credit risk is low, and on each balance sheet date, it is assessed whether the conditions of low credit risk are still met to determine the method of measuring the allowance. Also, China Life Insurance dispose those investments to reduce credit losses in appropriate time, such as there is a significant increase in credit risk. In addition, China Life Insurance has established credit VaR model to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, China Life Insurance also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

Lending of China Life Insurance is determined by the factors that affect the risk based on the 5P principle which gives different weights according to the impact of the risk so as to calculate the credit score of each borrower. The credit score comprehensively measures the rationality of the purpose of the loan, the collateral area, value and number, the customer's credit report, historical interest payment record, financial status, debt repayment ability, and etc. According to the scores, the decision will be stratified in order to control the loan risk. Once a delay occurs, it is promptly collected in accordance with the procedures to avoid financial losses.

China Life Insurance assesses expected credit losses in accordance with IFRS 9, except for some of receivables, which allowance are measured by lifetime expected credit losses. The original purchase of the rest, which do not belong to debt instruments measured at fair value through profit or loss, is based on the premise of low credit risk and uses credit risk as the basis of the differentiation group. On each balance sheet date, assessing whether the credit risk is significantly increased after the initial recognition to determine the method of measuring the allowance loss and its loss rate. The main considerations for determining whether the credit risk has increased significantly include objective evidence such as the external credit rating and its degree of change, overdue status, occurrence of major financial difficulties or liquidation and reorganization. Expected credit losses will be measured by the probability of default (PD) of the issuer or the counterparty over the next 12 months and the lifetime, multiplied by the loss given default (LGD) and the exposure at default (EAD), and is considered by the impact of the time value of money. The expected credit losses for 12 months and duration is calculated, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and the loss given default is the rate of loss caused by default by the issuer or counterparty. China Life Insurance employs information on the default probability and default loss rate published by external credit rating agencies and adjusts it based on forward-looking general economic information.

China Life employs amortized cost of financial assets plus accrued interest and receivables as a measure of exposure at default, while loans are calculated as the sum of the principal balance of the debtor at the time of calculation, interest, and payable as a measure of exposure at default.

Some of the allowance losses of part of receivables are measured by its expected credit losses for its lifetime. The expected credit losses during the existence period is considered by the past default records and current information, and the expected credit loss rate is set 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 China Life Insurance or deposit in the bank is listed in accordance with the regional distribution as follows:

September 30, 2019

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 34,726,965	$ 5,654,772	$ 4,767,544	$ -	$ -	$ 45,149,281
Financial assets at fair value through profit or loss	24,422,493	12,451,615	16,921,111	3,893,272	-	57,688,491
Financial assets at fair value through other comprehensive income	75,041,669	110,979,313	82,887,956	78,376,273	-	347,285,211
Financial assets at amortized cost	135,568,870	230,658,106	235,477,905	390,648,790	18,653,403	1,011,007,074
Refundable deposits - bonds	6,708,303	-	-	-	-	6,708,303
	$ 276,468,300	$ 359,743,806	$ 340,054,516	$ 472,918,335	$ 18,653,403	$ 1,467,838,360
Proportion	18.83%	24.51%	23.17%	32.22%	1.27%	100.00%

December 31, 2018

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 38,287,834	$ 1,919,154	$ 2,738,184	$ -	$ -	$ 42,945,172
Financial assets at fair value through profit or loss	22,768,189	8,226,879	31,346,707	3,726,226	-	66,068,001
Financial assets at fair value through other comprehensive income	95,588,537	76,002,454	57,546,223	62,264,262	-	291,401,476
Financial assets at amortized cost	134,174,771	218,562,631	212,259,896	367,500,420	17,984,522	950,482,240
Refundable deposits - bonds	5,965,762	-	-	-	-	5,965,762
	$ 296,785,093	$ 304,711,118	$ 303,891,010	$ 433,490,908	$ 17,984,522	$ 1,356,862,651
Proportion	21.87%	22.46%	22.40%	31.95%	1.32%	100.00%

September 30, 2018

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$ 35,067,753	$ 15,211,739	$ 5,028,380	$ -	$ -	$ 55,307,872
Financial assets at fair value through profit or loss	21,055,457	8,417,655	26,733,586	1,169,333	-	57,376,031
Financial assets at fair value through other comprehensive income	84,043,115	69,628,192	57,270,182	59,274,668	-	270,216,157
Financial assets at amortized cost	122,411,947	214,156,695	201,804,121	351,974,355	17,719,208	908,066,326
Refundable deposits - bonds	5,966,112	-	-	-	-	5,966,112
	$ 268,544,384	$ 307,414,281	$ 290,836,269	$ 412,418,356	$ 17,719,208	$ 1,296,932,498
Proportion	20.71%	23.70%	22.42%	31.80%	1.37%	100.00%

b) China Life Insurance's regional distribution of credit risk exposure for secured loans and overdue receivables (excluding policy loans and automatic premium loans) is as follows:

September 30, 2019

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 443,325	$ 230,608	$ 221,247	$ 895,180
Overdue receivables	-	-	-	-
	$ 443,325	$ 230,608	$ 221,247	$ 895,180
Proportion	49.52%	25.76%	24.72%	100.00%

December 31, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 553,282	$ 289,001	$ 308,836	$ 1,151,119
Overdue receivables	-	2,032	450	2,482
	$ 553,282	$ 291,033	$ 309,286	$ 1,153,601
Proportion	47.96%	25.23%	26.81%	100.00%

September 30, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	$ 600,327	$ 315,186	$ 304,346	$ 1,219,859
Overdue receivables	-	-	491	491
	$ 600,327	$ 315,186	$ 304,837	$ 1,220,350
Proportion	49.19%	25.83%	24.98%	100%

3) Grading of financial instrument credit risk quality

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

a) Investment grade means credit rating reaches at least BBB- granted by a credit rating agency.

b) Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.

Grading of credit risk quality is as follows:

September 30, 2019

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 45,149,281	$ -
Financial assets at fair value through profit or loss	57,688,491	-
Financial assets at fair value through other comprehensive income	339,935,152	7,350,059
Financial assets at amortized cost	1,011,007,074	-
Refundable deposits	6,708,303	-
	$ 1,460,488,301	$ 7,350,059
Proportion	99.50%	0.50%

December 31, 2018

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 42,945,172	$ -
Financial assets at fair value through profit or loss	66,068,001	-
Financial assets at fair value through other comprehensive income	291,401,476	-
Financial assets at amortized cost	950,482,240	-
Refundable deposits	5,965,762	-
	$ 1,356,862,651	$ -
Proportion	100.00%	-

September 30, 2018

Financial Assets	Investment Grade	Non-investment Grade
Cash and cash equivalents	$ 55,307,872	$ -
Financial assets at fair value through profit or loss	57,376,031	-
Financial assets at fair value through other comprehensive income	270,216,157	-
Financial assets at amortized cost	908,066,326	-
Refundable deposits	5,966,112	-
	$ 1,296,932,498	$ -
Proportion	100.00%	-

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables on September 30, 2019, December 31, 2018 and September 30, 2018. The assessment indicates those investments belongs to lower credit risk. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.17%, 0.00%-0.18% and 0.00%-0.16%, respectively) is used to measure the amount of allowance loss.

The total book value of China Life Insurance debt investments measured at fair value through other comprehensive income and amortized cost and related other receivables on September 30, 2019, December 31, 2018 and September 30, 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on September 30, 2019 (Note)	$ 314,391,511	$ 1,017,802,040	$ 9,725,494
Total book value on December 31, 2018 (Note)	$ 294,783,102	$ 956,524,783	$ 11,073,170
Total book value on September 30, 2018 (Note)	$ 269,216,755	$ 914,094,710	$ 14,835,345

Note: Including securities serving as collateral deposits.

Changes in allowance losses of financial asset at fair value through other comprehensive income, and debt investment measured at cost and other related receivables for the nine months ended September 30, 2019 and 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
January 1, 2019	$ 27,070	$ 86,642	$ 1,044
Disposal	(7,319)	(5,952)	(582)
Addition	17,994	13,502	627
Change in model/risk factors	609	1,761	12
Change in exchange rate and others	84	543	1
September 30, 2019	$ 38,438	$ 96,496	$ 1,102
January 1, 2018	$ 18,150	$ 69,784	$ 757
Disposal	(3,332)	(1,482)	(379)
Addition	9,524	10,906	765
Change in model/risk factors	(2,190)	(7,169)	(51)
Change in exchange rate and others	210	1,003	3
September 30, 2018	$ 22,362	$ 73,042	$ 1,095

For the nine months ended September 30, 2019 and 2018, the increase in debt investments measured at amortized cost and at fair value through other comprehensive income correspond with the increase in the allowance loss measured on the basis of 12 months.

The total book value of China Life Insurance guarantee loan and related other receivables is listed as follows based on credit risk ratings:

September 30, 2019

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 899,849	$ 857
Credit risk significantly increase	Lifetime expected credit loss	2,794	18
Impairment	Lifetime expected credit loss	10,542	11
Total book value		$ 913,185	$ 886

December 31, 2018

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,150,280	$ 1,146
Credit risk significantly increase	Lifetime expected credit loss	5,074	26
Impairment	Lifetime expected credit loss	16,250	66
Total book value		$ 1,171,604	$ 1,238

September 30, 2018

Credit Risk Ratings	Measurement of Expected Credit Loss	Guarantee Loans	Other Receivables
Low credit risk	12 months expected credit loss	$ 1,244,134	$ 1,160
Credit risk significantly increase	Lifetime expected credit loss	4,562	29
Impairment	Lifetime expected credit loss	17,391	78
Total book value		$ 1,266,087	$ 1,267

Changes in allowance losses for the nine months ended September 30, 2019 and 2018 are as follows:

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 2019	$ 73	$ 342	$ 1,256	$ 1,671	$ 16,332	$ 18,003
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	-	-	-	-	-	-
Change to 12 months expected credit loss	2	-	(2)	-	-	-
Disposal	(8)	-	(332)	(340)	-	(340)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(3,488)	(3,488)
Change in exchange rate and others	(10)	3,951	(111)	3,830	-	3,830
September 30, 2019	$ 57	$ 4,293	$ 811	$ 5,161	$ 12,844	$ 18,005
January 1, 2018	$ 1,012	$ 16,815	$ 351	$ 18,178	$ 23,772	$ 41,950
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	(2)	-	2	-	-	-
Change to 12 months expected credit loss	33	-	(33)	-	-	-
Disposal	(932)	-	(26)	(958)	-	(958)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(6,158)	(6,158)
Change in exchange rate and others	(32)	9,886	1,049	10,903	-	10,903
September 30, 2018	$ 79	$ 26,701	$ 1,343	$ 28,123	$ 17,614	$ 45,737

The allowance loss of China Life Insurance's accounts receivables arising from other transactions are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the nine months ended September 30, 2019 and 2018 are as follows:

	Receivables
January 1, 2019	$ 7,915
Reversal	(69)
Written-off due to uncollectable	-
September 30, 2019	$ 7,846
January 1, 2018	$ 724
Addition	3,183
Written-off due to uncollectable	-
September 30, 2018	$ 3,907

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policy of liquidity risk

KGI Bank's liquidity risk management gap limit management strategy, which is the cumulative inflows and outflows (net cumulative mismatch), the KGI Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The KGI Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Maturity gap analysis of financial assets and non-derivative financial liabilities held for liquidity purposes

a) Financial assets held for liquidity management

The KGI Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and discounts and loans.

b) Non-derivative financial liabilities

The following tables show the cash outflows on the KGI Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

(In Thousands of New Taiwan Dollars)

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 1,500,000	$ 157,260	$ 23,296	$ 9,590	$ -	$ 1,690,146
Notes and bonds issued under repurchase agreement	10,398,986	335,288	-	-	-	10,734,274
Deposits and remittances	56,628,116	90,653,397	40,713,677	85,027,507	17,068,326	290,091,023
Bank debentures payable	-	-	-	1,000,000	9,450,000	10,450,000
Other capital outflow on maturity	3,568,374	736,261	1,336,649	629,597	2,475,156	8,746,037
Total	$ 72,095,476	$ 91,882,206	$ 42,073,622	$ 86,666,694	$ 28,993,482	$ 321,711,480

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 7,523,296	$ 2,500	$ -	$ 166,850	$ -	$ 7,692,646
Notes and bonds issued under repurchase agreement	13,291,782	1,243,064	601,742	-	-	15,136,588
Deposits and remittances	39,640,290	68,725,042	59,815,135	86,327,484	24,215,819	278,723,770
Bank debentures payable	-	-	-	-	7,350,000	7,350,000
Other capital outflow on maturity	2,867,861	710,703	298,834	562,208	287,922	4,727,528
Total	$ 63,323,229	$ 70,681,309	$ 60,715,711	$ 87,056,542	$ 31,853,741	$ 313,630,532

(In Thousands of New Taiwan Dollars)

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 9,130,287	$ 3,157,260	$ 25,796	$ 9,590	$ -	$ 12,322,933
Notes and bonds issued under repurchase agreement	17,774,888	4,161,719	-	-	-	21,936,607
Deposits and remittances	58,187,890	67,708,936	42,877,916	97,320,457	23,150,900	289,246,099
Bank debentures payable	-	-	-	-	1,000,000	1,000,000
Other capital outflow on maturity	1,365,967	822,502	1,641,426	518,165	279,244	4,627,304
Total	$ 86,459,032	$ 75,850,417	$ 44,545,138	$ 97,848,212	$ 24,430,144	$ 329,132,943

(In Thousands of U.S. Dollars)

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 282,000	$ 386,000	$ -	$ -	$ -	$ 668,000
Notes and bonds issued under repurchase agreement	193,855	464,921	-	-	-	658,776
Deposits and remittances	1,510,105	588,089	664,705	771,822	10,489	3,545,210
Bank debentures payable	-	-	-	-	1,024,599	1,024,599
Other capital outflow on maturity	115,947	30,343	8,022	1,476	137,783	293,571
Total	$ 2,101,907	$ 1,469,353	$ 672,727	$ 773,298	$ 1,172,871	$ 6,190,156

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 235,000	$ 146,000	$ 20,000	$ -	$ -	$ 401,000
Notes and bonds issued under repurchase agreement	239,203	511,658	331,969	-	-	1,082,830
Deposits and remittances	1,573,301	1,006,239	542,454	843,891	10,023	3,975,908
Bank debentures payable	-	-	-	-	945,133	945,133
Other capital outflow on maturity	30,683	19,947	8,128	1,620	159,044	219,422
Total	$ 2,078,187	$ 1,683,844	$ 902,551	$ 845,511	$ 1,114,200	$ 6,624,293

(In Thousands of U.S. Dollars)

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 154,000	$ 230,000	$ 86,000	$ -	$ -	$ 470,000
Notes and bonds issued under repurchase agreement	148,086	408,602	566,518	-	-	1,123,206
Deposits and remittances	2,067,033	836,612	546,678	924,827	41	4,375,191
Bank debentures payable	-	-	-	-	921,072	921,072
Other capital outflow on maturity	157,515	37,521	6,316	2,732	202,263	406,347
Total	$ 2,526,634	$ 1,512,735	$ 1,205,512	$ 927,559	$ 1,123,376	$ 7,295,816

4) Maturity analysis of derivative financial instruments

The valuation of the maturity of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the cash flows of the contract. Thus, a part of the amount disclosed deviates from the balance sheet. The maturity analysis of financial instruments is as follows:

(In Thousands of New Taiwan Dollars)

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (256,859,582)	$ (242,251,030)	$ (122,777,536)	$ (51,780,226)	$ (5,297,280)	$ (678,965,654)
Cash inflow	238,641,811	218,837,341	112,678,590	47,186,843	5,069,100	622,413,685
Interest rate derivatives instruments						
Cash outflow	(189,659)	(700,505)	(10,637)	-	(14,003,635)	(14,904,436)
Cash inflow	170,710	390,300	10,629	-	-	571,639
Cash outflow subtotal	(257,049,241)	(242,951,535)	(122,788,173)	(51,780,226)	(19,300,915)	(693,870,090)
Cash inflow subtotal	238,812,521	219,227,641	112,689,219	47,186,843	5,069,100	622,985,324
Net cash flow	$ (18,236,720)	$ (23,723,894)	$ (10,098,954)	$ (4,593,383)	$ (14,231,815)	$ (70,884,766)

