Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors’ Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. and its subsidiaries (collectively, "the Group") as of March 31, 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as the "consolidated financial statements")". 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 Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. 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 consolidated financial position of the Group as of March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

The consolidated financial statements for the three months ended March 31, 2018, were reviewed by other auditors. The unqualified review report of independent auditors with emphasis of matter paragraph was issued on April 25, 2018.

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng-Hung Kuo and Li-Chi Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 14, 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.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 33)	$ 233,588,709	4	$ 175,332,205	3	$ 255,052,364	4
RECEIVABLES (Notes 4, 5, 7 and 33)	81,828,978	1	74,970,469	1	61,798,671	1
CURRENT TAX ASSETS	-	-	6,238	-	-	-
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 5, 8, 36 and 42)	1,242,430,135	19	1,167,751,185	18	1,178,573,492	19
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 36 and 42)	906,513,103	13	921,968,246	15	922,644,025	15
Financial assets measured at amortized cost (Notes 4, 5, 13, 36 and 42)	2,371,039,170	36	2,258,673,041	35	1,947,935,713	32
Financial assets for hedging (Notes 4, 5 and 10)	392,653	-	216,611	-	221,211	-
Investments accounted for using the equity method (Notes 4 and 12)	42,563,648	1	40,780,828	1	32,249,528	-
Other financial assets (Notes 4, 5, 14 and 33)	1,999,356	-	1,999,406	-	3,499,051	-
Investment property (Notes 3, 4, 5, 15 and 33)	471,538,455	7	461,352,381	7	459,870,311	7
Investment property under construction (Notes 4, 15 and 33)	3,420,751	-	2,785,640	-	4,233,188	-
Prepayments for buildings and land - investments (Notes 4 and 15)	1,000,560	-	722,686	-	690,482	-
Loans (Notes 4, 5, 16 and 33)	561,162,012	8	581,215,839	9	601,997,919	10
Total investments	5,602,059,843	84	5,437,465,863	85	5,151,914,920	83
REINSURANCE ASSETS (Notes 4, 17 and 25)	1,542,740	-	1,518,910	-	733,295	-
PROPERTY AND EQUIPMENT (Notes 4 and 18)	32,366,600	-	32,381,622	-	31,076,035	1
RIGHT-OF-USE ASSETS (Notes 3, 4 and 19)	1,881,032	-	-	-	-	-
INTANGIBLE ASSETS (Notes 4 and 20)	43,454,209	1	44,044,960	1	45,379,755	1
DEFERRED TAX ASSETS (Note 4)	27,463,958	-	38,252,456	1	43,085,046	1
OTHER ASSETS (Notes 3, 21, 33 and 36)	40,486,017	1	40,457,645	1	28,684,826	-
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 34)	585,087,715	9	546,964,261	8	559,046,680	9
TOTAL	$ 6,649,759,801	100	$ 6,391,394,629	100	$ 6,176,771,592	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 3, 22 and 33)	$ 25,340,913	1	$ 32,822,268	1	$ 45,403,957	1
CURRENT TAX LIABILITIES (Note 4)	703,530	-	636,050	-	435,034	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	24,556,672	-	27,499,106	-	1,504,046	-
BONDS PAYABLE (Notes 23 and 33)	70,000,000	1	70,000,000	1	70,000,000	1
PREFERENCE SHARES LIABILITY (Notes 24 and 33)	-	-	-	-	5,000,000	-
INSURANCE LIABILITIES (Notes 4, 5 and 25)						
Unearned premium reserve	16,633,959	-	16,752,317	-	15,720,592	-
Loss reserve	9,563,234	-	8,903,331	-	7,679,149	-
Policy reserve	5,316,619,539	80	5,225,589,886	82	4,916,863,878	80
Special reserve	11,084,417	-	11,084,254	-	11,084,384	-
Premium deficiency reserve	21,940,664	1	22,548,304	1	25,630,634	1
Other reserve	1,889,542	-	1,894,570	-	1,910,570	-
Total insurance liabilities	5,377,731,355	81	5,286,772,662	83	4,978,889,207	81
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 26)	10,186,795	-	9,318,713	-	8,910,606	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 27)	19,947,665	-	17,075,289	-	11,217,192	-
PROVISIONS (Note 4)	216,535	-	225,277	-	56,245	-
LEASE LIABILITIES (Notes 3, 4, 19 and 33)	10,646,116	-	-	-	-	-
DEFERRED TAX LIABILITIES (Note 4)	35,547,262	1	29,213,220	-	38,685,539	1
OTHER LIABILITIES (Notes 3 and 33)	7,647,139	-	8,738,357	-	24,702,014	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 34)	585,087,715	9	546,964,261	9	559,046,680	9
Total liabilities	6,167,611,697	93	6,029,265,203	94	5,743,850,520	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 29)						
Share capital						
Ordinary shares	57,265,274	1	57,265,274	1	53,065,274	1
Capital surplus	51,527,476	1	51,535,925	1	13,741,030	-
Retained earnings						
Legal reserve	40,466,946	1	40,466,946	1	33,208,919	1
Special reserve	277,886,402	4	277,886,402	4	259,379,137	4
Unappropriated earnings	17,739,686	-	12,683,614	-	43,356,169	1
Total retained earnings	336,093,034	5	331,036,962	5	335,944,225	6
Other equity	31,212,626	-	(83,245,452)	(1)	24,523,657	-
Total equity attributable to owners of the Company	476,098,410	7	356,592,709	6	427,274,186	7
NON-CONTROLLING INTERESTS (Notes 4 and 29)	6,049,694	-	5,536,717	-	5,646,886	-
Total equity	482,148,104	7	362,129,426	6	432,921,072	7
TOTAL	$ 6,649,759,801	100	$ 6,391,394,629	100	$ 6,176,771,592	100

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

(With Deloitte & Touche review report dated May 14, 2019)

CATHAY LIFE INSURANCE CO., LTD. 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 March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE				
Retained earned premium (Notes 4, 28 and 33)				
Written premium	$ 155,966,803	65	$ 132,550,943	66
Reinsurance premium	34,328	-	56,699	-
Premium income	156,001,131	65	132,607,642	66
Less: Reinsurance expense	(482,218)	-	(361,910)	-
Net changes in unearned premium reserve (Notes 4, 25 and 28)	230,433	-	278,610	-
Total retained earned premium	155,749,346	65	132,524,342	66
Reinsurance commission income	(9,115)	-	55,027	-
Fee income (Notes 33 and 34)	1,956,973	1	2,659,967	1
Net investment incomes (losses)				
Interest income (Notes 4, 31 and 33)	39,966,823	17	33,645,330	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	83,834,432	35	29,967,822	15
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	5,159,689	2	6,687,219	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13)	471,115	-	2,043,584	1
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	281,489	-	101,869	-
Foreign exchange gain (loss)	8,568,586	4	(38,650,458)	(19)
Net changes in reserve for foreign exchange valuation (Notes 4 and 27)	(2,872,376)	(1)	371,946	-
Gain on investment property (Notes 4 and 33)	3,368,564	1	3,032,232	1
Reversal of expected credit loss (expected credit loss) on investments (Notes 4 and 31)	648,894	-	(282,462)	-
Other net investment income	113,816	-	97,100	-
(Loss) gain on reclassification using overlay approach (Notes 4 and 8)	(83,268,576)	(35)	26,069,063	13
Other operating revenue (Note 33)	1,419,550	1	1,289,886	1
Separate account insurance product income (Notes 4 and 34)	24,825,193	10	2,677,855	1
Total operating revenue	240,214,403	100	202,290,322	100
OPERATING COSTS				
Retained claims payments (Notes 4 and 28)				
Insurance claims payments	100,297,158	42	87,454,361	43
Less: Claims and payments recovered from reinsurers	(234,250)	-	(199,527)	-
Total retained claims payments	100,062,908	42	87,254,834	43