(In Thousands of New Taiwan Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (233,453,223)	$ (278,785,154)	$ (170,854,332)	$ (43,935,861)	$ (7,938,490)	$ (734,967,060)
Cash inflow	212,355,080	261,260,926	164,566,007	38,897,232	6,501,546	683,580,791
Interest rate derivatives instruments						
Cash outflow	(148,479)	(340,477)	(11,507)	(300,000)	(16,900,584)	(17,701,047)
Cash inflow	125,186	337,310	-	-	15,006	477,502
Cash outflow subtotal	(233,601,702)	(279,125,631)	(170,865,839)	(44,235,861)	(24,839,074)	(752,668,107)
Cash inflow subtotal	212,480,266	261,598,236	164,566,007	38,897,232	6,516,552	684,058,293
Net cash flow	$ (21,121,436)	$ (17,527,395)	$ (6,299,832)	$ (5,338,629)	$ (18,322,522)	$ (68,609,814)

(In Thousands of New Taiwan Dollars)

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$(205,705,931)	$(321,758,948)	$(178,729,189)	$ (54,588,191)	$ (5,157,300)	$(765,939,559)
Cash inflow	189,745,021	298,585,960	174,706,972	52,875,310	3,660,750	719,574,013
Interest rate derivatives instruments						
Cash outflow	(166,572)	(324,249)	(20,549)	-	(15,200,882)	(15,712,252)
Cash inflow	152,380	333,072	18,577	-	-	504,029
Cash outflow subtotal	(205,872,503)	(322,083,197)	(178,749,738)	(54,588,191)	(20,358,182)	(781,651,811)
Cash inflow subtotal	189,897,401	298,919,032	174,725,549	52,875,310	3,660,750	720,078,042
Net cash flow	$ (15,975,102)	$ (23,164,165)	$ (4,024,189)	$ (1,712,881)	$ (16,697,432)	$ (61,573,769)

(In Thousands of U.S. Dollars)

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (8,843,541)	$ (7,567,367)	$ (4,123,823)	$ (2,426,445)	$ (217,832)	$ (23,179,008)
Cash inflow	9,764,233	8,408,094	4,298,818	2,323,675	224,832	25,019,652
Interest rate derivatives instruments						
Cash outflow	(49,985)	(111,422)	(114,221)	(18,973)	(67,606)	(362,207)
Cash inflow	49,266	99,111	91,114	312	-	239,803
Others						
Cash outflow	(462)	-	-	-	-	(462)
Cash inflow	591	-	-	-	-	591
Cash outflow subtotal	(8,893,988)	(7,678,789)	(4,238,044)	(2,445,418)	(285,438)	(23,541,677)
Cash inflow subtotal	9,814,090	8,507,205	4,389,932	2,323,987	224,832	25,260,046
Net cash flow	$ 920,102	$ 828,416	$ 151,888	$ (121,431)	$ (60,606)	$ 1,718,369

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (8,079,022)	$ (9,161,839)	$ (5,717,494)	$ (1,603,252)	$ (492,810)	$ (25,054,417)
Cash inflow	8,838,537	9,949,100	5,887,192	1,598,368	540,811	26,814,008
Interest rate derivatives instruments						
Cash outflow	(89,987)	(133,284)	(85,583)	(6,773)	(68,545)	(384,172)
Cash inflow	59,794	125,658	74,119	2,843	128	262,542
Others						
Cash outflow	(365)	-	-	-	-	(365)
Cash inflow	725	-	-	-	-	725
Cash outflow subtotal	(8,169,374)	(9,295,123)	(5,803,077)	(1,610,025)	(561,355)	(25,438,954)
Cash inflow subtotal	8,899,056	10,074,758	5,961,311	1,601,211	540,939	27,077,275
Net cash flow	$ 729,682	$ 779,635	$ 158,234	$ (8,814)	$ (20,416)	$ 1,638,321

(In Thousands of U.S. Dollars)

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	$ (6,887,298)	$ (10,832,830)	$ (6,087,784)	$ (1,889,480)	$ (404,390)	$ (26,101,782)
Cash inflow	7,385,127	11,707,838	6,372,018	1,920,093	452,150	27,837,226
Interest rate derivatives instruments						
Cash outflow	(51,433)	(96,882)	(116,520)	(23,406)	(46,963)	(335,204)
Cash inflow	51,049	89,471	86,513	7,563	71	234,667
Others						
Cash outflow	(37)	-	-	-	-	(37)
Cash inflow	42	-	-	-	-	42
Cash outflow subtotal	(6,938,768)	(10,929,712)	(6,204,304)	(1,912,886)	(451,353)	(26,437,023)
Cash inflow subtotal	7,436,218	11,797,309	6,458,531	1,927,656	452,221	28,071,935
Net cash flow	$ 497,450	$ 867,597	$ 254,227	$ 14,770	$ 868	$ 1,634,912

5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 12,740,943	$ 6,628,067	$ 3,616,674	$ 9,112,850	$ 16,132,132	$ 48,230,666

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 7,809,005	$ 3,477,324	$ 3,972,951	$ 10,004,484	$ 11,987,812	$ 37,251,576

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	$ 7,955,741	$ 4,505,192	$ 3,664,171	$ 8,809,618	$ 12,903,582	$ 37,838,304

6) The maturity analysis of lease agreement

The lease contracts of KGI Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition. Financial lease means net future lease payments under finance lease condition.

The maturity analysis of lease commitments were as follows:

December 31, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,727,233	$ 1,976,230	$ -	$ 3,703,463
Financial lease present value income (lessor)	1,615,018	1,890,338	-	3,505,356
Operating lease payment (lessee)	322,537	325,106	85,297	732,940
Operating lease income (lessor)	22,177	76,527	10,185	108,889
Present value of financial lease payment (lessee)	-	3,716	-	3,716

September 30, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	$ 1,743,300	$ 1,960,387	$ -	$ 3,703,687
Financial lease present value income (lessor)	1,632,148	1,881,155	-	3,513,303
Operating lease payment (lessee)	325,063	382,904	90,705	798,672
Operating lease income (lessor)	15,862	54,687	11,203	81,752
Present value of financial lease payment (lessee)	-	3,968	-	3,968

7) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of KGI Bank's assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

September 30, 2019	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 204,701,944	$ 214,342,080	$ 277,279,990	$ 142,412,936	$ 94,286,655	$ 145,888,227	$ 1,078,911,832
Main capital outflow on maturity	158,968,422	185,452,156	364,599,207	190,446,048	192,411,222	208,039,294	1,299,916,349
Gap	45,733,522	28,889,924	(87,319,217)	(48,033,112)	(98,124,567)	(62,151,067)	(221,004,517)

(In Thousands of New Taiwan Dollars)

September 30, 2018	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 137,383,850	$ 244,659,409	$ 347,346,783	$ 222,345,624	$ 92,123,679	$ 121,847,881	$ 1,165,707,226
Main capital outflow on maturity	112,760,635	190,347,252	418,745,040	248,792,221	201,938,218	174,157,853	1,346,741,219
Gap	24,623,215	54,312,157	(71,398,257)	(26,446,597)	(109,814,539)	(52,309,972)	(181,033,993)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 10,809,215	$ 9,598,077	$ 4,632,375	$ 2,793,984	$ 2,511,626	$ 30,345,277
Main capital outflow on maturity	11,215,112	9,586,274	5,305,268	3,968,085	3,107,921	33,182,660
Gap	(405,897)	11,803	(672,893)	(1,174,101)	(596,295)	(2,837,383)

(In Thousands of U.S. Dollars)

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 8,647,621	$ 12,911,279	$ 6,825,848	$ 2,313,735	$ 3,920,714	$ 34,619,197
Main capital outflow on maturity	9,707,410	12,926,463	8,018,687	3,931,501	3,392,249	37,976,310
Gap	(1,059,789)	(15,184)	(1,192,839)	(1,617,766)	528,465	(3,357,113)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

September 30, 2019	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,995,134	$ 4,230,579	$ -	$ -	$ -	$ 10,225,713
Financial assets measured at FVTPL - current	57,743,676	5,711,437	470,051	13,714,309	42,045	77,681,518
Financial assets measured at FVTOCI - current	16,745,084	4,720,487	1,522,828	-	-	22,988,399
Securities purchased under resell agreement	-	27,402,022	-	-	-	27,402,022
Receivables	36,919,368	3,845,790	16,497,711	1,284,124	-	58,546,993
Customer margin accounts	26,386,058	-	-	-	-	26,386,058
Stock borrowing collateral price and security lending deposits	674,015	1,588,277	25,115,629	-	-	27,377,921
Other financial assets - current	-	-	2,671,245	-	-	2,671,245
Current tax assets	-	-	12,880	2,631	237	15,748
Other current assets	46,360,013	467,647	1,146,809	-	-	47,974,469
Financial assets measured at FVTPL - non-current	-	-	-	701,407	2,405,464	3,106,871
Financial assets measured at FVTOCI - non-current	-	-	-	-	7,996,223	7,996,223
Financial assets at amortized cost - non-current	-	-	-	448,494	347,916	796,410
Investments accounted for using the equity method	-	-	-	-	15,853,549	15,853,549
Others non-current assets	200,000	-	-	100,063	2,723,711	3,023,774
Total	$ 191,023,348	$ 47,966,239	$ 47,437,153	$ 16,251,028	$ 29,369,145	$ 332,046,913
Percentage	57.53%	14.45%	14.29%	4.89%	8.84%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

September 30, 2019	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 16,674,701	$ -	$ -	$ -	$ 16,674,701
Commercial papers payable	-	7,367,819	-	-	-	7,367,819
Financial liabilities measured at FVTPL - current	4,044,472	2,103,445	2,109,527	6,393,004	873,352	15,523,800
Bonds issued under repurchase agreements	-	91,463,734	-	-	-	91,463,734
Payables	67,054,763	1,109,970	4,065,634	48,758	-	72,279,125
Guarantee deposits received from security lending	-	2,168,244	27,434,459	-	-	29,602,703
Futures customers' equity	26,369,475	-	-	-	-	26,369,475
Amounts collected for others/other payables/other current liabilities	369,471	1,211,581	3,217,873	39	-	4,798,964
Other financial liabilities - current	-	5,309,871	22	1,328	707	5,311,928
Lease liabilities-current	-	127,900	360,668	-	-	488,568
Current tax liabilities	-	-	157,603	-	703,841	861,444
Long-term liabilities - current portion	-	-	4,800,000	-	-	4,800,000
Liabilities reserve - non-current	-	-	-	24,953	196,782	221,735
Lease liabilities - non-current	-	-	-	831,438	-	831,438
Others non-current liabilities	-	-	570	640,297	64,630	705,497
Total	$ 97,838,181	$ 127,537,265	$ 42,146,356	$ 7,939,817	$ 1,839,312	$ 277,300,931
Percentage	35.28%	45.99%	15.20%	2.86%	0.67%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

September 30, 2019	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 191,023,348	$ 47,966,239	$ 47,437,153	$ 16,251,028	$ 29,369,145	$ 332,046,913
Cash outflow	97,838,181	127,537,265	42,146,356	7,939,817	1,839,312	277,300,931
Amount of cash flow gap	$ 93,185,167	$ (79,571,026)	$ 5,290,797	$ 8,311,211	$ 27,529,833	$ 54,745,982

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 5,114,643	$ 8,733,893	$ -	$ -	$ -	$ 13,848,536
Financial assets measured at FVTPL - current	45,048,279	1,944,214	9,160,574	387,366	69,401	56,609,834
Financial assets measured at FVTOCI - current	8,151,851	5,575,724	643,797	-	-	14,371,372
Securities purchased under resell agreement	-	19,494,037	-	-	-	19,494,037
Receivables	29,269,275	4,088,892	15,752,425	2,371,131	-	51,481,723
Customer margin accounts	21,810,475	-	-	-	-	21,810,475
Stock borrowing collateral price and security lending deposits	2,925,678	2,093,783	6,916,890	-	-	11,936,351
Other financial assets - current	-	-	3,387,927	-	-	3,387,927
Current tax assets	-	-	48	2,255	569,624	571,927
Other current assets	45,521,742	986,209	1,071,838	-	-	47,579,789
Financial assets measured at FVTPL - non-current	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVTOCI - non-current	-	-	-	-	4,218,151	4,218,151
Financial assets at amortized cost - non-current	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others non-current assets	70,000	-	100,000	259,621	2,814,781	3,244,402
Total	$ 157,911,943	$ 42,916,752	$ 37,033,499	$ 3,868,360	$ 21,273,945	$ 263,004,499
Percentage	60.04%	16.32%	14.08%	1.47%	8.09%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 14,782,223	$ -	$ -	$ -	$ 14,782,223
Commercial papers payable	-	2,457,752	-	-	-	2,457,752
Financial liabilities measured at FVTPL - current	3,723,021	1,236,609	5,532,983	1,124,791	69,401	11,686,805
Bonds issued under repurchase agreements	-	65,299,256	-	-	-	65,299,256
Payables	60,856,910	1,603,369	5,143,243	96,648	-	67,700,170
Guarantee deposits received from security lending	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers' equity	21,792,908	-	-	-	-	21,792,908
Amounts collected for others/other payables/other current liabilities	424,784	1,101,415	2,601,633	30	-	4,127,862
Other financial liabilities - current	-	2,224,901	8,913	739	-	2,234,553
Current tax liabilities	-	-	175,426	-	738,425	913,851
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve - non-current	-	-	-	21,840	205,228	227,068
Others non-current liabilities	-	-	-	694,628	67,593	762,221
Total	$ 86,797,623	$ 94,613,530	$ 25,372,653	$ 6,738,676	$ 1,080,647	$ 214,603,129
Percentage	40.45%	44.09%	11.82%	3.14%	0.50%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 157,911,943	$ 42,916,752	$ 37,033,499	$ 3,868,360	$ 21,273,945	$ 263,004,499
Cash outflow	86,797,623	94,613,530	25,372,653	6,738,676	1,080,647	214,603,129
Amount of cash flow gap	$ 71,114,320	$ (51,696,778)	$ 11,660,846	$ (2,870,316)	$ 20,193,298	$ 48,401,370

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

September 30, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	$ 6,951,479	$ 10,100,599	$ -	$ -	$ -	$ 17,052,078
Financial assets measured at FVTPL - current	52,549,348	1,676,549	11,931,742	387,748	86,786	66,632,173
Financial assets measured at FVTOCI - current	11,855,761	133,719	963,162	-	-	12,952,642
Securities purchased under resell agreement	-	37,822,455	-	-	-	37,822,455
Receivables	37,028,344	5,346,538	17,405,759	3,859,177	-	63,639,818
Customer margin accounts	27,149,849	-	-	-	-	27,149,849
Stock borrowing collateral price and security lending deposits	1,963,041	1,406,708	5,379,313	-	-	8,749,062
Other financial assets - current	-	-	2,927,700	-	-	2,927,700
Current tax assets	-	-	5,597	552	569,624	575,773
Other current assets	48,666,366	239,785	844,789	-	-	49,750,940
Financial assets measured at FVTPL - non-current	-	50,187	-	689,394	2,151,581	2,891,162
Financial assets measured at FVTOCI - non-current	-	-	-	-	2,122	2,122
Financial assets at amortized cost - non-current	-	-	-	298,653	347,888	646,541
Investments accounted for using the equity method	-	-	-	-	12,808,902	12,808,902
Others non-current assets	100,000	149,834	100,000	327,345	2,666,755	3,343,934
Total	$ 186,264,188	$ 56,926,374	$ 39,558,062	$ 5,562,869	$ 18,633,658	$ 306,945,151
Percentage	60.68%	18.55%	12.89%	1.81%	6.07%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

September 30, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	$ -	$ 18,485,981	$ -	$ -	$ -	$ 18,485,981
Commercial papers payable	-	7,461,451	-	-	-	7,461,451
Financial liabilities measured at FVTPL - current	3,201,378	1,243,793	6,204,657	1,157,781	86,786	11,894,395
Bonds issued under repurchase agreements	-	85,419,896	-	-	-	85,419,896
Payables	69,053,962	1,615,715	4,807,944	118,783	-	75,596,404
Guarantee deposits received from security lending	-	3,296,752	13,681,068	-	-	16,977,820
Futures customers' equity	27,122,972	-	-	-	-	27,122,972
Amounts collected for others/other payables/other current liabilities	391,358	1,103,371	2,476,157	44	-	3,970,930
Other financial liabilities - current	-	3,208,880	18,860	546	-	3,228,286
Current tax liabilities	-	-	130,163	-	720,518	850,681
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve - non-current	-	-	-	21,839	204,757	226,596
Others non-current liabilities	-	-	-	641,622	83,410	725,032
Total	$ 99,769,670	$ 121,835,839	$ 27,318,849	$ 6,740,615	$ 1,095,471	$ 256,760,444
Percentage	38.86%	47.45%	10.64%	2.62%	0.43%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

September 30, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	$ 186,264,188	$ 56,926,374	$ 39,558,062	$ 5,562,869	$ 18,633,658	$ 306,945,151
Cash outflow	99,769,670	121,835,839	27,318,849	6,740,615	1,095,471	256,760,444
Amount of cash flow gap	$ 86,494,518	$ (64,909,465)	$ 12,239,213	$ (1,177,746)	$ 17,538,187	$ 50,184,707

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from September 30, 2019, December 31, 2018 and September 30, 2018, show that the sums from deducting cash outflow from cash inflow are $54,745,982 thousand, $48,401,370 thousand and $50,184,707 thousand, respectively, all indicating sufficient fund liquidity.

An observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 57.53% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow during partial periods. Net cash inflow calculated from net spot financial assets are sufficient to cover the net cash outflows generated from subsequent periods, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

CDIB Capital Group and subsidiaries

The management of liquidity risk is aimed to deal with financing CDIB Capital Group’s operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group’s Management policies of liquidity risk are as follows:

1) Dispose of surplus capital should consider possible future capital requirements, deconcentration of capital sources and reasonable liquidity of liability Structure.

2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of September 30, 2019, December 31, 2018 and September 30, 2018, CDIB Capital Group and subsidiaries’ other financial liabilities are $385,111 thousand, $381,410 thousand and $379,215 thousand, respectively, and will be paid by financial assets and the rest of non-derivative financial liabilities are $898,017 thousand, $905,189 thousand and $785,787 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

1) Liquidity risks are classified to "funding liquidity risk" and "market liquidity risk." "Funding liquidity risk" represents that China Life Insurance 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 China Life Insurance sells at loss to meet the demand for cash.

   China Life Insurance assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance 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 China Life Insurance in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

   China Life Insurance 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, China Life Insurance 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

      China Life Insurance 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, etc.

   b) Maturity analysis of non-derivative financial liabilities

      The analysis of cash outflows to China Life Insurance 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

	September 30, 2019			
	In 1 Year	**1-5 Years**	**Over 5 Year**	**Total**
Payables	$ 23,685,597	$ 28,912	$ -	$ 23,714,509
Lease liabilities (Note)	165,470	379,982	4,855,350	5,400,802

	December 31, 2018			
	In 1 Year	**1-5 Years**	**Over 5 Year**	**Total**
Payables	$ 10,698,549	$ 28,537	$ -	$ 10,727,086

	September 30, 2018			
	In 1 Year	1-5 Years	Over 5 Year	Total
Payables	$ 9,456,235	$ 32,384	$ -	$ 9,488,619

Note: China Life applied IFRS 16 on January 1, 2019 and decided not to retrospect comparison period.

c) Maturity analysis of derivative financial liabilities

China Life Insurance operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward).

China Life Insurance 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. China Life Insurance enters into forward contracts and cross currency swaps derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and cross currency swaps will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

China Life Insurance's maturity structure of derivative financial liabilities is as follows:

	September 30, 2019				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 2,302,102	$ 814,483	$ 3,455	$ -	$ 3,120,040

	December 31, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 1,782,682	$ -	$ 686,445	$ -	$ 2,469,127

	September 30, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 4,586,288	$ 769,318	$ 21,472	$ -	$ 5,377,078

3) Maturity analysis of lease commitment

a) Operating lease commitment - China Life Insurance as the lessee

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2018 and September 30, 2018 are as follows:

	December 31, 2018	September 30, 2018
Less than one year	$ 111,219	$ 110,894
More than one year but less than five years	438,883	434,285
More than five years	4,834,881	4,855,350
	$ 5,384,983	$ 5,400,529

The minimum lease payments of operating lease for the three and nine months ended September 30, 2018 amounted to $15,674 thousand and $47,215 thousand, respectively.

b) Operating lease commitments - China Life Insurance as the lessor

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2018 and September 30, 2018 are as follows:

	December 31, 2018	September 30, 2018
Less than one year	$ 407,686	$ 408,467
More than one year but less than five years	873,984	904,419
More than five years	223,248	219,205
	$ 1,504,918	$ 1,532,091

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, the KGI Bank has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks and on market risk calculation tables announced by FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the "Market Risk Policy", the KGI Bank sets up the "Market Risk Management Procedure to Trading Activities" to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank's market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank's risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank's market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and CDFH's Risk Management Committee. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the revaluation results of traders' position risk value, position sensitivity and profit and loss figure on the daily basis.

5) Valuation techniques of market risk

The KGI Bank uses the VaR model and stress testing to evaluate the potential and extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30, 2019			For the Year Ended December 31, 2018			For the Nine Months Ended September 30, 2018		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 151,510	$ 226,896	$ 87,711	$ 172,030	$ 263,393	$ 72,541	$ 163,657	$ 263,393	$ 72,541
Equity risk	262	3,764	68	13,929	27,333	3,477	15,093	22,137	6,541
Exchange rate risk	5,532	12,638	3,164	5,034	34,521	2,163	5,461	34,521	2,443

6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

The financial assets and liabilities denominated in foreign currency and with material influence on KGI Bank and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2019		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
<u>Financial assets</u>			
Monetary items			
USD	$ 6,355,610	31.04	$ 197,290,855
HKD	3,857,370	3.96	15,271,328
EUR	388,889	33.89	13,179,444
CNY	1,037,823	4.36	4,524,910
ZAR	1,000,657	2.06	2,059,352
GBP	52,444	38.12	1,999,150
AUD	59,386	20.98	1,245,916
JPY	4,076,646	0.29	1,173,666
SGD	18,751	22.46	421,139
<u>Financial liabilities</u>			
Monetary items			
USD	8,111,157	31.04	251,786,529
CNY	4,387,172	4.36	19,128,072
EUR	210,784	33.89	7,143,480
ZAR	2,691,031	2.06	5,538,142
AUD	180,666	20.98	3,790,376
JPY	4,281,443	0.29	1,232,628
HKD	195,392	3.96	773,558
NZD	36,286	19.53	708,668
GBP	11,344	38.12	432,426

(In Thousands of New Foreign Currencies/Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 6,504,546	30.73	$ 199,904,197
EUR	553,336	35.22	19,488,500
HKD	3,190,724	3.92	12,520,400
CNY	1,282,347	4.48	5,739,271
GBP	35,024	38.89	1,362,084
AUD	43,641	21.68	946,141
JPY	2,497,538	0.28	695,315
SGD	20,472	22.49	460,408
ZAR	202,838	2.13	431,843
Financial liabilities			
Monetary items			
USD	8,133,541	30.73	249,968,104
CNY	3,795,557	4.48	16,987,396
EUR	391,754	35.22	13,797,578
ZAR	2,048,614	2.13	4,361,500
AUD	100,666	21.68	2,182,447
JPY	4,488,426	0.28	1,249,578
HKD	110,607	3.92	434,023
GBP	3,127	38.89	121,619
NZD	5,713	20.63	117,855

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 7,532,681	30.55	$ 230,130,952
EUR	548,145	35.50	19,459,134
HKD	3,429,465	3.91	13,392,063
CNY	1,779,267	4.44	7,900,121
GBP	19,234	39.90	767,437
AUD	29,505	22.05	650,583
JPY	1,897,641	0.27	511,035
SGD	19,779	22.34	441,865
ZAR	192,157	2.15	413,906
CHF	3,885	31.31	121,641

(Continued)

	September 30, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial liabilities			
Monetary items			
USD	$ 9,102,864	30.55	$ 278,101,586
EUR	404,755	35.50	14,368,797
CNY	3,013,562	4.44	13,380,516
ZAR	1,788,372	2.15	3,852,153
AUD	91,570	22.05	2,019,129
HKD	373,748	3.91	1,459,485
JPY	3,521,738	0.27	948,404
NZD	12,423	20.19	250,822
GBP	3,042	39.90	121,363

9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

September 30, 2019

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 311,102,703	$ 18,131,880	$ 23,374,318	$ 75,205,167	$ 427,814,068
Interest rate-sensitive liabilities	148,651,411	103,986,045	45,453,904	11,730,199	309,821,559
Interest rate sensitivity gap	162,451,292	(85,854,165)	(22,079,586)	63,474,968	117,992,509
Net worth					60,509,821
Ratio of interest rate-sensitive assets to liabilities (%)					138.08
Ratio of interest rate-sensitive gap to net worth (%)					195.00

September 30, 2018

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 314,735,455	$ 14,429,567	$ 3,572,208	$ 85,785,550	$ 418,522,780
Interest rate-sensitive liabilities	154,330,765	99,140,430	64,360,827	2,888,817	320,720,839
Interest rate sensitivity gap	160,404,690	(84,710,863)	(60,788,619)	82,896,733	97,801,941
Net worth					58,522,701
Ratio of interest rate-sensitive assets to liabilities (%)					130.49
Ratio of interest rate-sensitive gap to net worth (%)					167.12

Note 1: The above amounts included only New Taiwan dollar amounts held by KGI Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (U.S. dollars)

September 30, 2019

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 2,891,863	$ 80,870	$ 44,609	$ 1,217,779	$ 4,235,121
Interest rate-sensitive liabilities	3,851,817	557,993	451,686	1,002,181	5,863,677
Interest rate sensitivity gap	(959,954)	(477,123)	(407,077)	215,598	(1,628,556)
Net worth					104,767
Ratio of interest rate-sensitive assets to liabilities (%)					72.23
Ratio of interest rate-sensitive gap to net worth (%)					(1,554.46)

September 30, 2018

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,303,931	$ 183,785	$ 45,277	$ 1,555,109	$ 5,088,102
Interest rate-sensitive liabilities	4,244,081	1,099,259	625,015	859,713	6,828,068
Interest rate sensitivity gap	(940,150)	(915,474)	(579,738)	695,396	(1,739,966)
Net worth					23,039
Ratio of interest rate-sensitive assets to liabilities (%)					74.52
Ratio of interest rate-sensitive gap to net worth (%)					(7,552.26)

Note 1: The above amounts included only U.S. dollars amounts held by KGI Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in U.S. dollars).

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

1) Risk factor sensitivity

Using product identification and analysis procedure held by KGI Securities, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. KGI Securities and subsidiaries monitor the following risk factor sensitivities:

a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.

b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%).

c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).

d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by KGI Securities and subsidiaries are as follows:

Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	September 30, 2019	December 31, 2018	September 30, 2018
Interest rate risk	$ 7,257	$ 5,774	$ 7,439
Equity securities risk	4,597,883	2,710,631	4,060,933
Exchange rate risk	4,954,935	957,905	1,405,917
Commodity risk	227,303	10,758	16,156

2) Value at risk

Value at risk ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries were as follows:

	For the Nine Months Ended September 30, 2019			September 30, 2019
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 103,458	$ 61,083	$ 178,370	$ 72,604
Interest rate	97,158	63,920	163,414	74,754
Exchange rate	24,258	6,912	42,383	28,443
Commodity	9,795	729	49,086	2,665

	For the Nine Months Ended September 30, 2018			September 30, 2018
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$ 143,906	$ 65,488	$ 312,315	$ 86,672
Interest rate	124,545	78,514	211,168	98,763
Exchange rate	9,558	3,374	20,796	10,297
Commodity	6,137	146	11,516	2,316

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company's board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 2,271,606	31.09	$ 70,613,464
EUR	487,753	33.89	16,530,223
CNY	187,949	4.36	819,448
HKD	120,262	3.96	476,032
JPY	1,249,147	0.29	359,533
Nonmonetary items			
USD	1,980,847	31.04	61,489,451
CNY	584,982	4.36	2,550,522
AUD	35,455	20.98	743,838
EUR	10,312	33.89	349,466
Investments accounted for using the equity method			
USD	82,038	31.04	2,546,635

(Continued)

	September 30, 2019		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial liabilities			
Monetary items			
USD	$ 5,182,924	31.04	$ 160,887,558
EUR	493,371	33.89	16,720,605
CNY	500,342	4.36	2,181,482
AUD	24,736	20.98	518,968
HKD	83,195	3.96	329,305
JPY	974,780	0.29	280,543
Nonmonetary items			
USD	233,178	31.04	7,238,318
AUD	9,959	20.98	208,933
CNY	27,254	4.36	118,828

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 1,554,985	30.78	$ 47,867,143
JPY	23,540,436	0.28	6,553,476
EUR	91,152	35.22	3,210,271
HKD	155,753	3.92	610,893
CNY	33,063	4.48	147,973
Nonmonetary items			
USD	1,315,358	30.73	40,424,903
CNY	301,685	4.48	1,350,220
AUD	13,460	21.68	291,811
EUR	4,156	35.22	146,367
Investments accounted for using the equity method			
USD	78,570	30.73	2,414,682
Financial liabilities			
Monetary items			
USD	4,150,323	30.73	127,546,314
JPY	23,390,109	0.28	6,511,626
EUR	92,580	35.22	3,260,553
HKD	99,051	3.92	388,442
AUD	8,640	21.68	187,315
Nonmonetary items			
USD	183,398	30.73	5,636,356
CNY	27,442	4.48	122,818

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 2,071,213	30.58	$ 63,333,670
JPY	18,862,962	0.27	5,079,696
EUR	75,097	35.50	2,665,822
HKD	144,262	3.90	562,911
CNY	52,833	4.44	234,581
AUD	9,545	22.05	210,458
Nonmonetary items			
USD	1,227,498	30.55	37,501,297
CNY	348,447	4.44	1,547,138
AUD	12,360	22.05	272,535
EUR	5,994	35.50	212,804
Investments accounted for using the equity method			
USD	75,321	30.55	2,301,120
Financial liabilities			
Monetary items			
USD	4,655,078	30.55	142,206,245
JPY	18,604,705	0.27	5,010,148
EUR	79,285	35.50	2,814,506
HKD	99,257	3.90	387,224
AUD	17,404	22.05	383,768
Nonmonetary items			
USD	209,830,283	30.55	6,410,525
CNY	29,176	4.44	129,545

CDIB Capital Group and subsidiaries

Market risk is defined as an unfavorable change in financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading. Market risk as explained as follows:

1) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2019		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 171,485	31.042	$ 5,323,238
CNY	217,228	4.360	947,115
HKD	119,337	3.959	472,454
KRW	7,231,646	0.026	187,314
JPY	414,683	0.288	119,387
Nonmonetary items			
USD	359,064	31.042	11,146,073
CNY	92,264	4.360	402,271
THB	176,794	1.013	179,093
Investment accounted for using the equity method			
USD	99,079	31.042	3,075,615
CNY	659,927	4.360	2,877,282
Financial liabilities			
Monetary items			
USD	13,980	31.042	433,982
KRW	4,132,027	0.0259	107,028

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 223,828	30.733	$ 6,878,905
CNY	187,203	4.476	837,845
HKD	55,585	3.924	218,117
KRW	6,854,094	0.028	188,755
JPY	414,683	0.278	115,448
Nonmonetary items			
USD	380,420	30.733	11,691,440
THB	230,845	0.949	219,072
Investment accounted for using the equity method			
CNY	685,898	4.476	3,069,805
USD	89,104	30.733	2,738,434
Financial liabilities			
Monetary items			
USD	15,381	30.733	472,712

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2018		
	Foreign Currencies	Exchange Rate (Dollar)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 178,902	30.551	$ 5,465,638
CNY	182,871	4.440	811,967
HKD	135,475	3.905	529,031
KRW	7,123,170	0.028	196,222
JPY	414,683	0.269	111,674
Nonmonetary items			
USD	347,708	30.551	10,622,831
THB	209,010	0.944	197,305
KRW	4,033,800	0.028	111,119
Investment accounted for using the equity method			
CNY	687,940	4.440	3,054,520
USD	91,387	30.551	2,791,969
Financial liabilities			
Monetary items			
USD	14,063	30.551	429,653

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	Impact on Profit or Loss For the Nine Months Ended September 30	
	2019	**2018**
Monetary items		
USD	$ 48,893	$ 50,360
CNY	9,271	3,451
HKD	4,327	5,290
KRW	803	1,962
JPY	1,194	1,117

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of September 30, 2019, December 31, 2018 and September 30, 2018 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the nine months ended September 30, 2019 and 2018 would increase/decrease by $175,344 thousand and $214,507 thousand, respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

China Life Insurance

1) Market risk analysis

Market risk refers to financial assets and liabilities due to market risk factors volatility, making the change of the value to cause the risk of loss.

China Life Insurance has built value at risk (VaR) model. All financial assets involve market risks regularly monitor by risk management system and calculate the VaR. Risk control indices are notional amount and VaR. It will issue risk management reports and execute routine control and process when over limit. We also report VaR, the use of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

2) Exchange rate risk

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

China Life Insurance's exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of China Life Insurance).