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CATHAY LIFE INSURANCE CO., LTD. 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 March 31			
	2019		2018	
	Amount	%	Amount	%
Net changes in other insurance liabilities (Notes 4, 5 and 25)				
Net changes in loss reserve	$ 656,790	-	$ 103,302	-
Net changes in policy reserve	86,932,907	36	80,794,322	40
Net changes in special reserve	162	-	566	-
Net changes in premium deficiency reserve	(633,853)	-	(399,463)	-
Net changes in other reserve	(5,028)	-	(6,000)	-
Total net changes in other insurance liabilities	86,950,978	36	80,492,727	40
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 26)	175,019	-	(458,172)	-
Underwriting expenses (Note 31)	6,178,577	3	4,427,005	2
Commission expenses (Note 31)	5,364,644	2	4,193,333	2
Other operating costs (Note 33)	1,439,597	1	2,063,003	1
Finance costs (Notes 23 and 33)	642,885	-	567,897	-
Separate account insurance product expenses (Notes 4 and 34)	24,825,193	10	2,677,855	1
Total operating costs	225,639,801	94	181,218,482	89
OPERATING EXPENSES (Notes 31 and 33)				
General expenses	3,353,029	1	2,901,190	2
Administrative expenses	4,466,707	2	4,431,427	2
Employee training expenses	7,576	-	7,341	-
Non-investment expected credit loss (Notes 4 and 31)	460	-	25,901	-
Total operating expenses	7,827,772	3	7,365,859	4
OPERATING INCOME	6,746,830	3	13,705,981	7
NON-OPERATING INCOME AND EXPENSES (Notes 31 and 33)	358,058	-	324,189	-
PROFIT BEFORE INCOME TAX	7,104,888	3	14,030,170	7
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 32)	(658,808)	-	2,696,940	1
NET INCOME	6,446,080	3	16,727,110	8

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CATHAY LIFE INSURANCE CO., LTD. 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 March 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on equity instruments at fair value through other comprehensive income	$ 3,610,056	1	$ (404,528)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	128,306	-	(76,661)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 32)	(308,521)	-	244,312	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating financial statements of foreign operations	1,228,147	1	152,967	-
Gain (loss) on debt instruments at fair value through other comprehensive income	41,218,526	17	(41,383,894)	(20)
Gain (loss) on hedging instruments	90,241	-	(24,769)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	305,537	-	(894,128)	-
Other comprehensive income (loss) reclassified using overlay approach	83,268,576	35	(26,069,063)	(13)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 32)	(15,942,001)	(7)	10,864,865	5
Total other comprehensive income (loss) for the period, net of income tax	113,598,867	47	(57,590,899)	(28)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 120,044,947	50	$ (40,863,789)	(20)
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 6,330,368	3	$ 16,679,960	8
Non-controlling interests	115,712	-	47,150	-
	$ 6,446,080	3	$ 16,727,110	8

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CATHAY LIFE INSURANCE CO., LTD. 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 March 31			
	2019		2018	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 119,514,150	50	$ (40,922,506)	(20)
Non-controlling interests	530,797	-	58,717	-
	$ 120,044,947	50	$ (40,863,789)	(20)
EARNINGS PER SHARE (Note 30)				
Basic earnings per share	$ 1.11		$ 3.14	

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

(With Deloitte & Touche review report dated May 14, 2019) (Concluded)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company														
	Share Capital		Retained Earnings			Other Equity									
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Gain (Loss) on Hedging Instruments	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) Reclassified Using Overlay Approach	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 53,065,274	$ 13,767,663	$ 33,208,919	$ 259,379,137	$ 34,072,057	$ (9,958,336)	$ -	$ 51,550,393	$ 203,646	$ 110,471	$ 188,821	$ -	$ 435,588,045	$ 5,593,318	$ 441,181,363
Effect of retrospective application and restatement	-	-	-	-	(2,914,533)	-	31,488,614	(51,550,393)	-	-	-	55,611,592	32,635,280	8,904	32,644,184
BALANCE AT JANUARY 1, 2018 AS RESTATED	53,065,274	13,767,663	33,208,919	259,379,137	31,157,524	(9,958,336)	31,488,614	-	203,646	110,471	188,821	55,611,592	468,223,325	5,602,222	473,825,547
Changes in capital surplus from investments in associates accounted for using the equity method	-	(26,633)	-	-	-	-	-	-	-	-	-	-	(26,633)	-	(26,633)
Net profit for the three months ended March 31, 2018	-	-	-	-	16,679,960	-	-	-	-	-	-	-	16,679,960	47,150	16,727,110
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	(554,299)	(35,259,293)	-	(27,176)	(12,793)	(1,319)	(21,747,586)	(57,602,466)	11,567	(57,590,899)
Total comprehensive income (loss) for three months ended March 31, 2018	-	-	-	-	16,679,960	(554,299)	(35,259,293)	-	(27,176)	(12,793)	(1,319)	(21,747,586)	(40,922,506)	58,717	(40,863,789)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(4,481,315)	-	4,481,315	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,053)	(14,053)
BALANCE AT MARCH 31, 2018	$ 53,065,274	$ 13,741,030	$ 33,208,919	$ 259,379,137	$ 43,356,169	$ (10,512,635)	$ 710,636	$ -	$ 176,470	$ 97,678	$ 187,502	$ 33,864,006	$ 427,274,186	$ 5,646,886	$ 432,921,072
BALANCE AT JANUARY 1, 2019	$ 57,265,274	$ 51,535,925	$ 40,466,946	$ 277,886,402	$ 12,683,614	$ (10,796,480)	$ (20,547,627)	$ -	$ 173,288	$ 287,100	$ 187,503	$ (52,549,236)	$ 356,592,709	$ 5,536,717	$ 362,129,426
Changes in capital surplus from investments in associates accounted for using the equity method	-	(8,449)	-	-	-	-	-	-	-	-	-	-	(8,449)	-	(8,449)
Net profit for the three months ended March 31, 2019	-	-	-	-	6,330,368	-	-	-	-	-	-	-	6,330,368	115,712	6,446,080
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	1,355,657	36,079,221	-	69,817	7,721	-	75,671,366	113,183,782	415,085	113,598,867
Total comprehensive income for three months ended March 31, 2019	-	-	-	-	6,330,368	1,355,657	36,079,221	-	69,817	7,721	-	75,671,366	119,514,150	530,797	120,044,947
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(1,274,296)	-	1,274,296	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,820)	(17,820)
BALANCE AT MARCH 31, 2019	$ 57,265,274	$ 51,527,476	$ 40,466,946	$ 277,886,402	$ 17,739,686	$ (9,440,823)	$ 16,805,890	$ -	$ 243,105	$ 294,821	$ 187,503	$ 23,122,130	$ 476,098,410	$ 6,049,694	$ 482,148,104

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

(With Deloitte & Touche review report dated May 14, 2019)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 7,104,888	$ 14,030,170
Adjustments for:		
Depreciation expenses	334,458	182,850
Amortization expenses	651,070	658,161
Gain on financial assets and liabilities at fair value through profit or loss	(81,984,431)	(2,377,542)
Finance costs	656,844	702,135
Interest income	(39,966,823)	(33,645,330)
Dividend income	(1,850,001)	(118,766)
Net changes in insurance liabilities	90,850,052	54,948,738
Net changes in reserve for insurance contracts with the nature of financial products	868,082	148,997
Net changes in reserve for foreign exchange valuation	2,872,376	(371,946)
(Reversal of) expected credit loss on investments	(648,894)	282,462
Non-investments expected credit loss	460	25,901
Share of gain of associates accounted for using equity method	(281,489)	(101,869)
Loss (gain) on reclassification using overlay approach	83,268,576	(26,069,063)
Loss on disposal and retirement of property and equipment	169	128
Gain on disposal of investment property	(3,322)	-
Loss on changes in fair value of investment property	4,929	18,637
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	34,963,336	23,857,953
Decrease in financial assets at fair value through other comprehensive income	60,299,680	36,004,591
Increase in financial assets measured at amortized cost	(111,987,645)	(88,372,378)
(Increase) decrease in financial assets for hedging	(85,801)	463
Decrease (increase) in premium receivable	4,136,981	(191,390)
Decrease in notes receivable	59,957	127,658
(Increase) decrease in other receivables	(7,729,410)	19,776,909
Increase in prepaid expenses and other prepayments	(192,151)	(190,694)
Increase in guarantee deposits paid	(1,013,134)	(806,159)
Decrease in reinsurance assets	84,811	25,163
Increase in other assets	(421,885)	(156,160)
Decrease in financial liabilities at fair value through profit or loss	(29,803,909)	(8,717,157)
Increase in notes payable	5,910	2,232,452
Increase in claims payable	45,038	29,478
(Decrease) increase in other payables	(8,825,410)	12,753,052
Increase (decrease) in due to reinsurers and ceding companies	61,586	(13,119)
Increase in reinsurance indemnity payable	-	1,244
Increase (decrease) in commissions payable	752,798	(129,901)
Decrease in advance receipts	(30,841)	(17,628)

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
(Decrease) increase in guarantee deposits received	$ (109,733)	$ 6,672,569
Decrease in provisions	(8,742)	(415,757)
Decrease in deferred fee income	(3,446)	(3,929)
(Decrease) increase in other liabilities	(947,198)	162,965
Cash generated from operations	1,127,736	10,943,888
Interest received	37,477,484	33,393,272
Dividends received	1,850,001	135,308
Interest paid	(133,562)	(110,941)
Income tax paid	(542,556)	(299,690)
Net cash generated from operating activities	39,779,103	44,061,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(121,404)	(166,555)
Proceeds from disposal of property and equipment	78	1,649
Acquisition of intangible assets	(28,256)	(22,020)
Decrease in loans	20,313,105	1,714,596
Acquisition of investment property	(917,914)	(710,642)
Proceeds from disposal of investment property	9,511	-
Net cash generated from investing activities	19,255,120	817,028
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of the principle portion of lease liabilities	(96,560)	-
Changes in non-controlling interests	(17,820)	(14,054)
Net cash used in financing activities	(114,380)	(14,054)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(663,339)	(356,332)
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,256,504	44,508,479
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	175,332,205	210,543,885
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 233,588,709	$ 255,052,364

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

(With Deloitte & Touche review report dated May 14, 2019) (Concluded)

1. GENERAL INFORMATION

Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on October 23, 1962, under the Company Act of the Republic of China ("R.O.C.") and mainly engages in the business of life insurance. In order to benefit from operation synergies and enhance the competitiveness in financial markets, Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") was incorporated on December 31, 2001 through a share swap with the Company, and the Company became a wholly-owned subsidiary of Cathay Financial Holdings. The Company's registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, R.O.C.

The Company participated and won the bid, for assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. which was held by Taiwan Insurance Guaranty Fund. The Company entered into the general assignment and assumption agreement on March 27, 2015. The Company assumed all assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., except for their reserved assets and liabilities on July 1, 2015. Upon the approval by the authorities, the Company started business on August 5, 2015 after receiving the business license for its offshore insurance unit.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on May 14, 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 Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission ("FSC")

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company and its subsidiaries ("the Group") accounting policies:

   - 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 or investment properties if the right-of-use assets meet the definition of investment properties, 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 present 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, including property interest qualified as investment properties, 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.

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 and were measured at the present value of the remaining lease payments. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, except for those that met the definition of investment property and measured at fair value on that date. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

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	$ 20,660,492
Less: Recognition exemption for leases of low-value assets	(18,449)
Undiscounted amounts on January 1, 2019	$ 20,642,043
Discounted lease liabilities recognized on January 1, 2019	$ 10,690,575

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 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 1,975,650	$ 1,975,650
Investment properties	461,352,381	9,014,035	470,366,416
Other assets	40,457,645	(345,482)	40,112,163
Total effect on assets	$ 501,810,026	$ 10,644,203	$ 512,454,229
Payables	$ 32,822,268	$ (46,224)	$ 32,776,044
Lease liabilities	-	10,690,575	10,690,575
Other liabilities	8,738,357	(148)	8,738,209
Total effect on liabilities	$ 41,560,625	$ 10,644,203	$ 52,204,828

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

- IFRS 17 "Insurance Contracts"

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The main standards of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Group to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

1) A group of contracts that are onerous at initial recognition;

2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently;

3) A group of the remaining contracts in the portfolio.

The Group is not permitted to include contracts issued more than one year apart in the same group.

Recognition

The Group shall recognize a group of insurance contracts it issues from the earliest of the following:

1) The beginning of the coverage period of the group of contracts;

2) The date when the first payment from a policyholder in the group becomes due; and

3) For a group of onerous contracts, when the group becomes onerous.

Measurement on initial recognition

The Group shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of the group of insurance contracts that the Group 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:

1) The initial recognition of an amount for the fulfilment cash flows;

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

3) Any cash flows arising from the contracts in the group at that date.

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Group 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 fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin 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 ("PAA")

The Group 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, at the inception of the Group:

1) The Group reasonably expects that this will be a reasonable approximation of the general model, or

2) The coverage period of each contract in the group is one year or less.

At the inception, if the Group expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the standard are modified for such investment contracts.

Modification and derecognition

If the terms of an insurance contract are modified, the Group 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.

The Group shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Transition

The Group shall apply the standard 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 only need to use information available without undue cost or effort. The Group shall apply fair value approach if reasonable and supportable information is unavailable.

Under the fair value approach, the Group determines the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group' share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group' share of the equity of associates.

Any excess of the cost of acquisition over the Group' share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which their investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate and are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

f. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for their intended use.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the respective lease terms are shorter than the assets' useful lives, such assets are depreciated over the lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

g. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. Beginning January 1, 2019, investment properties acquired through leases are initially measured at cost. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measureable or construction is completed (whichever comes earlier).

For a transfer from the investment properties classification to property and equipment, the deemed cost of the property for subsequent accounting is its fair value at the commencement of owner-occupation. For a transfer from the property and equipment classification to investment properties at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

1) Financial assets

All regular transaction of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income ("FVTOCI").

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss. Fair value is determined in the manner described in Note 38.

In addition, to reduce the fluctuations in profit or loss due to that IFRS 9 is applied earlier than IFRS 17, the Group elects to remove profit or loss arising from changes in fair value in subsequent measurement and presented it in other comprehensive income based on overlay approach under IFRS 4. Overlay approach is applied to financial assets if all of the following conditions are met:

i) The financial assets are held in respect of activities related to IFRS 4.

ii) The financial assets are measured at FVTPL under IFRS 9, but would not have been measured at FVTPL under IAS 39.

iii) The financial assets are designated to apply overlay approach at the first application of IFRS 9, in the initial recognition of a new financial asset or when a financial asset starts to meet the criteria.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, are measured by the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash and cash equivalents include cash on hand, cash in banks and time deposits or investment which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits with maturities within 12 months, which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value are classified as cash equivalents.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model which is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including receivables and loans) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group uses the total carrying amount of financial assets measured at amortized cost (including receivables and loans), investments in debt instruments at FVTOCI, and commitment off financial statements to measures the amount of exposure at default (EAD).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

In addition, in accordance with the Regulations for Handling Assessment of Assets, Non-performing Loans, Non-accrual Receivable and Bad Debts by Insurance Enterprises, credit assets are classified as normal assets ("First Category"), assets that require special mention ("Second Category"), assets that are substandard ("Third Category"), assets that are doubtful ("Fourth Category") and assets for which there is loss ("Fifth Category") based on the borrower's financial conditions and the delay for payment of principal and interests as well as the status of the loan collaterals and the length of time overdue. The Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

i. The sum of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, premium loans and local government bonds, 2% of the ending balance for the second category of loan assets, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

ii. 1% of the sum of the ending balance for all five categories of loan assets excluding life insurance policy loans, premium loans and local government bonds.

iii. Total unsecured portion of non-performing loans and non-accrual receivables.

Besides, pursuant to Order No. Financial-Supervisory-Insurance-Corporate-10402506096, the Company shall keep the ratio of the allowance for bad debt over the loans of at least 1.5% to strengthen its ability against loss exposure to specific loans assets.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are mandatorily classified at FVTPL.

Financial liabilities mandatorily classified at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 38.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, cross currency swaps and options.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

l. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedging instrument and the changes in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

3) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The gains and losses on the hedging instrument relating to the effective portion of the hedge, which were accumulated in the foreign currency translation reserve, are reclassified to profit or loss on the disposal or partial disposal of a foreign operation.

m. Separate account insurance products

The Group sells separate account insurance products. The insurance premiums according to agreed terms paid by proposers, net of the expenses incurred by the insurer, are invested in separate accounts at allocation agreed with or directed by the applicants. The value of the separate account assets on the valuation date is measured at fair value and in accordance with the relevant regulations and Template of Accounting Rules by Life Insurance Enterprises.