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

3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. China Life Insurance 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

China Life Insurance holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. China Life Insurance 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 China Life Insurance. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

5) Value at risk

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

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

6) Stress testing

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

China Life Insurance 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 for the portfolio value from the movement of specific risk factors.

b) Scenario analysis

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

i. Historical scenario:

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

ii. Hypothetical scenario:

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

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

Summary of Factor Sensitivity Analysis
September 30, 2019

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ -	$ 1,750,373
Interest rate risk (yield curve)	+1BP	-	(586,077)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,275,119)	(599,934)

December 31, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 1,594	$ 1,249,417
Interest rate risk (yield curve)	+1BP	-	(431,567)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,596,326)	(389,592)

September 30, 2018

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	$ 2,325	$ 1,528,569
Interest rate risk (yield curve)	+1BP	-	(410,647)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,537,863)	(436,452)

7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of September 30, 2019, December 31, 2018 and September 30, 2018 are as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2019		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 36,266,068	31.0420	$ 1,125,769,450
AUD	3,331,729	20.9751	69,883,342
Non-monetary items			
USD	906,768	31.0420	28,147,892
Financial labilities			
Monetary items			
USD	236,817	31.0420	7,351,040

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	**Exchange Rate (Dollar)**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 32,439,523	30.7330	$ 996,964,533
Non-monetary items			
USD	442,376	30.7330	13,595,540
Financial labilities			
Monetary items			
USD	15,470	30.7330	475,440

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 31,515,073	30.5510	$ 962,817,004
Non-monetary items			
USD	452,713	30.5510	13,830,849

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

e. Transfers of financial assets

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

September 30, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 310,341	$ 279,378	$ 310,420	$ 279,378	$ 31,042
Financial assets at FVTPL	13,495,685	12,939,507	13,495,685	12,939,507	556,178
Financial assets at FVTOCI	25,170,814	23,761,157	25,170,814	23,761,157	1,409,657

December 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 307,248	$ 291,964	$ 307,330	$ 291,964	$ 15,366
Financial assets at FVTPL	8,359,623	7,844,863	8,359,623	7,844,863	514,760
Financial assets at FVTOCI	55,513,141	52,166,855	55,513,141	52,166,855	3,346,286

September 30, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	$ 305,429	$ 290,235	$ 305,510	$ 290,235	$ 15,275
Financial assets at FVTPL	5,992,254	5,645,501	5,992,254	5,645,501	346,753
Financial assets at FVTOCI	65,119,967	61,539,133	65,119,967	61,539,133	3,580,834
Securities purchased under resell agreements	1,442,622	1,398,602	1,442,622	1,398,602	44,020

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

September 30, 2019					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 81,167,447	$ 78,619,109	$ 81,167,447	$ 78,619,109	$ 2,548,338
Transaction - borrowed securities	1,102,428	1,543,399	1,102,428	1,543,399	(440,971)

December 31, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 52,973,046	$ 51,217,733	$ 52,973,046	$ 51,217,733	$ 1,755,313
Transaction - borrowed securities	826,971	1,157,759	826,971	1,157,759	(330,788)

September 30, 2018					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	$ 72,794,788	$ 71,138,684	$ 72,794,788	$ 71,138,684	$ 1,656,104
Transaction - borrowed securities	902,295	1,263,213	902,295	1,263,213	(360,918)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, and has the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

Period	Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
			Financial Assets at FVTPL	Assets	Liabilities	
September 30, 2019	Call option	$ 11,641,000	$ 908,784	$ 908,784	$ -	$ 908,784
December 31, 2018	Call option	11,074,500	654,271	654,271	-	654,271
September 30, 2018	Call option	11,893,800	935,450	935,450	-	935,450

The following table is repurchased transferred financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

Period	Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
September 30, 2019	Call option	$ -	$ 597,900	$ 3,400,100	$ 7,643,000	$ -	$ 11,641,000
December 31, 2018	Call option	-	241,400	1,875,100	8,958,000	-	11,074,500
September 30, 2018	Call option	-	1,094,700	1,586,500	9,212,600	-	11,893,800

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

Period	Types of Continuing Involvement	Gains or Losses Recognized at Balance Sheet Day	Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day	Revenues or Expenses Recognized During the Period
September 30, 2019	Call option	$ (3,683)	$ (227,943)	$ (231,626)
December 31, 2018	Call option	(12,172)	(357,181)	(369,353)
September 30, 2018	Call option	(10,068)	(193,111)	(203,179)

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank and subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting financial assets and financial liabilities were as follows:

September 30, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 18,471,503	$ -	$ 18,471,503	$ 18,471,503	$ -	$ -
Derivative instruments	42,881,483	-	42,881,483	7,590,705	606,871	34,683,907
Total	$ 61,352,986	$ -	$ 61,352,986	$ 26,062,208	$ 606,871	$ 34,683,907

September 30, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Notes and bonds issued under repurchase agreements	$ 36,980,042	$ -	$ 36,980,042	$ 36,962,946	$ 17,096	$ -
Derivative instruments	58,815,344	-	58,815,344	7,590,705	5,298,015	45,926,624
Total	$ 95,795,386	$ -	$ 95,795,386	$ 44,553,651	$ 5,315,111	$ 45,926,624

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 15,164,692	$ -	$ 15,164,692	$ 15,164,692	$ -	$ -
Derivative financial instruments	23,860,387	-	23,860,387	7,962,286	2,407,631	13,490,470
Total	$ 39,025,079	$ -	$ 39,025,079	$ 23,126,978	$ 2,407,631	$ 13,490,470

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 60,303,682	$ -	$ 60,303,682	$ 59,626,359	$ 677,323	$ -
Derivative instruments	44,819,970	-	44,819,970	7,962,286	11,014,447	25,843,237
Total	$ 105,123,652	$ -	$ 105,123,652	$ 67,588,645	$ 11,691,770	$ 25,843,237

September 30, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	$ 40,025,641	$ -	$ 40,025,641	$ 40,025,641	$ -	$ -
Derivative instruments	33,725,352	-	33,725,352	10,287,979	4,002,792	19,434,581
Total	$ 73,750,993	$ -	$ 73,750,993	$ 50,313,620	$ 4,002,792	$ 19,434,581

September 30, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	$ 68,873,471	$ -	$ 68,873,471	$ 68,447,726	$ 425,745	$ -
Derivative instruments	54,291,715	-	54,291,715	10,287,979	14,823,241	29,180,495
Total	$ 123,165,186	$ -	$ 123,165,186	$ 78,735,705	$ 15,248,986	$ 29,180,495

Note: Financial instruments include master netting arrangements and non-cash collateral.

KGI Securities and subsidiaries

KGI Securities and subsidiaries' transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities were as follows:

September 30, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative instruments	$ 2,877,563	$ -	$ 2,877,563	$ -	$ 597,454	$ 2,280,109
Securities purchased under resell agreements	27,371,731	-	27,371,731	27,371,731	-	-
Total	$ 30,249,294	$ -	$ 30,249,294	$ 27,371,731	$ 597,454	$ 2,280,109

September 30, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative instruments	$ 5,228,858	$ -	$ 5,228,858	$ -	$ 967,680	$ 4,261,178
Notes and bonds issued under repurchase agreements	91,404,022	-	91,404,022	91,404,022	-	-
Total	$ 96,632,880	$ -	$ 96,632,880	$ 91,404,022	$ 967,680	$ 4,261,178

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received**	
Derivative instruments	$ 2,164,742	$ -	$ 2,164,742	$ -	$ 435,743	$ 1,728,999
Securities purchased under resell agreements	19,448,822	-	19,448,822	19,448,822	-	-
Total	$ 21,613,564	$ -	$ 21,613,564	$ 19,448,822	$ 435,743	$ 1,728,999

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 2,899,593	$ -	$ 2,899,593	$ -	$ 676,921	$ 2,222,672
Notes and bonds issued under repurchase agreements	65,175,218	-	65,175,218	65,175,218	-	-
Total	$ 68,074,811	$ -	$ 68,074,811	$ 65,175,218	$ 676,921	$ 2,222,672

September 30, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 2,338,731	$ -	$ 2,338,731	$ -	$ 358,925	$ 1,979,806
Securities purchased under resell agreements	37,792,631	-	37,792,631	37,792,631	-	-
Total	$ 40,131,362	$ -	$ 40,131,362	$ 37,792,631	$ 358,925	$ 1,979,806

September 30, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative instruments	$ 3,075,811	$ -	$ 3,075,811	$ -	$ 671,004	$ 2,404,807
Notes and bonds issued under repurchase agreements	85,385,123	-	85,385,123	85,385,123	-	-
Total	$ 88,460,934	$ -	$ 88,460,934	$ 85,385,123	$ 671,004	$ 2,404,807

Note: Financial instruments include master netting arrangements and non-cash collateral.

China Life Insurance

China Life Insurance 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.

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

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

September 30, 2019						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 5,609,149	$ -	$ 5,609,149	$ 2,349,053	$ 1,657,953	$ 1,602,143

September 30, 2019						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 3,120,040	$ -	$ 3,120,040	$ 2,349,053	$ 608,423	$ 162,564

December 31, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 3,132,902	$ -	$ 3,132,902	$ 1,543,353	$ 83,901	$ 1,505,648

December 31, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 2,469,127	$ -	$ 2,469,127	$ 1,543,353	$ 503,714	$ 422,060

September 30, 2018						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 3,690,714	$ -	$ 3,690,714	$ 2,386,827	$ 33,301	$ 1,270,586

September 30, 2018						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Amounts not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments	**Cash Collateral Received**	
Derivative financial instruments	$ 5,377,078	$ -	$ 5,377,078	$ 2,386,827	$ 2,855,297	$ 134,954

57. CAPITAL MANAGEMENT

a. Objective

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

58. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

a. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**	**Trust Liabilities**	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**
Bank deposits	$ 1,207,188	$ 585,926	$ 544,152	Payables	$ 154,844	$ 151,212	$ 150,694
Short-term investments	27,906,133	28,539,061	29,010,568				
Financial assets at FVTPL				Payables on securities under custody	3,307,892	4,839,320	5,686,242
Receivables	10,440	11,640	11,640	Other liabilities	81,060	57,865	64,177
Other financial assets	32,331	50,719	57,059	Donated assets received	1,906	1,811	1,811
Real estate, net	16,545	16,450	10,450	Trust capital	30,383,561	29,835,976	30,257,625
Intangible assets - surface right	1,094,188	534,259	534,259	Accumulated earnings	671,948	675,725	682,154
	984,534	984,534	984,534				
Securities under custody	3,307,892	4,839,320	5,686,242				
Other assets	41,960	-	3,799				
Total	$ 34,601,211	$ 35,561,909	$ 36,842,703	Total	$ 34,601,211	$ 35,561,909	$ 36,842,703

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Trust income and gains				
Dividend income	$ 4,356	$ 4,575	$ 6,301	$ 6,476
Interest income	372,491	376,371	1,078,934	1,105,360
Rental income	6,706	7,089	20,811	21,274
Other income	2,109	2,973	6,031	13,004
Total trust income and gains	385,662	391,008	1,112,077	1,146,114
Trust expenses				
Properties transaction losses	489,906	(378,606)	(981,304)	(517,868)
Administrative expenses	(16,537)	(7,149)	(38,331)	(26,221)
Interest expenses	-	1,453	-	-
Loss on financial assets at FVTPL, net	-	-	-	(3,753)
Other expenses	(14,725)	(2,936)	(19,486)	(6,777)
Total trust expenses	(458,644)	(387,238)	(1,039,121)	(554,619)
Net income	$ 844,306	$ 3,770	$ 72,956	$ 591,495

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	September 30, 2019	December 31, 2018	September 30, 2018
Bank deposits	$ 1,207,188	$ 585,926	$ 544,152
Short-term investments			
Funds	26,318,019	26,786,220	27,343,149
Bonds	1,306,987	1,410,880	1,317,211
Common shares	71,200	73,200	74,300
Structured products	93,766	93,766	93,766
ETF	116,161	174,995	182,142
Financial assets at FVTPL	10,440	11,640	11,640
Other financial assets	48,876	67,169	67,509
Real estate, net	1,094,188	534,259	534,259
Intangible assets - surface right	984,534	984,534	984,534
Securities under custody	3,307,892	4,839,320	5,686,242
Other assets	41,960	-	3,799
Total	$ 34,601,211	$ 35,561,909	$ 36,842,703

b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	September 30, 2019	December 31, 2018	September 30, 2018	Trust Liabilities	September 30, 2019	December 31, 2018	September 30, 2018
Bank deposits	$ 1,285,404	$ 1,043,226	$ 1,185,738	Payables	$ 49,656	$ 11,274	$ 37,076
Financial assets	22,589,282	21,051,505	24,336,017	Trust capital	21,866,081	21,967,226	23,382,073
Receivables	332,794	33,903	62,368	Reserves and retained earnings	2,291,743	150,134	2,164,974
Total	$ 24,207,480	$ 22,128,634	$ 25,584,123	Total	$ 24,207,480	$ 22,128,634	$ 25,584,123

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Trust income	$ 708,941	$ 843,416	$ 2,895,123	$ 3,412,807
Trust expenses	(409,359)	(363,541)	(2,520,144)	(2,649,632)
Income before income tax	299,582	479,875	374,979	763,175
Income tax expenses	-	-	-	-
Income after income tax	$ 299,582	$ 479,875	$ 374,979	$ 763,175

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	September 30, 2019	December 31, 2018	September 30, 2018
Bank deposits	$ 1,285,404	$ 1,043,226	$ 1,185,738
Stocks	9,898,342	10,733,485	11,643,686
Funds	10,705,076	9,350,380	11,788,054
Structured products	1,689,105	957,456	904,277
Bonds	296,759	10,184	-
Total	$ 23,874,686	$ 22,094,731	$ 25,521,755

59. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

The Corporation do not need to disclosure anything in this period.

60. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 8 (attached).

61. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

a. Business or trading behaviors

Please refer to Note 48 for related-party transactions.

b. Integrate business activities

The Corporation has become a full-functioning financial platform for its customers by improving the overall business performance of the company through integrating the insurance, investment, trust custody and channel of banking, securities and life insurance.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from FSC, the Corporation has advocated cross-selling activities among China development Financial Holdings and its Subsidiaries. In addition, the Corporation and its subsidiaries which joined the cross selling business disclosure protection measures of customer information on official website (http://www.cdibh.com/chhtml/content/1513) to limit the use of the data, secure the customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

62. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 50 to the consolidated financial statements. Information on disaster damages: None.

63. SUBSIDIARIES’ ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 53 and 56 to the consolidated financial statements.

64. SPECIFIC RISK FROM FUTURES DEALING

The futures dealer needs to maintain adequate liquidity in case of its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment of deficiency.

65. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARIES

The following financial ratios of KGI Securities’ futures department and KGI Futures Corp. are in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities’ futures department

Rule No.	Formula	September 30, 2019 Formula	September 30, 2019 %	December 31, 2018 Formula	December 31, 2018 %	September 30, 2018 Formula	September 30, 2018 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers’ equity accounts	$1,675,260 / $53,628	=31.24	$1,791,507 / $413,737	=4.33	$1,736,796 / $323,752	=5.37	≧1	Yes
17	Current assets / Current liabilities	$1,936,729 / $53,628	=36.11	$2,330,195 / $412,737	=5.65	$2,280,035 / $323,572	=7.05	≧1	Yes
22	Equities / Capital stock	$1,675,260 / $400,000	=418.82%	$1,791,507 / $400,000	=447.88%	$1,736,796 / $400,000	=434.20%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$1,330,999 / $290,110	=458.79%	$1,091,064 / $244,118	=446.94%	$996,911 / $295,231	=337.67%	≧20% ≧15%	Yes

b. KGI Futures Corp.

Rule No.	Formula	September 30, 2019 Formula	September 30, 2019 %	December 31, 2018 Formula	December 31, 2018 %	September 30, 2018 Formula	September 30, 2018 %	Standard	Meet Standard
17	Equities / Total liabilities minus customers’ equity accounts	$3,488,382 / $381,923	=9.13	$3,416,097 / $387,747	=8.81	$3,179,160 / $301,601	=10.54	≧1	Yes
17	Current assets / Current liabilities	$26,242,040 / $24,116,555	=1.09	$24,284,147 / $22,117,410	=1.10	$29,025,812 / $27,096,198	=1.07	≧1	Yes
22	Equities / Capital stock	$3,488,382 / $760,000	=459.00%	$3,416,097 / $760,000	=449.49%	$3,179,160 / $760,000	=418.31%	≧60% ≧40%	Yes
22	Adjusted net capital / Client and proprietary account	$2,938,175 / $6,412,488	=45.82%	$3,005,408 / $5,059,084	=59.41%	$2,710,508 / $6,762,062	=40.08%	≧20% ≧15%	Yes

66. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries’ information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries’ information: Please refer to Table 2 (attached).

3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and subsidiaries and China Life Insurance. For other subsidiaries’ information: Please refer to Table 3 (attached).

4) Marketable securities were acquired and disposed of, at cost or prices of at least NT$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): For KGI Bank and subsidiaries’ information: None. Not applicable to KGI Securities and subsidiaries and China Life Insurance. The Corporation, CDIB Capital Group and other information please refer to Table 4 (attached).

5) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the paid-in capital: For the Group’s information: None.

6) Disposal of individual real estate at price of at least NT$300 million or 10% of the issued capital: For the Group's information: None.

7) Discount on service fees received from related parties amounting to NT$5 million: For the Group's information: None.

8) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: Please refer to Note 48 and Table 5 (attached).

9) Sale of nonperforming loans: Please refer to Table 6 (attached).

10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.

11) Other significant transactions which may affect the decisions of financial statement users: None.

12) The information of investees: None.

13) Derivative transactions of the Group: Please refer to Notes 8, 54 and 56 to the consolidated financial statements.

c. Investments in mainland China: Please refer to Table 9 (attached).

d. Business relationships and significant transactions among the Group: Please refer to Table 10 (attached).

67. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital and Insurance. Under the Banking Act of the Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture Capital engaged in investment business directly. Insurance department operates life insurance business based on the provisions of the insurance law.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

Segment revenues and results

Following were analysis of the Group's operating revenue and results by reportable segments:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the three months ended September 30, 2019						
Interest profit (loss), net	$ 1,710,519	$ 202,052	$ 29,580	$ 14,126,506	$ (111,711)	$ 15,956,946
Noninterest profits and gains, net	1,192,739	3,882,115	(248,036)	41,981,934	(598,367)	46,210,385
Total net revenues (losses)	2,903,258	4,084,167	(218,456)	56,108,440	(710,078)	62,167,331
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	83,475	2,552	-	(6)	-	86,021
Net change in reserve for insurance liabilities	-	-	-	(48,293,995)	-	(48,293,995)
Operating expenses	(1,504,152)	(3,116,849)	(286,441)	(1,398,955)	(557,459)	(6,863,856)
Net profit (loss) before income tax	1,482,581	969,870	(504,897)	6,415,484	(1,267,537)	7,095,501
Income tax benefit (expense)	(476,788)	(64,963)	46,826	(892,630)	143,425	(1,244,130)
Net profit (loss) for the period	$ 1,005,793	$ 904,907	$ (458,071)	$ 5,522,854	$ (1,124,112)	$ 5,851,371
For the three months ended September 30, 2018						
Interest profit (loss), net	$ 1,831,309	$ 522,012	$ 41,874	$ 12,425,948	$ (126,059)	$ 14,695,084
Noninterest profits and gains, net	1,018,735	3,351,967	(40,158)	52,138,768	(97,999)	56,371,313
Total net revenues (losses)	2,850,044	3,873,979	1,716	64,564,716	(224,058)	71,066,397
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	69,370	(10,508)	-	120	-	58,982
Net change in reserve for insurance liabilities	-	-	-	(59,034,592)	-	(59,034,592)
Operating expenses	(1,486,575)	(2,921,001)	(269,964)	(1,058,932)	(621,867)	(6,358,339)
Net profit (loss) before income tax	1,432,839	942,470	(268,248)	4,471,312	(845,925)	5,732,448
Income tax benefit (expense)	(521,640)	(106,651)	(48,243)	(322,034)	159,142	(839,426)
Net profit (loss) for the period	$ 911,199	$ 835,819	$ (316,491)	$ 4,149,278	$ (686,783)	$ 4,893,022
For the nine months ended September 30, 2019						
Interest profit (loss), net	$ 5,088,584	$ 846,061	$ 135,572	$ 41,055,386	$ (335,326)	$ 46,790,277
Noninterest profits and gains, net	3,139,377	10,828,015	2,978,897	126,797,447	(2,105,853)	141,637,883
Total net revenues (losses)	8,227,961	11,674,076	3,114,469	167,852,833	(2,441,179)	188,428,160
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	1,293	6,405	-	66	675	8,439
Net change in reserve for insurance liabilities	-	-	-	(148,789,486)	-	(148,789,486)
Operating expenses	(4,461,269)	(8,701,598)	(1,090,184)	(3,959,483)	(1,692,560)	(19,905,094)
Net profit (loss) before income tax	3,767,985	2,978,884	2,024,285	15,103,930	(4,133,064)	19,742,019
Income tax benefit (expense)	(895,665)	33,973	(44,262)	(1,787,895)	399,537	(2,294,312)
Net profit (loss) for the period	$ 2,872,320	$ 3,012,857	$ 1,980,023	$ 13,316,035	$ (3,733,527)	$ 17,447,707
For the nine months ended September 30, 2018						
Interest profit (loss), net	$ 5,478,370	$ 1,556,068	$ 113,222	$ 34,814,813	$ (386,990)	$ 41,575,483
Noninterest profits and gains, net	1,965,502	10,115,419	3,205,149	135,240,515	(1,396,389)	149,130,196
Total net revenues (losses)	7,443,872	11,671,487	3,318,371	170,055,328	(1,783,379)	190,705,679
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	2,136	(110,720)	-	(6,970)	-	(115,554)
Net change in reserve for insurance liabilities	-	-	-	(156,267,699)	-	(156,267,699)
Operating expenses	(4,300,579)	(8,853,374)	(998,725)	(3,363,203)	(1,693,543)	(19,209,424)
Net profit (loss) before income tax	3,145,429	2,707,393	2,319,646	10,417,456	(3,476,922)	15,113,002
Income tax benefit (expense)	(647,343)	(463,762)	(193,340)	234,741	57,254	(1,012,450)
Net profit (loss) for the period	$ 2,498,086	$ 2,243,631	$ 2,126,306	$ 10,652,197	$ (3,419,668)	$ 14,100,552

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	$ 3,725,040	$ 3,725,040	$ 931,260	Floating	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 14,471,967 (Note 1)	$ 14,471,967 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	4,345,880	4,345,880	-	Floating	Short-term financing	-	Working capital	-	-	-	14,471,967	
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	496,672	-	-	Floating	Short-term financing	-	Working capital	-	-	-	14,413,484 (Note 2)	14,413,484 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,552,100	1,552,100	-	Floating	Short-term financing	-	Working capital	-	-	-	18,144,297 (Note 3)	18,144,297 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	822,613	822,613	822,613	Floating	Short-term financing	-	Working capital	-	-	-	18,144,297	

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KG Investments Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities	KGI Securities (Singapore) Pte. Ltd.	Note 1	$ 6,599,766	$ 734,330	$ 718,720	$ 718,720	$ -	1.09%	$ 26,399,066 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	18,144,297	1,358,135	962,302	31,042	-	5.30%	18,144,297 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	18,144,297	4,159,628	3,849,208	1,449,772	-	21.21%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	18,144,297	201,773	201,773	-	-	1.11%		No	No	No
		KGI Finance Limited	Note 1	18,144,297	133,481	133,481	-	-	0.74%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	18,144,297	2,322,120	2,320,502	-	-	12.79%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	18,144,297	931,260	931,260	-	-	5.13%		No	No	No
		KGI Asia (Holdings) Pte. Ltd.	Note 1	18,144,297	4,058,558	4,049,183	1,909,102	-	22.32%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,197,025	1,707,310	776,050	279,378	-	92.45%	4,197,025 (Note 4)	No	No	Yes

Note 1: The Group owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 3: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 4: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of the Company's net asset value of the latest financial report.

TABLE 3

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Stocks							
	Logitech Inc.	-	Financial assets at fair value through profit or loss	3,261,773	$ 39,807	10.69	$ 39,807	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	241,403	11,582	10.83	11,582	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	76,913	6.04	76,913	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	10,378	6.47	10,378	
	Hair O'right International Corp.	-	Financial assets at fair value through profit or loss	1,735,837	130,188	8.53	130,188	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	2,554,568	65,397	8.73	65,397	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	5,197	5.68	5,197	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	5,931	0.42	5,931	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	29,665	9.91	29,665	
	E-one Moli Energy Corp.	-	Financial assets at fair value through profit or loss	12,123,772	127,300	2.14	127,300	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	58,221	13.96	58,221	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	146,437	4.28	146,437	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	12,921	1.95	12,921	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	32,216	8.40	32,216	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	53,243	10.52	53,243	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	6,226,622	37,048	0.24	37,048	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	10,880	6.45	10,880	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	120,000	9.54	120,000	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	67,529	6.85	67,529	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	70,238	5.07	70,238	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	986,905	16,850	12.50	16,850	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	51,612	1.83	51,612	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	1,170,000	1,738	3.44	1,738	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	120,025	5.64	120,025	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	25,993	6.47	25,993	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	2,083,107	126,861	2.08	126,861	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	82,830	5.98	82,830	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets at fair value through profit or loss	3,845,330	33,208	1.38	33,208	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,275,026	133,381	6.90	133,381	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	56,232	8,491	0.05	8,491	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	4,300,000	28,678	5.80	28,678	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,544,195	29,100	5.28	29,100	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	7,077	6.30	7,077	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	1,205,822	16,821	4.12	16,821	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	26,936	10.57	26,936	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	11,199	10.43	11,199	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	18,214	2.89	18,214	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	43,198	7.95	43,198	
	Lefram Technology Corporation	-	Financial assets at fair value through profit or loss	7,484,454	20,208	17.48	20,208	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	1,028	4.14	1,028	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	-	-	-	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	108,685	4.81	108,685	
	JHL. Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	528,119	3.97	528,119	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	179,093	12.00	179,093	
	Impinj, Inc.	-	Financial assets at fair value through profit or loss	3,719	3,559	0.02	3,559	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	201,940	8.02	201,940	
	Neo Solar Power Corp.	-	Financial assets at fair value through profit or loss	3,675,000	23,397	0.15	23,397	
	Ceridian HCM Holding Inc.	-	Financial assets at fair value through profit or loss	12,734	18,404	0.01	18,404	
	Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	705	0.35	705	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	Lightel Technologies, Inc.	-	Financial assets at fair value through profit or loss	3,000,000	$ 103,074	43.44	$ 103,074	
	Apexigen, Inc.	-	Financial assets at fair value through profit or loss	4,970,588	62,073	4.81	62,073	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	30,000,000	317,004	35.71	317,004	
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	609,203	100.00	609,203	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,667,293	28.71	5,667,293	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	50,440,000	524,291	38.80	524,291	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	574,585	33.29	574,585	
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	10,045,723	100.00	10,045,723	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	33,710	20.00	33,710	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	4,053	30.00	4,053	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,249,567	100.00	1,249,567	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	6,882,188	100.00	6,882,188	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	8,121,176	100.00	8,121,176	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	746,646	100.00	746,646	
	Fund							
	CommLaunch	-	Financial assets at fair value through profit or loss	-	53,830	-	53,830	
	ARCH Venture Fund V, L.P.	-	Financial assets at fair value through profit or loss	-	1,046	-	1,046	
	Forward Venture V	-	Financial assets at fair value through profit or loss	-	25,523	-	25,523	
	Sanderling	-	Financial assets at fair value through profit or loss	-	11,516	-	11,516	
	Samara Capital Partners Fund I Limited	-	Financial assets at fair value through profit or loss	-	82,118	-	82,118	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	305,238	-	305,238	
	Corporate bond							
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	119,959,916	7,866	-	7,866	
	Government bonds							
	A00109	-	Fair value through other comprehensive income financial assets	7,000,000	7,101	-	7,101	
	A01105	-	Fair value through other comprehensive income financial assets	100,000,000	101,750	-	101,750	
	A03115	-	Fair value through other comprehensive income financial assets	50,000,000	50,015	-	50,015	
CDIB Capital Management Inc.	Stocks							
	ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	5,640	0.05	5,640	
	MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	249	0.22	249	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	12,419	0.58	12,419	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	1,550	1.44	1,550	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	101,240	4,554	0.09	4,554	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	15,548	60.00	15,548	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,300,001	13,513	1.00	13,513	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	17,262	1.00	17,262	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	303,428	100.00	303,428	
	Funds							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	23,558	-	23,558	
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	80,455	-	80,455	
CDIB Private Equity (Hong Kong) Corporation Limited	Stocks							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK$ 59,731	100.00	HK$ 59,731	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 7,360	56.00	HK$ 7,360	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK$ 3,578	27.08	HK$ 3,578	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Private Equity (China) Corporation	Stocks							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 18,422	70.00	CNY 18,422	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 11,711	65.00	CNY 11,711	
CDIB Private Equity (Fujian) Co., Ltd.	Stocks							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,387	20.00	CNY 2,387	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Stocks							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 6,999	58.33	CNY 6,999	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Funds							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,261	-	CNY 10,261	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Funds							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 9,971	-	CNY 9,971	
CDIB Venture Capital Corporation	Stocks							
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,371,659	24,964	1.96	24,964	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	989,400	24,969	0.00	24,969	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	3,708	1.24	3,708	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	433	4.22	433	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	195,015	4.68	195,015	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	84,691	2.43	84,691	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	75,000	1.55	75,000	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,101,000	31,489	2.86	31,489	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	5,708,562	469,244	0.97	469,244	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	788,000	141,052	0.60	141,052	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	3,238,763	19,642	14.80	19,642	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,698,702	407,457	16.76	407,457	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	65,001	4.69	65,001	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	172,502	8.92	172,502	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	11,748	5.50	11,748	
	Shengzhuang Holdings Limited	-	Financial assets at fair value through profit or loss	610,590	3,342	6.11	3,342	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	108,685	4.81	108,685	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,229	0.00	2,229	
	Cvie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	20,639	4.15	20,639	
	Shane Global Holding Inc.	-	Financial assets at fair value through profit or loss	150,700	19,591	0.14	19,591	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	6,063	1.85	6,063	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	3,000,000	32,352	1.03	32,352	
	i-Serve	-	Financial assets at fair value through profit or loss	2,232,219	152,633	4.17	152,633	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	83,840	10.23	83,840	
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	594,552	69,958	1.85	69,958	
	iCHEF Co., Ltd.	-	Financial assets at fair value through profit or loss	11,167,513	97,806	40.74	97,806	
	4Gamers Entertainment Inc. - Preferred stock A	-	Financial assets at fair value through profit or loss	24,000	16,390	20.00	16,390	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A+	-	Financial assets at fair value through profit or loss	304,878	9,464	8.20	9,464	
	Citiesocial Holding Cayman Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,521	18.18	15,521	
	Uimbo CV Inc.	-	Financial assets at fair value through profit or loss	1,394,145	21,729	10.29	21,729	
	CCMODA Corp. - Preferred stock	-	Financial assets at fair value through profit or loss	666,666	15,521	20.00	15,521	
	Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	17,384	14.74	17,384	
	Kneron Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,469,072	204,301	9.50	204,301	
	Elixiron Immunotherapeutics (Cayman) Limited	-	Financial assets at fair value through profit or loss	4,559,686	93,126	28.57	93,126	
	Cloud Mile Inc.	-	Financial assets at fair value through profit or loss	502,934	18,625	10.00	18,625	
	Zentera Systems, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	87,035	39.35	87,035	
	FUNP Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	400,000	44,700	20.00	44,700	
	Achieve Made International Limited - Preferred stock	-	Financial assets at fair value through profit or loss	168,138	12,417	6.67	12,417	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	202,480	9,108	0.17	9,108	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	5,105,377	32,504	0.20	32,504	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Venture Capital Corporation	CBA Sports International Ltd.- Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500	$ 10,402	13.73	$ 10,402	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A++	-	Financial assets at fair value through profit or loss	200,000	6,208	10.96	6,208	
	FunNow Ltd. - Preferred stock A	-	Financial assets at fair value through profit or loss	185,184	34,650	20.00	34,650	
	4Gamers Entertainment Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	8,727	5,960	4.80	5,960	
	Kkday.com International Company Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	5,654,616	60,979	8.66	60,979	
	Traveler Co., Ltd. - Preferred stock B	-	Financial assets at fair value through profit or loss	32,077	24,834	10.85	24,834	
	Achieve Made International Limiter-Preferred stock E	-	Financial assets at fair value through profit or loss	336,276	24,834	10.00	24,834	
	Regent Investment Holding Corp.	Associate	Investments accounted for using the equity method	500,000	4,873	50.00	4,873	Note 5
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,010,000,000	3,700,830	100.00	3,700,830	
	Fund							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	579,038	-	579,038	
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	200,906	-	200,906	
	Corporate bond							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	2,000	43,265	-	43,265	
	Convertible (exchange) corporate bond							
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	1,600,000	49,667	-	49,667	
CDIB Venture Capital (Hong Kong) Corporation Limited	Fund							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 376,630	-	HK$ 376,630	
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK$ 331,628	-	HK$ 331,628	
CDIB Capital Investment I Limited	Stocks							
	Best Inc.	-	Financial assets at fair value through profit or loss	1,500,000	US$ 7,920	0.39	US$ 7,920	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US$ 8,642	1.00	US$ 8,642	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US$ 2,917	11.11	US$ 2,917	
	Mestay Cayman Islands Limited - Preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US$ 4,795	3.40	US$ 4,795	
	Viking 3 Holdings Corporation (SPV - Preferred stock	-	Financial assets at fair value through profit or loss	18,000,000	US$ 18,000	100.00	US$ 18,000	
	Giddy Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	666,755	US$ 7,287	6.26	US$ 7,287	
	Great Team Backend Foundry Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,636,800	US$ 781	1.81	US$ 781	
	Rokid Corporation Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	615,642	US$ 5,000	1.51	US$ 5,000	
	SCBS 1 Holding Corporation	Subsidiary	Investments accounted for using the equity method	3,578	US$ 3,194	100.00	US$ 3,194	
	Fund							
	Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US$ 126	-	US$ 126	
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 879	-	US$ 879	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 11,257	-	US$ 11,257	
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 11,697	-	US$ 11,697	
	CDIB Capital Global Opportunities Fund L.P.	Other related parties	Financial assets at fair value through profit or loss	-	US$ 3,661	-	US$ 3,661	
	KKR Talk Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US$ 8,837	-	US$ 8,837	
	CC KDC CO-INVEST L.P.	-	Financial assets at fair value through profit or loss	-	US$ 22,014	-	US$ 22,014	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US$ 96,926	-	US$ 96,926	
	Corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US$ 6,825	-	US$ 6,825	
	Convertible (exchange) corporate bond							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US$ 11,437	-	US$ 11,437	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US$ 3,600	-	US$ 3,600	
SCBS 1 Holding Corporation	Stocks							
	Simplify Compliance Holdings, LLC.	-	Financial assets at fair value through profit or loss	2,833,333	US$ 2,960	2.91	US$ 2,960	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Investment II Limited	Stocks							
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US$ 2,819	2.46	US$ 2,819	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US$ 71	0.89	US$ 71	
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US$ 6,224	2.88	US$ 6,224	
	Indostar Everstone	-	Financial assets at fair value through profit or loss	860,332	US$ 8,437	8.12	US$ 8,437	
	CBA Sports International Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	2,375,000	US$ 331	13.57	US$ 331	
CDIB Global Markets Limited	Stocks							
	Facebook Inc.	-	Financial assets at fair value through profit or loss	575	US$ 102	0.00	US$ 102	
	GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US$ 269	0.04	US$ 269	
	Ceridian HCM Holding Inc.	-	Financial assets at fair value through profit or loss	15,767	US$ 739	0.01	US$ 739	
	Flemingo International (BVI) Ltd.	-	Financial assets at fair value through profit or loss	1,048	US$ 48,449	50.19	US$ 48,449	
	Fund			-	US$ 10,181	-	US$ 10,181	
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US$ 196	-	US$ 196	
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 6,094	-	US$ 6,094	
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US$ 1,622	-	US$ 1,622	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,145	-	US$ 5,145	
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US$ 8,238	-	US$ 8,238	
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US$ 384	-	US$ 384	
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US$ 8,009	-	US$ 8,009	
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 18,545	-	US$ 18,545	
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,824	-	US$ 1,824	
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 2,741	-	US$ 2,741	
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,917	-	US$ 4,917	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,013	-	US$ 1,013	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 1,961	-	US$ 1,961	
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 4,466	-	US$ 4,466	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 8,136	-	US$ 8,136	
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US$ 8,442	-	US$ 8,442	
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 5,663	-	US$ 5,663	
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US$ 20,092	-	US$ 20,092	
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US$ 7,262	-	US$ 7,262	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss					
CDIB Capital International Corporation	Stocks							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US$ 6,103	100.00	US$ 6,103	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	557,678	US$ 2,317	100.00	US$ 2,317	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US$ 2,169	100.00	US$ 2,169	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	100	US$ 68	100.00	US$ 68	
China Development Asset Management Corp.	Stocks							
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,302,564	46,584	1.07	46,584	
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	454	0.06	454	
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	26,020	12.25	26,020	
CDIB Management Consulting Corp.	Stocks							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	646,910	76.04	646,910	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	96,694	100.00	96,694	
CDC Finance & Leasing Corp.	Stocks							
	Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	63	19.00	63	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	496,574	-	0.07	-	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019 Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	Note
Global Securities Finance Corporation	Bank debentures							
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Financial assets measured at amortized cost	50,000,000	$ 49,984	-	$ 50,065	
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Financial assets measured at amortized cost	200,000,000	199,301	-	199,993	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015	-	Financial assets measured at amortized cost	100,000,000	99,376	-	99,994	
	Bank of Panhsin 5th Unsecured Subordinate Financial Debentures issued in 2017	-	Financial assets measured at amortized cost	200,000,000	198,073	-	199,993	
	Taiwan Business Bank's 2nd Subordinated Financial Debentures Issue in 2018	-	Financial assets measured at amortized cost	150,000,000	149,843	-	152,541	
	Government bonds							
	A05113	-	Other assets	100,000,000	99,753	-	100,185	
	A06102	-	Financial assets measured at amortized cost	100,000,000	99,833	-	100,525	
Richpoint Company Limited	Stocks							
	Dragon Investment Fund I Co., Ltd.	-	Financial assets at fair value through profit or loss	4,375,142	US$ 196	6.48	US$ 196	
	He Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	295,000	US$ 50	5.00	US$ 50	
	Lien Ding Venture Capital Investment Corporation	-	Financial assets at fair value through profit or loss	210,000	US$ 59	3.00	US$ 59	
	KG Investments Holdings Limited	Subsidiary	Investments accounted for using the equity method	156,864,163	US$ 479,568	100.00	US$ 479,568	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using the equity method		US$ 971	100.00	US$ 971	
KGI Venture Capital Co., Ltd.	Stocks							
	Gingy Technology Inc.	-	Financial assets at fair value through profit or loss	1,148,837	51,973	4.25	51,973	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	203,490	30,524	0.63	30,524	
	Wiltrom Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200,000	42,000	4.55	42,000	
	Yongda Food Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,100,000	28,000	4.02	28,000	
	Global Tek Fabrication Co., Ltd.	-	Financial assets at fair value through profit or loss	274,000	13,481	0.41	13,481	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	370,614	56,519	1.04	56,519	
	Yield Microelectronics Corp.	-	Financial assets at fair value through profit or loss	525,000	31,495	1.96	31,495	
	PharmaEssentia Corp.	-	Financial assets at fair value through profit or loss	137,373	15,386	0.06	15,386	
	WinWay Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	786,051	62,884	2.59	62,884	
	Jmc Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	575,000	51,175	0.58	51,175	
	EirGenix Inc.	-	Financial assets at fair value through profit or loss	460,000	13,915	0.27	13,915	
	San Neng Group Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	700,000	27,475	1.15	27,475	
	Fittech Co., Ltd.	-	Financial assets at fair value through profit or loss	639,000	43,963	1.06	43,963	
	Deluxe Technology Group.	-	Financial assets at fair value through profit or loss	542,149	16,309	0.88	16,309	
	UPI Semiconductor Corp.	-	Financial assets at fair value through profit or loss	190,665	13,532	0.27	13,532	
	JG Environmental Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	247,000	8,230	1.20	8,230	
	Asia Metal Industries, Inc.	-	Financial assets at fair value through profit or loss	650,000	45,292	3.60	45,292	
	Top Bright Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	400,000	50,800	0.78	50,800	
	Allied Supreme Corporation	-	Financial assets at fair value through profit or loss	430,000	48,203	0.63	48,203	
	Chen Feng Optronics Corporation	-	Financial assets at fair value through profit or loss	1,500,000	18,000	2.63	18,000	
	Young Shine Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	51,750	7.50	51,750	
	Taiwan Chinsan Electronic Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	124,076	8,316	0.10	8,316	
KGI Information Technology Co., Ltd.	Fund							
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	-	20,125	-	20,125	