In accordance with Regulation Governing the Preparation of Financial Reports by Insurance Enterprises, the assets and liabilities of separate accounts, which are generated either from insurance contracts or from insurance contracts with features of financial instrument, are recorded in separate account insurance product assets and separate account insurance product liabilities. The revenue and expenses of separate accounts, pursuant to IFRS 4 “Insurance Contracts”, are recorded in separate account insurance product revenue and separate account insurance product expenses.

n. Insurance liabilities

1) The Company

Funds reserved for insurance contracts and financial instruments with or without discretionary participation feature are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Tai-Tsai-Bao No. 852367814. Provision of reserve for the other insurance liabilities is as follows:

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

a) Unearned premium reserve

For an unexplained insurance policy with a policy period shorter than one year or an injury insurance policy with a policy period longer than one year, the calculation of unearned premium reserve is based on the unexplained risk.

b) Loss reserve

Loss reserve is period for claims filed but not yet paid and claims not yet filed. The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance and health or life insurance with a policy period shorter one year.

c) Policy reserve

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

Starting from 2003 policy year, for valid insurance contract whose bonus calculation is stipulated by Tai-Tsai-Bao No. 800484251, the downward adjustments of bonus due to the offset between mortality gain (loss) and gain (loss) from difference of interest rates should be calculated and recognized according to the regulations issued by the authorities.

When an insurance enterprise elects to measure investment property at fair value, it should also measure its insurance liabilities at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds their book value, the insurance enterprise must set aside the difference to policy reserve and decrease retained earnings. The Company changes its accounting policy for subsequent measurement of investment property from cost method to fair value method starting from 2014. The fair value of insurance liabilities measured at the same time in accordance with Rule No. 10302501161 issued by the FSC on March 21, 2014 did not exceed their book value and no additional insurance liabilities should be provided accordingly.

d) Special reserve

The Company sells participating life insurance policy. According to the Rule Governing application of revenue and expenses related to participating/nonparticipating policy reported to the authority, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from special reserve - participating policies dividends reserve. The excess dividend should be accounted as special reserve - provisions for risk of dividends.

According to Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the increments due to measuring the property at fair value, except for the portion in offsetting adverse effects of the first-time adoption of IFRSs on other accounts, the excess should be set aside as special reserve for revaluation increments of property under insurance liabilities.

e) Premium deficiency reserve

For the life insurance, health insurance and annuity insurance with policy periods longer than one year commencing from 2001, when the gross premium is less than the net premium used in the calculation of policy reserve, a deficiency reserve is required to set aside such deficiencies for remaining payment periods as premium deficiency reserve. The premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the authorities.

In addition, for unexpired insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year, if the probable claims and expenses are greater than the aggregate of unearned premium reserves and estimated future premiums, the premium deficiency reserve is set aside based on the deficiencies by insurance type.

f) Other reserve

Pursuant to IFRS 3 “Business Combinations”, the Group recognizes other reserve to reflect the fair value of the life insurance contracts assumed at the time when the identifiable assets and assumed liabilities acquired from the business combination are recognized at fair value.

g) Liability adequacy reserve

Liability adequacy reserve is set aside based on the adequacy test of liability required by IFRS 4 “Insurance Contracts”.

2) Cathay Lujiazui Life

In accordance with the Insurance Act of the People’s Republic of China, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by China Insurance Regulatory Commission.

3) Cathay Life (Vietnam)

In accordance with the Insurance Act of Vietnam, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and are calculated based on the actuarial reports approved by Vietnam government.

o. Liability adequacy test

Liability adequacy test is based on all insurance contracts and related requirements of ASP of IFRS 4 - contract classification and liability adequacy test announced by Society of Actuaries. In this test, the amount of insurance liabilities net of deferred acquisition costs and related intangible assets is compared with estimated present values of insurance contract cash flow at each reporting date. If the net book values are lower than the estimated present values, all insufficient amounts should be recognized in profit or loss.

p. Reserve for insurance contract with the nature of financial products

For non-separate account insurance products classified as financial instruments without discretionary participation features the reserve should be recognized in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and depository accounting.

q. Reserve for Foreign exchange valuation

The Company provides reserve for foreign exchange valuation according to all of its foreign investments in accordance with Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises.

r. Recognition of insurance premium income and expenses

1) The Company

For the Company’s insurance contracts and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue collection and underwriting procedures finished, and subsequent collection on the appointed dates, respectively. The relevant acquisition costs, such as commission expenses and underwriting expenses, are recognized as current expenses when the insurance contracts become effective.

For non-separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected is recognized as reserves for insurance contract with the nature of financial products on the balance sheet.

For separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected net of preprocess expense or investment management fee is entirely recognized as separate account insurance product liabilities on the balance sheet. The acquisition costs incurred due to investment management services for such insurance products, such as commissions and incremental costs directly attributable to the issue of new contracts, are deferred and recorded under deferred acquisition costs and amortized on a straight-line basis over the service period. The amortization is recognized under other operating costs.

2) Cathay Lujiazui Life

In accordance with the related accounting laws and regulations issued by local government, Cathay Lujiazui Life records direct premiums as revenue at premium received, and invoices issued. Related expenses, such as commissions and underwriting, fees are recognized on an accrual basis.

3) Cathay Life (Vietnam)

In accordance with the related accounting laws and regulations issued by local government, Cathay Life (Vietnam) records direct premiums as revenue at premium received, and invoices issued. Related expenses, such as commissions and underwriting, fees are recognized on an accrual basis.

s. Classification of insurance products

An insurance contract refers to the contract that the insurer accepts the insurance policyholder’s transfer of a significant insurance risk and agrees to compensate the policyholder for any damages caused by a particular uncertain future event (insured event). The Group’s identification of a significant insurance risk refers to any insured event that occurs and causes the Group to incur additional significant payments.

Insurance contracts with features of financial instruments are contracts that transfer significant financial risks. Financial risks refer to the risks that the changes in one or more specific indicators may cause, including interest rates, financial commodity prices, product prices, exchange rates, price index, rate index, credit ratings and other indicators. If the above indicators are not financial, these indicators exist in both sides under the contracts.

For a policy that meets the definition of insurance contract in the initial phase, it is treated as an insurance contract before the right of ownership and obligations expired or extinguished, even if the exposure to insurance risk during the policy period has significantly decreased. However, if an insurance contract with features of financial instruments transfers a significant insurance risk to the Group subsequently, the Group should reclassify the contract as an insurance contract.

Insurance contracts and those with features of financial instruments are further classified into separate categories depending on whether the contracts have discretionary participation feature or not. Discretionary participation feature refers to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

1) Additional payments are significant to total contractual payments.

2) In accordance with the contract, the amount and date of payment for additional payments are at the Group's discretion.

3) In accordance with the contract, additional payments are based on one of the following matters:

    a) The performance of specific contract portfolio or specific types of contracts.

    b) Return on investment from a portfolio of specific asset portfolio held by the Group.

    c) Profit and loss of the Group, funds, or other entities.

When the embedded derivative instrument has economic characteristics and risks not closely related to those of the primary contracts, it should be recorded separately from the primary contracts and measured at fair value with changes in fair values recognized in profit or loss when incurred. However, if the embedded derivative instrument meets the definition of an insurance contract or the whole contract is measured at fair value with changes in fair values recognized in profit or loss when incurred, the Group does not separately recognize the embedded derivative instrument and the insurance contract.

t. Reinsurance

In order to limit the possible losses caused by certain events, the Group arranges reinsurance business based on its business needs and related insurance regulations. For reinsurance of ceded business, the Group cannot refuse to fulfill its obligations to the insured because the reinsurer fails to fulfill its obligations.

The Group holds the rights over reinsurer including reinsurance assets, claims and payments recoverable from reinsurers and net due from reinsurers and ceding companies, and regularly assesses if the rights are impaired or unrecoverable. If an objective evidence, which occurred after initial recognition of reinsures assets, shows that the Group may not receive all amounts of receivables from the reinsurer and the unrecoverable amount can be reasonably estimated, the Group recognizes the difference between recoverable amount of reinsurance assets and carrying value as an impairment loss.

For the classification of reinsurance contracts, the Group assesses whether or not such contracts transfer significant insurance risk to the reinsurer. If the reinsurance contract does not transfer a significant insurance risk to the reinsurer, the contract is recognized and measured in accordance with deposit accounting.

For a reinsurance contracts that transfers a significant insurance risks, if the Group can measure its saving element separately, the insurance element and the saving element of the reinsurance contract are recognized separately. That is, the Group recognizes the contract premium received (or paid) less the amount of insurance as financial liabilities (or assets) rather than income (or expenses). The financial liabilities (or assets) are recognized at the fair values based on the present values of future cash flows.

u. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of each balance sheet date, taking into account the risks and uncertainty of the obligation.

v. Leases

2019

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

1) 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.

Lease payments (less any lease incentives payable) from operating leases are recognized on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and amortized on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognize 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, and 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, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 4 g. for the accounting policies for investment properties.

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.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. 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, 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.

2018

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.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease terms.

w. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurements recognized in other comprehensive income are reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension costs for an interim period are calculated on a year-to-date basis by using the actuarially determined pension cost rate as determine 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.

x. 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 per-tax income the tax rate that would be applicable to expected total annual earnings.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed income tax returns and surtax on unappropriated retained earnings since 2002 under the integrated income tax system. Such effects on current tax and deferred tax are accounted for as receivables or payables.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all temporary differences and loss carryforwards which are probably deductable.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets

The provisions for impairment of receivables, loans and investments in debt instruments are based on assumptions about probability of default and expected credit loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a significant impairment loss may arise. For details of the key assumptions and inputs used, refer to Note 38.

b. Fair value measurements and valuation processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group, in accordance with relevant regulations and judgments, determines the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group or engaged valuers determine appropriate inputs by referring to the analysis of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities/market prices or rates and specific features of derivatives, the existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 15 and 38.

c. Valuation of reserve for life insurance liability and liability adequacy test

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

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

The management examines these estimates continuously and makes adjustments when necessary, but actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 254,564	$ 234,078	$ 211,716
Cash in banks	129,440,644	108,749,193	129,637,380
Time deposits	86,330,501	49,111,685	96,894,211
Cash equivalents	17,563,000	17,237,249	28,309,057
	$ 233,588,709	$ 175,332,205	$ 255,052,364

7. RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	$ 231,256	$ 291,955	$ 373,949
Premium receivables	9,700,295	13,837,276	5,094,854
Other receivables	71,965,637	60,882,965	56,340,357
Overdue receivables	47,033	56,340	50,973
	81,944,221	75,068,536	61,860,133
Less: Loss allowance	(115,243)	(98,067)	(61,462)
	$ 81,828,978	$ 74,970,469	$ 61,798,671

The movements in the loss allowance are as follows:

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 98,067	$ 39,465
Provision for the current period	28,892	25,901
Amounts written off	(11,716)	(3,904)
Ending balance	$ 115,243	$ 61,462

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic stocks	$ 381,593,486	$ 373,957,880	$ 386,850,605
Beneficiary certificates	337,406,636	277,060,915	333,327,016
Corporate bonds	115,492	1,021,572	2,210,960
Financial debentures	17,034,414	17,079,909	15,868,166
Overseas stocks	275,490,413	290,847,269	260,045,355
Real estate investment trust	15,305,829	14,213,506	12,911,401
Overseas bonds	214,133,809	188,192,375	138,570,227
Derivative financial assets (not under hedge accounting)			
Currency swap contracts ("SWAP")	551,889	3,816,318	21,859,248
Foreign exchange forward contacts ("Forward")	792,060	1,551,231	6,929,136
Options	6,107	10,210	1,378
	$ 1,242,430,135	$ 1,167,751,185	$ 1,178,573,492
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
SWAP	$ 22,489,307	$ 22,636,490	$ 1,075,732
Forward	1,988,080	4,838,945	375,008
Interest rate swap contracts ("IRS")	19,099	23,671	53,306
Options	60,186	-	-
	$ 24,556,672	$ 27,499,106	$ 1,504,046

The Group elects to present the profit or loss of the designated financial assets in overlay approach under IFRS 4 "Insurance Contracts". Financial assets designated to apply overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Domestic stocks	$ 379,294,901	$ 371,075,775	$ 381,348,569
Beneficiary certificates	303,084,354	261,762,059	306,897,739
Financial debentures	17,034,414	17,079,909	15,868,166
Overseas stocks	273,350,371	285,553,447	259,380,312
Real estate investment trust	15,305,829	14,213,506	12,911,401
Overseas bonds	213,670,987	187,795,448	133,460,598
	$ 1,201,740,856	$ 1,137,480,144	$ 1,109,866,785

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months ended March 31, 2019 and 2018 are as follows:

	For the Three Months Ended March 31	
	2019	2018
Gains (loss) due to applying IFRS 9 to profit or loss	$ 102,404,632	$ 2,930,263
(Gains) loss if applying IAS 39 to profit or loss	(19,136,056)	(28,999,326)
Loss (gains) reclassified due to application of overlay approach	$ 83,268,576	$ (26,069,063)

Due to application of overlay approach, the amount of gain on financial assets and liabilities at FVTPL for the three months ended March 31, 2019 and 2018 had decreased from $83,834,432 thousand to $565,856 thousand and increased from $29,967,822 thousand to $56,036,885 thousand, respectively.

As of March 31, 2019, December 31, 2018 and March 31, 2018, structured notes accounted for financial instruments at FVTPL amounted to $95,769,643 thousand, $74,755,376 thousand and $30,501,247 thousand, respectively.

Refer to Note 36 for the financial assets at FVTPL that were pledged.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
Equity instrument investments at FVTOCI			
Domestic stocks	$ 24,359,250	$ 25,235,503	$ 39,095,929
Overseas stocks	10,912,426	5,025,643	11,449,209
	35,271,676	30,261,146	50,545,138
Debt instrument investments at FVTOCI			
Corporate bonds	-	-	301,535
Government bonds	66,376,659	93,149,452	113,903,384
Overseas bonds	805,912,931	800,838,518	760,075,810
Less: Litigation deposits	(4,771)	(1,720)	(89,276)
Less: Deposits to Central Bank	(1,043,392)	(2,111,016)	(2,092,566)
Less: Derivative instrument collaterals	-	(168,134)	-
	871,241,427	891,707,100	872,098,887
	$ 906,513,103	$ 921,968,246	$ 922,644,025

a. These investments in equity instruments are not held for trading, and thus were designated as financial assets at FVTOCI.

b. Dividend income recognized relating to investments in equity instruments at FVTOCI still held by the Group on the balance sheet date for the three months ended March 31, 2019 and 2018 were $0 thousand and $1,253 thousand, respectively.

c. Refer to Note 38 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

d. Refer to Note 36 for the financial assets at FVTOCI that were pledged.