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 5: The Corporation had been renamed as “Kuo Heng Investment Holding Corp.” in October 2019.

(Concluded)

TABLE 4

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	Stocks													
	The Capital Securities Corporation	Financial assets at fair value through profit or loss	-	-	52,711,215	$ 703,034 (Note 1)	-	$ -	52,711,215	$ 495,353	$ 703,034	$ (207,681)	-	$ -
	China Life Insurance Co., Ltd.	Investment accounted for using the equity method	-	-	1,016,752,000	23,371,430	151,102,432	17,186,325 (Note 2)	-	-	-	-	1,167,854,432	40,557,755
CDIB Capital Group	Stocks													
	Taiwan Stock Exchange	Financial assets at fair value through profit or loss	-	-	18,449,638	3,188 (Note 1)	-	-	18,449,638	1,438,617	3,188	1,435,429	-	-
	THL Equity Fund Vi Investors (Ceridian), L.P.	Financial assets at fair value through profit or loss	-	-	-	201,335 (Note 1)	-	-	-	508,143	124,222	383,921	-	77,113 (Note 1)
	CDIB Global Markets Limited	Investment accounted for using the equity method	-	-	339,392	9,142,006	-	-	-	-	2,259,818 (Note 3)	-	339,392	6,882,188
CDIB Venture Capital Corporation	Stocks													
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	870,000,000	3,337,455	140,000,000	363,375 (Note 4)	-	-	-	-	1,010,000,000	3,700,830
CDIB Global Markets Limited	Funds													
	Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ 587 (Note 1)	-	-	-	US$ 14,351	US$ 587	US$ 13,764	-	-
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	Financial assets at fair value through profit or loss	-	-	-	US$ 2,704 (Note 1)	-	-	-	US$ 12,047	US$ 2,704	US$ 9,343	-	-
CDIB Capital Investment I Limited	Funds													
	CDIB Capital Asia Partners L.P.	Investment accounted for using the equity method	-	-	-	US$ 88,975	-	US$ 7,951 (Note 5)	-	-	-	-	-	US$ 96,926
	CC KDC CO-INVEST LP	Financial assets at fair value through profit or loss	-	-	-	US$ -	-	US$ 20,441	-	-	-	-	-	US$ 20,441 (Note 1)
	Viking 3 Holdings Corporation	Financial assets at fair value through profit or loss	-	-	-	US$ -	-	US$ 18,000	-	-	-	-	-	US$ 18,000 (Note 1)

Note 1: Initial acquisition cost.

Note 2: Consists of cost of purchase $3,112,710 thousand, investment gain $2,684,901 thousand, reduction of treasury stocks $43,625 thousand, increase of paid-in capital $419,018 thousand, increase of retained earnings $82,778 thousand, increase of exchange differences on translating foreign operations of $2,725 thousand, reduction of investments in equity instruments at FVTOCI of $9,296 thousand, increase of gains of investments in debt instruments at FVTOCI of $7,957,359 thousand and increase of other comprehensive income reclassified using the overlay approach $2,979,755 thousand.

Note 3: Consists of capital reduction $2,799,900 thousand, investment gain $442,457 thousand and exchange gain on translating foreign operations of $97,625 thousand.

Note 4: Consists of issuance of common stock for cash $561,904 thousand, investment loss $120,649 thousand and exchange loss on translating foreign operations of $77,880 thousand.

Note 5: Consists of cash dividends $1,853 thousand, issuance of common stock for cash $13,747 thousand and investment loss $3,943 thousand.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
The Corporation	CDIB Capital Group	Subsidiary	$ 544,001 (Note 1)	-	$ -	-	$ -	$ -
	KGI Bank	Subsidiary	572,729 (Note 1)	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	701,499 (Note 1)	-	-	-	-	-
Richpoint Company Limited	KG Investments Holdings Limited	Subsidiary	931,260	-	-	-	-	-
KGI International Holdings Limited	PT KGI Sekuritas Indonesia	Subsidiary	822,613	-	-	-	-	-

Note 1: Tax receivable result from linked-tax system.

Note 2: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SOLD NONPERFORMING LOANS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value	Selling Price	Disposal Gain (Loss)	Other Condition	Relationship of Counter-party with the Subsidiaries
2019.03.25	A	Secured loans	$ 863	$ 1,620	$ 757	-	-

2. Sale of nonperforming loans exceeding NT$1 billion (excluding related-party transactions): For the Group: None.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	100.00	
	KGI Securities	Financial service	100.00	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	100.00	(Note 1)
	China Life Insurance Co., Ltd.	Life insurance	26.16	25.33	25.33	(Note 2)
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	100.00	
	CDIB Global Markets Limited	Investment	100.00	100.00	100.00	
	CDIB Capital Investment I Limited	Investment	100.00	100.00	100.00	
	CDIB Capital Investment II Limited	Investment	100.00	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Consulting service	100.00	100.00	100.00	
	CDIB Capital International (USA) Corporation	Consulting service	100.00	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Consulting service	100.00	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	100.00	
CDIB Capital Investment I Limited	SCBS 1 Holding Corporation	Investment holdings	100.00	-	-	
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	100.00	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	100.00	
	CDIB Capital Innovation Advisors Corporation	Management and consulting	60.00	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	27.08	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting	65.00	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	70.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	20.00	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	58.34	58.34	58.34	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	100.00	100.00	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	22.07	21.99	21.99	(Note 3)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	-	-	100.00	(Note 4)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	100.00	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	100.00	
KGI Limited	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00	
	KGI Hong Kong Limited	Management and consulting	100.00	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	100.00	
	TG Holborn (HK) Limited	Other	-	100.00	100.00	(Note 5)
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	100.00	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00	(Note 6)

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership September 30, 2019	December 31, 2018	September 30, 2018	Note
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	99.00	
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	-	100.00	(Note 7)
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	100.00	
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	100.00	(Note 1)
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	100.00	(Note 1)
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	100.00	(Note 1)

Note 1: China Development Asset Management Corp., Development Industrial Bank Asset Management Corp., and Chung Hwa Growth 4 Asset Management Corp. was acquired by Chung Hwa Growth 3 Asset Management Corp. on July 1, 2019. Also, Chung Hwa Growth 3 Asset Management Corp. was renamed as “China Development Asset Management Corp.” on the same day.

Note 2: The Corporation and the subsidiary, KGI securities, jointly held 34.82%, 34.96% and 34.96% of shares of China Life Insurance Co., Ltd. on September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

Note 3: KGI Securities obtained more than half of the seats in the board of director, therefore, Global Securities Finance Corporation (GSFC) should be included in the consolidated financial statements.

Note 4: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI Information Technology Co., Ltd. had not invested any capital as of December 28, 2018.

Note 5: TG Holborn (HK) Limited was closed in June 26, 2019.

Note 6: KGI Capital (Singapore) Pte. Ltd. has been discontinued.

Note 7: Grand Cathay Capital (Hong Kong) Limited was closed in October 23, 2018.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	-	-	50.00	CDIB Biotech USA Investment Co., Ltd. was approbated to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement. The Company had liquidated completely in October 2018.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	-	-	100.00	Subicvest Inc. was approbated to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement. The Company had liquidated completely in October 2018.