10. FINANCIAL ASSETS FOR HEDGING

	March 31, 2019	December 31, 2018	March 31, 2018
IRS	$ 220,240	$ 216,611	$ 221,211
Cross currency swap contracts (“CCS”)	172,413	-	-
	$ 392,653	$ 216,611	$ 221,211

The financial assets for hedging held by the Group were not pledged.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investors	Investees	Business	Ownership Interest March 31, 2019	Ownership Interest December 31, 2018	Ownership Interest March 31, 2018
The Company	Cathay Lujiazui Life Insurance Co., Ltd. ("Cathay Lujiazui Life")	Life insurance	50.00	50.00	50.00
The Company	Cathay Life Insurance (Vietnam) Co., Ltd. ("Cathay Life (Vietnam)")	Life insurance	100.00	100.00	100.00
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	100.00
The Company	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00
The Company	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00
The Company	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00
The Company	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00
The Company	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	100.00
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00
CHL	Conning Asia Pacific Ltd.	Asset management services	82.85	82.85	73.76
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00
C&C	Octagon Credit Investors, LLC ("Octagon")	Fund management services	81.89	81.89	81.89
Octagon	Octagon Multi-Strategy Corporate Credit GP, LLC	Fund management services	100.00	100.00	100.00
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00
Octagon	Octagon Funding I, LLC	Fund management services	100.00	100.00	100.00
Octagon	Octagon Funding II, LLC	Fund management services	100.00	100.00	100.00
Octagon	Octagon Funding III, LLC	Fund management services	100.00	100.00	100.00

b. Subsidiaries excluded from the consolidated financial statements

Investors	Investees	Business	Ownership Interest March 31, 2019	Ownership Interest December 31, 2018	Ownership Interest March 31, 2018	Notes
The Company	Cathay Insurance (Bermuda) Co., Ltd.	Class 3 general business insurers and Class C long-term insurer	-	-	100.00	1)
The Company	Cathay Securities Investment Consulting Co., Ltd.	Securities investment consulting services	100.00	100.00	100.00	2)

1) The consolidated financial statements did not include Cathay Insurance (Bermuda) because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company. The subsidiary hads obtained the authorities' approval on January 29, 2018 that it was no longer a Class 3 general business insurer and Class C long-term insurer. The subsidiary was dissolved on May 8, 2018 and completed liquidation on May 21, 2018.

2) The consolidated financial statements did not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in unconsolidated subsidiaries	$ 310,104	$ 278,780	$ 400,931
Investments in associates	42,253,544	40,502,048	31,848,597
	$ 42,563,648	$ 40,780,828	$ 32,249,528

Refer to Table 1 and Table 3 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

	March 31, 2019	December 31, 2018	March 31, 2018
Cathay Insurance (Bermuda) Co., Ltd.	$ -	$ -	$ 118,050
Cathay Securities Investment Consulting Co., Ltd.	310,104	278,780	282,881
	$ 310,104	$ 278,780	$ 400,931

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2019	2018
The Group' share of:		
Net income	$ 250,177	$ 72,282
Other comprehensive income (loss)	409,426	(967,475)
Total comprehensive income (loss) for the period	$ 659,603	$ (895,193)

As the individual associates are not significant, the related financial information is disclosed aggregately. The amount of the share of profit or loss and other comprehensive income of associates were based on non-reviewed financial statements.

The investments in associates are not pledged as collateral for bank borrowings.

13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits	$ 363,537	$ 611,285	$ 318,177
Financial debentures	53,761,363	53,765,350	64,480,135
Corporate bonds	27,194,061	27,893,879	30,095,759
Government bonds	38,160,037	38,187,773	50,352,932
Overseas bonds	2,268,710,320	2,154,677,348	1,810,467,361
Asset-backed securities	1,143,282	1,143,199	1,740,353
Less: Litigation deposits	(1,345,211)	(1,345,625)	(1,346,880)
Less: Deposits to Central Bank	(7,862,943)	(7,864,253)	(6,461,933)
Less: Loss allowance (Note)	(1,885,212)	(2,320,496)	(1,710,191)
Less: Derivative instruments collateral	(7,200,064)	(6,075,419)	-
	$ 2,371,039,170	$ 2,258,673,041	$ 1,947,935,713

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of March 31, 2019, December 31, 2018 and March 31, 2018, the amounts were $1,056 thousand, $910 thousand and $0 thousand, respectively.

a. The Group disposed of bonds before maturity due to increase in credit risk, and the losses on disposal were $1,099,711 thousand and 9,446 thousand for the three-month period ended March 31, 2019 and 2018, respectively; bonds disposal before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of $1,278,567 thousand and $2,013,742 thousand, respectively; bonds disposal due to other situations such as repayments at maturities resulted in gains on disposal of $292,259 thousand and $39,288 thousand, respectively.

b. Refer to Note 38 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

c. Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.

14. OTHER FINANCIAL ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Structured time deposits	$ 2,000,000	$ 2,000,000	$ 3,500,000
Less: Loss allowance	(644)	(594)	(949)
	$ 1,999,356	$ 1,999,406	$ 3,499,051

15. INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND PREPAYMENTS FOR BUILDINGS AND LAND - INVESTMENTS

	Investment Property				
	Land	Buildings	Total	Investment Property Under Construction	Prepayments for Buildings and Land - Investments
January 1, 2018	$ 346,372,382	$ 112,803,156	$ 459,175,538	$ 3,541,501	$ 690,203
Additions	-	-	-	-	318
Construction costs of investment property under construction	-	-	-	710,324	-
Transfers from (to) investment property under construction and prepayments for buildings and land	-	18,637	18,637	(18,637)	(39)
Loss on changes in fair value of investment property	-	(18,637)	(18,637)	-	-
Exchange differences	236,707	458,066	694,773	-	-
March 31, 2018	$ 346,609,089	$ 113,261,222	$ 459,870,311	$ 4,233,188	$ 690,482
January 1, 2019	$ 346,268,022	$ 115,084,359	$ 461,352,381	$ 2,785,640	$ 722,686
Adjustment on initial application of IFRS 16	9,014,035	-	9,014,035	-	-
Additions	-	-	-	640,040	277,874
Disposals	(6,189)	-	(6,189)	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	-	4,929	4,929	(4,929)	-
Loss on changes in fair value of investment property	-	(4,929)	(4,929)	-	-
Exchange differences	402,843	775,385	1,178,228	-	-
March 31, 2019	$ 355,678,711	$ 115,859,744	$ 471,538,455	$ 3,420,751	$ 1,000,560

Certain investment properties are held to earn rental or for capital appreciation, and the other parts are held for owner-occupation. If each part of property could be sold separately, it is classified as investment property or property and equipment separately. If each part couldn’t be sold separately, it would be classified as investment properties only when owner-occupation is lower than 5% of the property.

The investment properties are held mainly for lease business. All the lease agreements of the Group’s lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.

The ownership of the Group’s investment properties are not subject to restrictions other than the restriction associated with being furnished as security for other debts; the ownership of its trust property is not subject to restrictions. Besides, the Group does not involve in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

Valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and valuation dates are December 31, 2018 and 2017. The appraisers had reviewed the original valuation reports issued on December 31, 2018 and 2017 and clarified that the valuation reports were in effect on March 31, 2019 and 2018. Refer to the following table:

	December 31	
Names of Appraisers	**2018**	**2018**
DTZ Real Estate Appraiser Firm	Chang-d, Yang; Gen-yuan, Li; Chun-chun, Hu	Chang-d, Yang; Gen-yuan, Li; Chun-chun, Hu
Savills plc Real Estate Appraiser Firm	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Zhi-hao, Wu; Fu-xue, Shi	Hong-xu, Wu; Zhi-hao, Wu; Fu-xue, Shi
V-LAND Real Estate Appraiser Firm	Xi-zhong, Wang; You-qi, Liang	Xi-zhong, Wang; Yu-zhi, Gao
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen	Yu-lin, Chen
Colliers International Real Estate Appraiser Firm	-	Xiu-Ying, Zhan

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include sales comparison approach, income approach - direct capitalization method, income approach - discounted cash flow method, cost approach and the method of land development analysis. Commercial office buildings and residences are mainly valued by sales comparison approach and income approach because of the market liquidity and comparable sales and rental cases in the neighboring areas. Hotels, department stores and marketplaces are mainly valued by income approach - direct capitalization method and income approach - discounted cash flow method because of the stable rental income in the long term. Industrial plants for lease are valued by sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by cost approach since the buildings are constructed for specific purposes because fewer similar transactions could be referred to in the market. Vacant land and buildings under construction of logistics parks located in industrial and commercial integrated district are valued by cost approach. Urban renewal land with permit of construction is valued based on the value of real estate right arises from urban renewal program. The real estate right may include but not limited to right for long-held buildings and hotels.

The main inputs used are as follows:

	December 31	
	2018	**2017**
Direct capitalization rate (net)	0.62%-4.39%	0.73%-4.39%
Discount rate	3.14%-4.23%	3.14%-4.23%

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

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

Reconciliation for fair value measurements in Level 3 movements:

	For the Three Months Ended March 31	
	2019	**2018**
Beginning balance	$ 455,726,383	$ 452,495,844
Adjustment on initial application of IFRS 16	9,014,035	-
Amount recognized in profit or loss		
Loss from investment property	(4,929)	(18,637)
Amount recognized in other comprehensive income		
Exchange differences resulting from translating the financial statements of foreign operations	1,178,228	694,773
Disposals	(6,189)	-
Transfers from investment property under construction	4,929	18,637
Ending balance	$ 465,912,457	$ 453,190,617

The amount above does not include those measured at cost.