(Concluded)

TABLE 8

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**
Cash and cash equivalents	$ 3,415,689	$ 4,570,426	$ 4,235,878
Financial assets at fair value through profit or loss	-	471,765	662,271
Receivables, net	53,286	50,567	10,303
Current tax assets	1,972,375	1,881,337	1,596,771
Investments accounted for using the equity method, net	211,567,725	185,756,820	191,852,971
Other financial assets	300	500,300	800,300
Right-of-use assets, net	5,132	-	-
Property and equipment, net	30,517	28,054	26,256
Other assets, net	53,152	33,988	16,671
Total	$ 217,098,176	$ 193,293,257	$ 199,201,421
Liabilities and Equity			
Commercial paper payable, net	$ 4,299,809	$ 9,898,975	$ 9,699,075
Payables	728,909	722,528	777,998
Current tax liabilities	426,254	1,129,319	1,017,306
Bonds payable	23,000,000	19,000,000	19,000,000
Other borrowings	3,699,951	3,299,951	3,299,812
Provisions	5,436	6,946	19,659
Lease liabilities	5,456	-	-
Other liabilities	4,891	2,855	12,479
Total liabilities	32,170,706	34,060,574	33,826,329
Equity			
Capital			
Common stock	149,659,821	149,622,812	149,572,949
Advance receipts for capital stock	3,400	10,748	31,223
Capital surplus	1,006,817	1,630,992	1,526,089
Retained earnings			
Legal reserve	7,561,404	6,776,135	6,776,135
Special reserve	10,797,899	565,041	565,041
Unappropriated earnings	10,672,622	14,754,530	15,435,129
Other			
Exchange differences on translation of financial statements of foreign operations	(577,640)	(930,286)	(1,250,543)
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	972,553	(66,615)	842,959
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	8,537,963	(5,071,947)	(4,019,362)
Other comprehensive income (loss) reclassified using the overlay approach	(327,872)	(4,451,944)	(247,457)
Others	(263)	(1,339)	(2,850)
Treasury shares	(3,379,234)	(3,605,444)	(3,854,221)
Total equity	184,927,470	159,232,683	165,375,092
Total	$ 217,098,176	$ 193,293,257	$ 199,201,421

(Continued)

2. Statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
REVENUES				
Share of profit of subsidiaries, associates and joint ventures	$ 3,147,436	$ 2,815,043	$ 11,671,589	$ 9,860,918
Others	7,925	8,623	49,657	13,049
Total revenues	3,155,361	2,823,666	11,721,246	9,873,967
EXPENSES AND LOSSES				
Operating expenses	(305,526)	(350,988)	(927,567)	(866,585)
Others	(102,222)	(111,810)	(307,302)	(360,923)
Total expenses and losses	(407,748)	(462,798)	(1,234,869)	(1,227,508)
NET PROFIT BEFORE INCOME TAX	2,747,613	2,360,868	10,486,377	8,646,459
INCOME TAX BENEFIT (EXPENSE)	69,845	78,264	132,524	(156,927)
NET PROFIT FOR THE PERIOD	2,817,458	2,439,132	10,618,901	8,489,532
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss, net of income tax				
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	(778,696)	113,446	1,039,919	(1,098,652)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	163,505	575	(7,625)	204,424
Items that will be reclassified subsequently to profit or loss, net of income tax				
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	1,825,173	1,896,010	21,008,272	(7,364,826)
Income tax relating to the items that may be reclassified subsequently to profit or loss	(629,237)	(119,407)	(2,901,580)	1,285,491
Other comprehensive income (loss) for the period, net of income tax	580,745	1,890,624	19,138,986	(6,973,563)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 3,398,203	$ 4,329,756	$ 29,757,887	$ 1,515,969
BASIC EARNINGS PER SHARE	$0.19	$0.17	$0.73	$0.59
DILUTED EARNINGS PER SHARE	$0.19	$0.17	$0.73	$0.59

(Continued)

3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Capital			Retained Earnings			Other Equity						
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income (Loss) Reclassified Using the Overlay Approach	Others	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2018	$ 149,763,034	$ 5,162	$ 1,173,719	$ 5,606,606	$ 2,078,602	$ 13,184,948	$ (2,031,949)	$ -	$ 2,113,838	$ -	$ (8,322)	$ (4,205,566)	$ 167,680,072
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-
Cash dividends - NT$0.6 per share	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)
Reversal of special reserve	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	8,489,532	-	-	-	-	-	-	8,489,532
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	59	781,406	(6,962,262)	-	(792,766)	-	-	(6,973,563)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	8,489,591	781,406	(6,962,262)	-	(792,766)	-	-	1,515,969
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-
Disposal of the Corporation shares, as treasury shares	-	-	69,515	-	-	-	-	-	-	-	-	144,884	214,399
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529
Share-based payments	16,376	26,061	(4,674)	-	-	-	-	-	-	-	5,472	-	43,235
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	164,111	-	(164,111)	-	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	47,703	-	-	-	-	-	-	47,703
BALANCE AT SEPTEMBER 30, 2018	$ 149,572,949	$ 31,223	$ 1,526,089	$ 6,776,135	$ 565,041	$ 15,435,129	$ (1,250,543)	$ (3,176,403)	$ -	$ (247,457)	$ (2,850)	$ (3,854,221)	$ 165,375,092
BALANCE AT JANUARY 1, 2019	$ 149,622,812	$ 10,748	$ 1,630,992	$ 6,776,135	$ 565,041	$ 14,754,530	$ (930,286)	$ (5,138,562)	$ -	$ (4,451,944)	$ (1,339)	$ (3,605,444)	$ 159,232,683
Appropriation of 2018 earnings													
Legal reserve	-	-	-	785,269	-	(785,269)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	10,232,858	(10,232,858)	-	-	-	-	-	-	-
Cash dividends - NT$0.245 per share	-	-	-	-	-	(3,666,666)	-	-	-	-	-	-	(3,666,666)
	-	-	-	785,269	10,232,858	(14,684,793)	-	-	-	-	-	-	(3,666,666)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(391)	-	-	-	-	-	-	-	-	-	(391)
Issuance of cash dividends from capital surplus	-	-	(823,129)	-	-	-	-	-	-	-	-	-	(823,129)
Other change in capital surplus	-	-	54,273	-	-	-	-	-	-	-	-	-	54,273
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	10,618,901	-	-	-	-	-	-	10,618,901
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	232	352,669	14,656,691	-	4,129,394	-	-	19,138,986
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	10,619,133	352,669	14,656,691	-	4,129,394	-	-	29,757,887
Disposal of the Corporation shares, as treasury shares	-	-	87,765	-	-	-	-	-	-	-	-	218,911	306,676
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	123,668	-	-	-	-	-	-	-	-	-	123,668
Changes in percentage of ownership interests in subsidiaries	-	-	(67,610)	-	-	(1,043)	(23)	(11,727)	-	(5,322)	-	7,299	(78,426)
Share-based payments	37,009	(7,348)	1,249	-	-	(7,240)	-	-	-	-	1,076	-	24,746
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(4,114)	-	4,114	-	-	-	-	-
Changes in special reserve of subsidiaries	-	-	-	-	-	(3,851)	-	-	-	-	-	-	(3,851)
BALANCE AT SEPTEMBER 30, 2019	$ 149,659,821	$ 3,400	$ 1,006,817	$ 7,561,404	$ 10,797,899	$ 10,672,622	$ (577,640)	$ 9,510,516	$ -	$ (327,872)	$ (263)	$ (3,379,234)	$ 184,927,470

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	$ 10,486,377	$ 8,646,459
Adjustments for:		
Depreciation and amortization expenses	5,601	3,635
Gain (loss) on financial assets at fair value through profit or loss, net	(23,588)	54,493
Interest expense	295,416	308,095
Interest income	(20,808)	(7,524)
Dividend income	-	(13,616)
Share-based payment compensation cost	1,170	7,688
Share of profit of subsidiaries, associates and joint ventures	(11,622,779)	(9,855,501)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	495,353	628,146
Receivables	108,884	(3,219)
Other financial assets	500,000	(800,000)
Other assets	(28,202)	13,786
Payables	(20,113)	158,406
Other liabilities	525	(11,899)
Interest paid	(369,948)	(416,263)
Interest received	19,777	5,128
Dividend received	5,466,966	11,600,918
Income tax refund (paid)	(663,359)	51,721
Net cash generated from operating activities	4,631,272	10,370,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	(3,112,710)	-
Acquisition of property and equipment	(5,271)	(6,841)
Capital surplus and legal reserve be distributable as dividend shares by cash on investments accounted for using the equity method	3,000,000	5,000,000
Net cash generated from (used in) investing activities	(117,981)	4,993,159
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper payable	(5,599,166)	(200,290)
Proceeds from issue of corporation bonds	5,000,000	-
Repayments of corporate bonds	(1,000,000)	(3,000,000)
Increase (decrease) in other borrowings	400,000	(138)
Cash dividend paid	(4,489,795)	(8,974,377)
Others	20,933	32,524
Net cash used in financing activities	(5,668,028)	(12,142,281)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,154,737)	3,221,331
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,570,426	1,014,547
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 3,415,689	$ 4,235,878

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents, due from the Central Bank and call loans to banks	$ 29,214,906	$ 33,083,932	$ 34,212,007
Financial assets at fair value through profit or loss	99,730,701	81,922,752	90,285,014
Financial assets at fair value through other comprehensive income (loss)	134,645,348	151,669,704	147,559,033
Debt instruments measured at amortized cost	11,988,574	11,965,807	11,896,948
Securities purchased under resell agreements	18,471,503	15,164,692	40,025,641
Receivables, net	23,171,300	24,305,714	29,705,655
Assets held for sale, net	-	29,649	46,187
Discount and loans, net	353,724,877	335,751,432	334,169,043
Investments accounted for using the equity method, net	1,792,815	1,654,220	1,747,806
Other financial assets, net	1,526,000	1,476,948	2,664,060
Property and equipment, net	5,322,015	5,374,246	5,348,250
Right-of-use assets, net	2,226,531	-	-
Investment property, net	1,103,911	1,108,910	1,110,576
Deferred tax assets	1,501,936	2,176,684	2,209,188
Other assets, net	7,324,149	13,491,511	17,749,509
Total assets	$ 691,744,566	$ 679,176,201	$ 718,728,917
Deposits from the Central Bank and banks	$ 23,080,202	$ 21,359,259	$ 27,697,203
Financial liabilities at fair value through profit or loss	90,620,953	73,866,749	82,431,401
Notes and bonds issued under repurchase agreements	36,980,042	60,303,682	68,873,471
Payables	14,484,907	6,940,026	11,704,873
Current tax liabilities	572,728	530,563	496,115
Deposits and remittances	424,289,630	421,726,228	441,437,304
Bank debentures payable	10,450,000	7,350,000	1,000,000
Principal received on structured notes	23,573,225	24,020,358	20,977,625
Other financial liabilities	-	3,716	3,968
Provisions	430,566	331,602	334,362
Lease liabilities	2,221,851	-	-
Deferred tax liabilities	32,998	24,413	41,831
Other liabilities	1,245,455	4,345,130	4,504,174
Total liabilities	627,982,557	620,801,726	659,502,327
Common stock	46,061,623	46,061,623	46,061,623
Capital surplus	7,251,306	7,251,173	7,251,110
Retained earnings	9,311,677	6,567,132	6,989,261
Others	1,137,403	(1,505,453)	(1,075,404)
Total equity	63,762,009	58,374,475	59,226,590
Total liabilities and equity	$ 691,744,566	$ 679,176,201	$ 718,728,917

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Interest revenue	$ 3,359,292	$ 3,388,742	$ 10,267,845	$ 9,593,000
Interest expense	(1,696,514)	(1,604,352)	(5,344,947)	(4,251,722)
Interest profit, net	1,662,778	1,784,390	4,922,898	5,341,278
Noninterest profits and gains, net	1,246,360	1,113,588	3,298,992	2,148,758
Total net revenues	2,909,138	2,897,978	8,221,890	7,490,036
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	76,418	55,367	(8,535)	(87,453)
Operating expenses	(1,517,430)	(1,494,231)	(4,491,516)	(4,278,455)
Net profit before income tax	1,468,126	1,459,114	3,721,839	3,124,128
Income tax expense	(460,222)	(518,873)	(852,964)	(634,340)
Net profit for the period	1,007,904	940,241	2,868,875	2,489,788
Other comprehensive income (loss) for the period, net of income tax	(16,565)	69,087	2,518,526	(1,280,158)
Total comprehensive income (loss) for the period	$ 991,339	$ 1,009,328	$ 5,387,401	$ 1,209,630
Basic earnings per share	$0.22	$0.20	$0.62	$0.54

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	$ 183,011,912	$ 136,199,128	$ 164,746,023
Noncurrent assets	49,444,032	43,193,399	44,507,753
Total assets	$ 232,455,944	$ 179,392,527	$ 209,253,776
Current liabilities	$ 164,313,459	$ 114,059,600	$ 142,171,452
Noncurrent liabilities	2,144,821	6,914,191	6,890,310
Total liabilities	166,458,280	120,973,791	149,061,762
Common stock	32,418,432	32,418,432	32,418,432
Capital surplus	8,648,562	8,648,158	8,647,860
Retained earnings	24,105,756	21,243,911	21,176,266
Others	824,914	(3,891,765)	(2,050,544)
Total equity	65,997,664	58,418,736	60,192,014
Total liabilities and equity	$ 232,455,944	$ 179,392,527	$ 209,253,776

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Revenues	$ 2,799,347	$ 2,832,602	$ 7,747,181	$ 8,089,427
Costs and expenses	(2,438,868)	(2,291,573)	(6,790,149)	(6,689,205)
Profit from operations	360,479	541,029	957,032	1,400,222
Share of profit (loss) of subsidiaries, associates and joint ventures	961,415	728,440	2,647,334	1,979,549
Other income and loss	276,179	378,853	833,263	580,507
Total non-operating income or loss	1,237,594	1,107,293	3,480,597	2,560,056
Net profit before income tax	1,598,073	1,648,322	4,437,629	3,960,278
Income tax benefit (expense)	(34,248)	(82,394)	111,966	(359,494)
Net profit for the period	1,563,825	1,565,928	4,549,595	3,600,784
Other comprehensive income (loss) for the period, net of income tax	(6,807)	631,899	4,658,383	(1,047,418)
Total comprehensive income (loss) for the period	$ 1,557,018	$ 2,197,827	$ 9,207,978	$ 2,553,366
Basic earnings per share	$0.48	$0.48	$1.40	$1.11

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	$ 4,887,836	$ 6,813,888	$ 4,197,788
Noncurrent assets	40,307,059	42,775,502	45,294,244
Total assets	$ 45,194,895	$ 49,589,390	$ 49,492,032
Current liabilities	$ 1,058,848	$ 941,433	$ 905,248
Noncurrent liabilities	868,807	961,867	1,088,290
Total liabilities	1,927,655	1,903,300	1,993,538
Common stock			
Capital surplus	20,411,159	20,411,159	20,411,159
Retained earnings	590,387	589,866	589,546
Others	21,011,219	26,234,466	26,144,785
Total equity	1,254,475	450,599	353,004
	43,267,240	47,686,090	47,498,494
Total liabilities and equity			
	$ 45,194,895	$ 49,589,390	$ 49,492,032

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Operating revenues	$ (379,711)	$ (205,085)	$ 2,347,664	$ 2,588,656
Operating expenses	(109,092)	(86,989)	(456,519)	(419,265)
Profit from operations	(488,803)	(292,074)	1,891,145	2,169,391
Non-operating income and expenses	40,624	36,993	124,948	158,677
Net profit before income tax	(448,179)	(255,081)	2,016,093	2,328,068
Income tax benefit (expense)	27,977	(39,039)	74,667	(106,514)
Net profit for the period	(420,202)	(294,120)	2,090,760	2,221,554
Other comprehensive income (loss) for the period, net of income tax	61,113	(63,838)	803,876	344,253
Total comprehensive income (loss) for the period	$ (359,089)	$ (357,958)	$ 2,894,636	$ 2,565,807
Basic earnings per share	$(0.21)	$(0.14)	$1.02	$1.09

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	September 30, 2019	December 31, 2018 (After Restated)	September 30, 2018 (After Restated)
Current assets	$ 157,356	$ 856,667	$ 835,937
Noncurrent assets	2,375,472	2,427,116	2,453,978
Total assets	$ 2,532,828	$ 3,283,783	$ 3,289,915
Current liabilities	$ 163,570	$ 923,166	$ 908,630
Noncurrent liabilities	2,407	1,699	1,815
Total liabilities	165,977	924,865	910,445
Common stock	2,133,600	2,260,000	2,260,000
Capital surplus	139,538	129,957	129,957
Retained earnings	115,071	108,764	104,038
Others	(21,358)	-	-
Prior interest under common control	-	(139,803)	(114,525)
Total equity	2,366,851	2,358,918	2,379,470
Total liabilities and equity	$ 2,532,828	$ 3,283,783	$ 3,289,915

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018 (After Restated)**	**2019**	**2018 (After Restated)**
Revenues and gains	$ 46,622	$ 51,417	$ 128,866	$ 158,727
Expenses and losses	(23,565)	(19,246)	(63,139)	(74,501)
Net profit before income tax	23,057	32,171	65,727	84,226
Income tax expense	(4,166)	(20,516)	(11,647)	(28,955)
Net profit for the period	18,891	11,655	54,080	55,271
Other comprehensive income (loss) for the period, net of income tax	-	-	(1,409)	385
Total comprehensive income (loss) for the period	$ 18,891	$ 11,655	$ 52,671	$ 55,656
Net profit attributable to:				
Owners of parent	$ 18,891	$ 21,430	$ 40,884	$ 47,595
Prior interest under common control	-	(9,775)	13,196	7,676
	$ 18,891	$ 11,655	$ 54,080	$ 55,271
Total comprehensive income attributable to:				
Owners of parent	$ 18,891	$ 21,430	$ 40,884	$ 47,595
Prior interest under common control	-	(9,775)	11,787	8,061
	$ 18,891	$ 11,655	$ 52,671	$ 55,656
Basic earnings per share	$0.09	$0.05	$0.25	$0.24

Note: The prior interest under common control is included in the financial information of China Development Asset Management Corp.

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	$ 45,151,196	$ 42,947,426	$ 55,310,394
Receivables	24,142,810	17,549,054	22,956,254
Current tax assets	594,400	499,407	512,143
Financial assets at fair value through profit or loss	319,868,622	215,549,254	222,643,560
Financial assets at fair value through other comprehensive income (loss)	386,099,832	323,006,735	301,274,929
Financial assets measured at amortized cost	1,011,007,074	950,482,240	908,066,326
Investment property	23,143,515	23,143,854	23,150,961
Loans	33,321,584	33,379,965	32,942,231
Reinsurance assets	657,324	534,353	657,758
Property and equipment	12,980,362	10,722,338	10,183,273
Right-of-use assets	15,257,006	-	-
Intangible assets	199,950	230,128	175,377
Deferred tax assets	5,300,944	9,949,639	7,582,133
Other assets	7,446,821	19,859,278	22,403,493
Separate account product assets	77,020,488	63,501,665	67,045,065
Total assets	$ 1,962,191,928	$ 1,711,355,336	$ 1,674,903,897
Payables	$ 23,714,509	$ 10,727,086	$ 9,488,619
Current tax liabilities	1,765	-	-
Financial liabilities at fair value through profit or loss	3,120,040	2,469,127	5,377,078
Lease liabilities	2,229,202	-	-
Insurance liabilities	1,703,127,101	1,552,528,196	1,495,044,855
Foreign exchange valuation reserve	5,540,748	3,169,331	2,756,433
Provisions	115,697	134,940	114,442
Deferred tax liabilities	6,018,463	1,342,297	1,006,469
Other liabilities	4,482,860	4,388,310	3,089,107
Separate account product liabilities	77,020,488	63,501,665	67,045,065
Total liabilities	1,825,370,873	1,638,260,952	1,583,922,068
Common stock	44,635,823	40,135,823	40,135,823
Capital surplus	7,214,523	2,289,273	2,289,273
Retained earnings	61,119,550	48,243,509	48,483,628
Others	23,851,159	(17,574,221)	73,105
Total equity	136,821,055	73,094,384	90,981,829
Total liabilities and equity	$ 1,962,191,928	$ 1,711,355,336	$ 1,674,903,897

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Operating revenues	$ 83,719,050	$ 91,599,655	$ 260,708,762	$ 247,787,144
Operating costs	(75,722,655)	(85,821,349)	(241,376,546)	(234,314,945)
Operating expenses	(1,606,128)	(1,211,208)	(4,601,383)	(3,756,324)
Profit from operations	6,390,267	4,567,098	14,730,833	9,715,875
Non-operating income and expenses	2,923	(7,876)	7,249	545,199
Income from continuing operations before income tax	6,393,190	4,559,222	14,738,082	10,261,074
Income tax benefit (expense)	(892,630)	(322,034)	(1,787,895)	234,741
Net income	5,500,560	4,237,188	12,950,187	10,495,815
Other comprehensive income (loss) for the period, net of income tax	1,386,628	5,671,367	41,362,255	(17,890,189)
Total comprehensive income (loss) for the period	$ 6,887,188	$ 9,908,555	$ 54,312,442	$ (7,394,374)
Basic earnings per share	$1.23	$1.06	$3.10	$2.62

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	US$ 2,000 thousand	Note 1,b,1)	US$ 2,262 thousand	$ -	$ -	US$ 2,262 thousand	(Note 3)	8.86	$ -	$ 67,521	$ -
Beauteek (Shanghai) Co., Ltd.	Cosmetics and sin care products sales.	US$ 1,700 thousand	Note 1,b,1)	-	US$ 53 thousand	-	US$ 53 thousand	(Note 3)	-	-	1,633	-
Shanghai Derby Software Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry.	US$ 10,000 thousand	Note 1,b,2)	US$ 3,267 thousand	-	-	US$ 3,267 thousand	(Note 3)	6.87	-	107,235	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US$ 35,200 thousand	Note 1,b,3)	US$ 1,400 thousand	-	-	US$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US$ 17,130 thousand	Note 1,b,4)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US$ 87,070 thousand	Note 1,b,5),19)	US$ 228 thousand	-	-	US$ 228 thousand	(Note 3)	1.79	-	7,078	-
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods.	EUR 4,460 thousand	Note 1,b,6),20)	US$ 182 thousand	-	-	US$ 182 thousand	(Note 3)	5.00	-	6,171	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 28,000 thousand	Note 1,b,5),18)	US$ 948 thousand	-	-	US$ 948 thousand	(Note 3)	2.36	-	7,268	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US$ 3,000 thousand	Note 1,b,5),18)	US$ 33 thousand	-	-	US$ 33 thousand	(Note 3)	2.36	-	255	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 171,574 thousand	Note 1,b,5),18)	CNY 297 thousand	-	-	CNY 297 thousand	(Note 3)	2.36	-	2,275	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US$ 500 thousand	Note 1,b,5),18)	US$ 42 thousand	-	-	US$ 42 thousand	(Note 3)	2.36	-	319	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film	CNY 19,812 thousand	Note 1,b,18)	US$ 4,938 thousand	-	-	US$ 4,938 thousand	(Note 3)	3.89	-	37,848	-
CDIB Private Equity (China) Corporation	Management and consulting.	US$ 7,000 thousand	Note 1,b,8)	US$ 7,000 thousand	-	-	US$ 7,000 thousand	13,602	100.00	13,602	236,493	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 9	-	-	-	-	19,670	70.00	13,769	80,319	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	$ -	$ -	CNY 6,686 thousand	$ (2,259)	70.00	$ (1,581)	36,427	$ -
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 350,000 thousand	-	-	CNY 350,000 thousand	(208,747)	-	(73,062)	1,534,553	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 10	-	-	-	-	6,889	65.00	4,478	51,060	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	(1,565)	65.00	(1,017)	34,003	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 300,000 thousand	-	-	CNY 300,000 thousand	(141,988)	-	(42,596)	1,342,729	-
GSD Industrial (China) Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,9)	US$ 2,235 thousand	-	-	US$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Beijing Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,10)	US$ 5,000 thousand	-	-	US$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies (Shenzhen) Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US$ 4,100 thousand	Note 1,b,11)	US$ 337 thousand	-	-	US$ 337 thousand	(Note 3)	11.58	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 313,432 thousand	Note 1,b,6),12)	US$ 2,311 thousand	-	-	US$ 2,311 thousand	(Note 3)	7.70	-	71,741	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK$ 195,686 thousand	Note 1,b,6),12)	US$ 1,678 thousand	-	-	US$ 1,678 thousand	(Note 3)	7.70	-	52,099	-
Jiangsu Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product.	HK$ 761,576 thousand	Note 1,b, 6),21)	US$ 9,248 thousand	-	-	US$ 9,248 thousand	(Note 3)	5.46	-	56,806	-
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries.	CNY 350,379 thousand	Note 1,b, 13)	US$ 7,417 thousand	-	-	US$ 7,417 thousand	(Note 3)	2.67	-	56,851	-
Best Logistics Technology (China) Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US$ 183,000 thousand	Note 1,b, 14)	US$ 211 thousand	-	-	US$ 211 thousand	(Note 3)	-	-	2,646	-
Viscovery	Business in software development	US$ 2,860 thousand	Note 1,b, 15)	US$ 36 thousand	-	-	US$ 36 thousand	(Note 3)	1.80	-	1,117	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US$ 30,000 thousand	-	-	US$ 30,000 thousand	(71,663)	100.00	(71,663)	96,694	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow						
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US$ 4,000 thousand	Note 1,b,16)	US$ 4,000 thousand	$ -	$ -	US$ 4,000 thousand	$ (6,411)	100.00	$ (6,411)	$ 30,154	$ -
CCB Life Insurance Company Limited	Life insurance.	CNY 7,120,461 thousand	Note 1,a	7,401,464	5,479,505	-	12,880,969	2,488,945	19.90	-	13,999,663	71,756
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US$ 13,380 thousand	Note 1,b,17)	US$ 381 thousand	-	-	US$ 381 thousand	(Note 3)	0.88	-	3,812	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US$ 5,000 thousand	Note 1,b,17)	US$ 107 thousand	-	-	US$ 107 thousand	(Note 3)	0.88	-	1,064	-
Taro Technology (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US$ 30,000 thousand	Note 1,b,22)	US$ 2,000 thousand	-	-	US$ 2,000 thousand	(Note 3)	1.01	-	62,084	-
Rokid Business (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US$ 15,000 thousand	Note 1,b,22)	US$ 3,000 thousand	-	-	US$ 3,000 thousand	(Note 3)	1.01	-	93,126	-
Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Equity investment	-	Note 1,b,7)	-	CNY 89,224 thousand	-	CNY 89,224 thousand	(Note 3)	-	-	-	-

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$19,655,638	US$822,270 thousand	$164,767,116

Note 1: The investment types are as follows:

a. Direct investments.

b. Reinvested through a third area by:

1) Beauty Essentials International Ltd.
2) Derbysoft Holdings Limited.
3) Capital Excel Investments Limited.
4) Hartec Asia Pte Ltd.
5) CDIB Capital Investment I Limited.
6) CDIB Capital Investment II Limited
7) CDIB Venture Capital (Hong Kong) Corporation Limited.
8) CDIB Private Equity (Hong Kong) Corporation Limited.
9) GSD Technologies Co., Ltd.
10) Shengzhuang Holdings Limited.
11) Lightel Technologies, Inc.
12) CBA Sport International Limited.
13) CCAP Tutwo Holdings (Hong Kong) Limited.
14) Best Logistics.
15) Viscovery (Cayman) Holding Company Limited.

(Continued)

16) Richpoint Company Limited.
17) Deluxe Technology Group Co., Ltd.
18) CDIB Capital Asia Partners L.P.
19) Great Team Backend Foundry, Inc.
20) Sungjoo Design Tech & Distribution Inc.
21) Great Rich Technologies Limited.
22) Rokid Corporation Limited.

c. Other.

Note 2: The financial statements were reviewed by international CPA firms having a corporative relation with CPA firms in the Republic of China.

Note 3: Investee Company was not significantly influenced by the Company; therefore the Group cannot acquire the related financial information.

Note 4: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary's investment in Focal Tech (Shenzhen) Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yanghou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.

Note 8: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.

Note 9: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 10: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary's investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.

Note 12: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary's investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.

Note 13: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary's investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.

Note 14: CCB Life Insurance Company Limited raised CNY 6,000,000 thousand on 2019. The seasoned equity offering had already collected full proceeds and completed capital verification on April 2019. The total paid-in capital after right offering is subject to approval of China Banking and Insurance Regulatory Commission as of September 30, 2019.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	$ 544,001	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	544,001	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	211,214	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	211,214	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	572,729	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	572,729	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	701,499	Note 4	0.02%
3	KGI Securities	The Corporation	2	Current tax liabilities	701,499	Note 4	0.02%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	3,357,071	Note 4	0.11%
2	KGI Bank	The Corporation	2	Deposits and remittances	3,357,071	Note 4	0.11%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	4,339,915	Note 4	0.14%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	4,339,915	Note 4	0.14%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	21,906	Note 4	0.00%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial assets	132,235	Note 4	0.00%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	154,141	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Other financial assets	501,153	Note 4	0.02%
2	KGI Bank	KGI Securities	3	Deposits and remittances	501,153	Note 4	0.02%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities	KGI Bank	3	Restricted assets	$ 1,643,767	Note 4	0.05%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,643,767	Note 4	0.05%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	374,600	Note 4	0.01%
2	KGI Bank	China Life Insurance	3	Deposits and remittances	374,600	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	41,303	Note 4	0.00%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	220,930	Note 4	0.01%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	262,233	Note 4	0.01%
6	CDIB Venture Capital (Hong Kong) Corporation Limited	KGI Bank	3	Cash and cash equivalents	509,378	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital (Hong Kong) Corporation Limited	3	Deposits and remittances	509,378	Note 4	0.02%
7	CDIB Capital Investment I Limited	KGI Bank	3	Cash and cash equivalents	125,035	Note 4	0.00%
2	KGI Bank	CDIB Capital Investment I Limited	3	Deposits and remittances	125,035	Note 4	0.00%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial liabilities	155,741	Note 4	0.08%
2	KGI Bank	KGI Securities and its subsidiaries	3	Financial assets at fair value through profit or loss	155,741	Note 4	0.08%
3	KGI Securities and its subsidiaries	China Life Insurance	3	Service fee revenue and commission income	374,506	Note 4	0.20%
4	China Life Insurance	KGI Securities and its subsidiaries	3	Service fee expense and commission expense	374,506	Note 4	0.20%
4	China Life Insurance	KGI Securities and its subsidiaries	3	Service fee revenue and commission income	138,967	Note 4	0.07%
3	KGI Securities and its subsidiaries	China Life Insurance	3	Service fee expense and commission expense	138,967	Note 4	0.07%
2	KGI Bank.	China Life Insurance	3	Service fee revenue and commission income	263,526	Note 4	0.14%
2	KGI Bank	KGI Bank.	3	Service fee expense and commission expense	263,526	Note 4	0.14%
3	KGI Securities and its subsidiaries	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	138,956	Note 4	0.07%
8	KGI Futures Co., Ltd.	KGI Securities and its subsidiaries	3	Service fee expense and commission expense	138,956	Note 4	0.07%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities	KGI Insurance Brokers Co. Ltd.	3	Other noninterest profits and gains, net	$ 134,879	Note 4	0.07%
9	KGI Insurance Brokers Co. Ltd.	KGI Securities	3	Other noninterest profits and gains, net	134,879	Note 4	0.07%
3	KGI Securities	KGI Securities Investment Advisory Co. Ltd.	3	Operating expenses	124,071	Note 4	0.07%
10	KGI Securities Investment Advisory Co. Ltd.	KGI Securities	3	Other noninterest profits and gains, net	124,071	Note 4	0.07%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	868,041	Note 4	0.03%
8	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	868,041	Note 4	0.03%
11	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	931,260	Note 4	0.03%
12	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	931,260	Note 4	0.03%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Cash and cash equivalents	272,468	Note 4	0.01%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Payables	272,468	Note 4	0.01%
8	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,141,085	Note 4	0.04%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,141,085	Note 4	0.04%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Payables	1,293,250	Note 4	0.04%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Receivables, net	1,293,250	Note 4	0.04%
14	KGI Asia Limited	KGI Securities (Singapore) Pte. Ltd.	3	Payables	133,303	Note 4	0.00%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Asia Limited	3	Receivables, net	133,303	Note 4	0.00%
14	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Financial liabilities at fair value through profit or loss	235,566	Note 4	0.01%
15	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Other financial assets	235,566	Note 4	0.01%
16	KGI Futures (Hong Kong) Limited	KGI Finance Limited	3	Futures customers' equity	388,330	Note 4	0.01%
17	KGI Finance Limited	KGI Futures (Hong Kong) Limited	3	Other financial assets	388,330	Note 4	0.01%
16	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Futures customers' equity	129,607	Note 4	0.00%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	129,607	Note 4	0.00%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
16	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	$ 240,786	Note 4	0.01%
13	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial liabilities	240,786	Note 4	0.01%
18	KGI Hong Kong Limited	KGI Asia Limited	3	Other noninterest profits and gains, net	1,128,378	Note 4	0.60%
14	KGI Asia Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	1,128,378	Note 4	0.60%
18	KGI Hong Kong Limited	KGI Futures (Hong Kong) Limited	3	Other noninterest profits and gains, net	138,858	Note 4	0.07%
16	KGI Futures (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	138,858	Note 4	0.07%
18	KGI Hong Kong Limited	KGI International (Hong Kong) Limited	3	Other noninterest profits and gains, net	257,612	Note 4	0.14%
15	KGI International (Hong Kong) Limited	KGI Hong Kong Limited	3	Other noninterest profits and gains, net	257,612	Note 4	0.14%
19	KGI International Holdings Limited	PT KGI Sekuritas Indonesia	3	Receivables, net	822,613	Note 4	0.03%
20	PT KGI Sekuritas Indonesia	KGI International Holdings Limited	3	Other borrowings	822,613	Note 4	0.03%
21	CDIB Capital International (Korea) Corporation	CDIB Capital International Corporation	3	Payables	103,608	Note 4	0.00%
22	CDIB Capital International Corporation	CDIB Capital International (Korea) Corporation	3	Receivables, net	103,608	Note 4	0.00%
23	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating expenses	138,638	Note 4	0.07%
22	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Other noninterest profits and gains, net	138,638	Note 4	0.07%
24	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Operating expenses	170,863	Note 4	0.09%
22	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Other noninterest profits and gains, net	170,863	Note 4	0.09%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$100 million.

(Concluded)