16. LOANS

	March 31, 2019	December 31, 2018	March 31, 2018
Life insurance policy loans	$ 157,198,208	$ 159,046,285	$ 154,982,861
Premium loans	11,709,873	11,491,146	10,933,762
Secured loans	397,184,629	415,518,261	441,813,764
Non-accrual receivables	617,050	968,753	416,038
	566,709,760	587,024,445	608,146,425
Less: Loss allowance	(5,547,748)	(5,808,606)	(6,148,506)
	$ 561,162,012	$ 581,215,839	$ 601,997,919

a. Life insurance policy loans were secured by policies issued by the Group.

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

c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with Regulations for Handling Assessment of Assets, Non-performing Loans, Non-accrual Receivable and Bad Debts by Insurance Enterprises. Refer to Note 38 for related information of loss allowance for the three-month period ended March 31, 2019 and 2018.

17. REINSURANCE ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Claims and payments recoverable from reinsurers	$ 675	$ 803	$ 8,984
Due from reinsurers and ceding companies	421,170	505,852	88,901
Reinsurance reserve assets			
Ceded unearned premium reserve	729,395	624,337	321,192
Ceded loss reserve	16,353	22,509	7,016
Ceded policy reserve	375,147	365,409	307,202
	$ 1,542,740	$ 1,518,910	$ 733,295

a. CNY co-reinsurance business

Authorized by the FSC under Order No. Financial-Supervisory-Insurance-Corporate-10302112370, the Company signed a CNY co-reinsurance contract with Central Reinsurance Corporation in 2014. The Company discloses the succeeding information following the guideline for recognizing the insurance of ceded policy reserve by life insurance enterprises:

1) Purpose, rationalization and expected benefit

In consideration of the limitation on CNY investment, the Company cedes partial of its CNY insurances through co-reinsurance to increase the Company’s liquidity, enhance the capability to insure and transfer relevant risks. Under the reinsurance arrangement, the Company transfers 50% of its insurance risks to Central Reinsurance Corporation.

2) Reinsurance expense, claims recovered from reinsures and commission

	For the Three Months Ended March 31	
	2019	2018
Reinsurance expense	$ 464	$ 398
Claims recovered from reinsurers	1,263	821
Reinsurance commission	1,876	2,104

3) Net income or loss from CNY co-reinsurance business

Net income from reinsurance of $12,412 thousand had occurred in the three-month period ended March 31, 2019 from CNY co-reinsurance business. The amount is calculated as follows:

Reinsurance commission $1,876 thousand + Claims recovered from reinsurers $1,263 thousand + Net changes in reinsurance reserve assets $1,021 thousand + Foreign exchange gains $8,716 thousand - reinsurance expense $464 thousand.

4) Reason and effect to income or loss from change of co-reinsurance business or contract:

None.

5) Accounting treatment for ceded CNY co-reinsurance business

On the balance sheet, the Company recognizes reinsurance reserve assets ceded including policy reserve and ceded premium deficiency reserve and provides insurance liabilities as direct business. All ceded reinsurance reserve assets should be removed at the time the co-reinsurance contract ceased.

6) Other notes designated by authorities: None.

18. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leased Assets	Leasehold improvement	Communication and Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost									
Balance at January 1, 2018	$ 19,940,687	$ 21,587,872	$ 2,612,817	$ 276,132	$ 359,487	$ 11,751	$ 3,792,098	$ 154,477	$ 48,735,321
Additions	84	-	25,047	-	14,834	3	20,643	106,028	166,639
Disposals	(84)	-	(39,371)	-	-	-	(4,295)	-	(43,750)
Reclassification	39	31,783	-	-	-	-	-	(31,783)	39
Exchange differences	-	16,970	(2,132)	(13)	4,870	50	31	-	19,776
Balance at March 31, 2018	19,940,726	21,636,625	2,596,361	276,119	379,191	11,804	3,808,477	228,722	48,878,025
Depreciation and impairment									
Balance at January 1, 2018	103,134	11,633,988	2,110,426	275,876	224,457	7,768	3,302,361	-	17,658,010
Depreciation expenses	-	100,842	44,989	22	9,038	222	27,737	-	182,850
Disposals	-	-	(38,264)	-	-	-	(3,625)	-	(41,889)
Exchange differences	-	1,993	(45)	(6)	920	13	144	-	3,019
Balance at March 31, 2018	103,134	11,736,823	2,117,106	275,892	234,415	8,003	3,326,617	-	17,801,990
Carrying amounts at March 31, 2018	$ 19,837,592	$ 9,899,802	$ 479,255	$ 227	$ 144,776	$ 3,801	$ 481,860	$ 228,722	$ 31,076,035
Cost									
Balance at January 1, 2019	$ 20,367,187	$ 22,364,679	$ 2,853,292	$ 276,136	$ 500,722	$ 11,656	$ 3,901,810	$ 396,036	$ 50,671,518
Additions	-	-	51,305	-	11,028	-	27,170	31,901	121,404
Disposals	-	-	(3,183)	-	-	(340)	(31,251)	-	(34,774)
Reclassification	-	765	(2)	(276,136)	-	-	2	(765)	(276,136)
Exchange differences	-	49,966	7,278	-	7,680	94	695	-	65,713
Balance at March 31, 2019	20,367,187	22,415,410	2,908,690	-	519,430	11,410	3,898,426	427,172	50,547,725
Depreciation and impairment									
Balance at January 1, 2019	103,134	12,036,001	2,214,752	275,959	256,141	9,549	3,394,360	-	18,289,896
Depreciation expenses	-	103,170	41,826	-	12,615	220	28,765	-	186,596
Disposals	-	-	(3,106)	-	-	(340)	(31,081)	-	(34,527)
Reclassification	-	-	-	(275,959)	-	-	-	-	(275,959)
Exchange differences	-	4,930	4,762	-	4,988	43	396	-	15,119
Balance at March 31, 2019	103,134	12,144,101	2,258,234	-	273,744	9,472	3,392,440	-	18,181,125
Carrying amounts at December 31, 2018 and January 1, 2019	$ 20,264,053	$ 10,328,678	$ 638,540	$ 177	$ 244,581	$ 2,107	$ 507,450	$ 396,036	$ 32,381,622
Carrying amounts at March 31, 2019	$ 20,264,053	$ 10,271,309	$ 650,456	$ -	$ 245,686	$ 1,938	$ 505,986	$ 427,172	$ 32,366,600

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

Buildings and construction	5-70 years
Computer equipment	3-5 years
Leased assets	3-5 years
Leasehold improvements	5 years or lease term
Communication and transportation equipment	3-5 years
Other equipment	2-15 years

19. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
Carrying amounts	
Buildings	$ 1,838,631
Office equipment	17,260
Transportation equipment	25,141
	$ 1,881,032
The right-of-use assets presented as investment properties	$ 9,014,035

	For the Three Months Ended March 31, 2019
Additions to right-of-use assets	$ 60,078
Depreciation charge for right-of-use assets	
Buildings	$ 142,042
Office equipment	1,185
Transportation equipment	4,635
	$ 147,862

b. Lease liabilities - 2019

	March 31, 2019
Carrying amounts	
Non-current	$ 10,646,116

Range of discount rates for lease liabilities was as follows:

	March 31, 2019
Buildings	2.06%-8.57%
Office equipment	4.67%-4.76%
Transportation equipment	3.59%
Investment property - right of superficies	2.82%-3.71%

20. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2018	$ 2,055,594	$ 37,659,600	$ 391,576	$ 3,518,004	$ 10,279,814	$ 208,190	$ 54,112,778
Additions - acquired separately	22,020	-	-	-	-	-	22,020
Exchange differences	955	-	(9,551)	(85,804)	(179,547)	(5,078)	(279,025)
Balance at March 31, 2018	$ 2,078,569	$ 37,659,600	$ 382,025	$ 3,432,200	$ 10,100,267	$ 203,112	$ 53,855,773
Amortization and impairment							
Balance at January 1, 2018	$ 1,730,537	$ 5,198,458	$ -	$ 795,546	$ -	$ 115,292	$ 7,839,833
Amortizations	30,752	519,846	-	95,156	-	12,407	658,161
Exchange differences	1,035	-	-	(20,107)	-	(2,904)	(21,976)
Balance at March 31, 2018	$ 1,762,324	$ 5,718,304	$ -	$ 870,595	$ -	$ 124,795	$ 8,476,018
Carrying amounts at March 31, 2018	$ 316,245	$ 31,941,296	$ 382,025	$ 2,561,605	$ 10,100,267	$ 78,317	$ 45,379,755
Cost							
Balance at January 1, 2019	$ 2,154,016	$ 37,659,600	$ 403,186	$ 3,622,314	$ 10,498,082	$ 214,363	$ 54,551,561
Additions - acquired separately	28,256	-	-	-	-	-	28,256
Exchange differences	5,642	-	1,207	10,843	22,690	641	41,023
Balance at March 31, 2019	$ 2,187,914	$ 37,659,600	$ 404,393	$ 3,633,157	$ 10,520,772	$ 215,004	$ 54,620,840
Amortization and impairment							
Balance at January 1, 2019	$ 1,849,404	$ 7,277,841	$ -	$ 1,217,871	$ -	$ 161,485	$ 10,506,601
Amortizations	26,554	519,846	-	99,798	-	4,872	651,070
Exchange differences	4,639	-	-	3,829	-	492	8,960
Balance at March 31, 2019	$ 1,880,597	$ 7,797,687	$ -	$ 1,321,498	$ -	$ 166,849	$ 11,166,631
Carrying amounts at December 31, 2018 and January 1, 2019	$ 304,612	$ 30,381,759	$ 403,186	$ 2,404,443	$ 10,498,082	$ 52,878	$ 44,044,960
Carrying amounts at March 31, 2019	$ 307,317	$ 29,861,913	$ 404,393	$ 2,311,659	$ 10,520,772	$ 48,155	$ 43,454,209

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3-10 years
Franchises	6.5 or 20 years
Customer relationships	5-15 years
Other	3-6 years

As of March 31, 2019, December 31, 2018 and March 31, 2018, the book values of goodwill were $10,520,772 thousand, $10,498,082 thousand and $10,100,267 thousand, respectively. The goodwill arose from the acquisition of which the Company assumed all assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. except for their reserved assets and liabilities on July 1, 2015, the acquisition of 100% of Conning Holdings Limited on September 18, 2015 and 81.89% of Octagon Credit Investors, LLC through Conning & Company, a 100% subsidiary of the Company on February 1, 2016.

An annual impairment test for goodwill is performed regularly. The Group estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

21. OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Insurance Industry Stability Fund	$ 10,228,268	$ 10,000,070	$ 9,309,962
Less: Reserve for Insurance Industry Stability Fund	(10,228,268)	(10,000,070)	(9,309,962)
Guarantee deposits paid	33,055,264	32,195,253	21,852,298
Deferred acquisition costs	8,230	10,401	14,546
Prepayments	340,118	589,888	575,789
Net defined benefit assets	5,781,679	5,685,091	4,746,016
Others	1,300,726	1,977,012	1,496,177
	$ 40,486,017	$ 40,457,645	$ 28,684,826

a. Under Tai-Tsai-Bao No. 811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stability Fund starting from January 1, 1993. According to the standard of Life and Property Insurance Stabilization Fund, starting from July 1, 2014, the contribution to the Insurance Industry Stability Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stability Fund, is a contra account of the Insurance Industry Stability Fund.

b. Guarantee deposits paid are comprised of:

	March 31, 2019	December 31, 2018	March 31, 2018
Insurance operation guarantee deposit	$ 12,132,357	$ 13,123,842	$ 11,494,232
Deposit for futures and options trading	7,017,340	5,262,750	6,918,180
Deposit for derivatives trading	11,694,861	11,594,697	1,228,597
Other guarantee deposits	2,210,706	2,213,964	2,211,289
	$ 33,055,264	$ 32,195,253	$ 21,852,298

The Group provided cash, time deposits and bonds as guarantees. Refer to Note 36 for related information.

c. Deferred acquisition costs

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

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 10,401	$ 16,659
Amortization	(2,171)	(2,113)
Ending balance	$ 8,230	$ 14,546

22. PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Notes payable	$ 1,432,626	$ 1,426,716	$ 7,603,880
Claims payable	859,833	814,795	765,919
Reinsurance indemnity payable	-	-	1,244
Commissions payable	3,158,274	2,405,476	2,742,044
Due to reinsurers and ceding companies	502,404	440,818	453,550
Other payables	19,387,776	27,734,463	33,837,320
	$ 25,340,913	$ 32,822,268	$ 45,403,957

23. BONDS PAYABLE

	March 31, 2019	December 31, 2018	March 31, 2018
First perpetual non-cumulative subordinated financial debentures of 2016	$ 35,000,000	$ 35,000,000	$ 35,000,000
First perpetual non-cumulative subordinated financial debentures of 2017	35,000,000	35,000,000	35,000,000
	$ 70,000,000	$ 70,000,000	$ 70,000,000

a. Pursuant to Order No. Financial-Supervisory-Insurance-Corporate-10502133020 by the FSC, the Company issued first perpetual non-cumulative subordinated financial debentures on December 13, 2016 through private placement. Key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: From the issue date to the tenth year, the coupon rate is 3.6%; from the day following the tenth year maturity and on every tenth year maturity from then on, if the bonds are not redeemed, the coupon rate will be adjusted to a fixed annual rate of Taiwan 10-y government bond plus the issue spread.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date. The Company may stop making interest payments and such interest payments will not be cumulated or deferred under the following circumstances: The Company has no earnings or the earnings are insufficient to make interest payments; the Company would fail to meet the required risk-based capital ratio or other minimum requirements from the authorities if making those interest payments; the Company has other essential considerations.

6) Right of early redemption: The Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest. The Company may redeem the bond once a year.

7) Forms of bonds: Physical certificate.

8) Interest expense: Interest expense amounting to $310,685 thousand and $310,685 thousand for the three months ended March 31, 2019 and 2018, respectively. The expense was recorded as finance costs.

b. Pursuant to Order No. Securities-TPEx-Bond-10600099421 of the Taipei Exchange, the Company issued first perpetual cumulative subordinated financial debentures on May 12, 2017 through public offering. Key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year maturity.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense amounting to $284,795 thousand and $284,795 thousand for the three months ended March 31, 2019 and 2018, respectively. The expense was recorded as finance costs.

24. PREFERENCE SHARES LIABILITY

In accordance with the resolution made at the board of directors' meeting held on October 7, 2011, acting on behalf of the shareholders, the Company issued 125,000 thousand shares of Class C preferred shares at par value of $10 per share through private placement. The placement was approved by Insurance Bureau on October 26, 2011. Key terms and conditions of the privately offered Class C preferred shares are listed as follows:

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

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

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

d. The preference shares are not entitled to be sold back. Five years after issuance, the Company may redeem the shares with the approval from the authorities.

According to IAS 32 “Financial Instruments: Presentation”, the abovementioned preference shares issued shall be reported as preference shares liability.

The Company’s preferred share liability decreased $5,000,000 thousand in 2018 due to early redemption.

25. INSURANCE LIABILITIES

a. Insurance liabilities for insurance contracts and financial instruments with discretionary participation feature

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

1) The Company

a) Unearned premium reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 61,728	$ -	$ 61,728	$ 73,117	$ -	$ 73,117	$ 129,483	$ -	$ 129,483
Individual injury insurance	6,300,438	-	6,300,438	6,484,348	-	6,484,348	5,984,457	-	5,984,457
Individual health insurance	8,354,088	-	8,354,088	8,797,520	-	8,797,520	7,861,724	-	7,861,724
Group insurance	1,481,438	-	1,481,438	991,397	-	991,397	1,309,325	-	1,309,325
Investment-linked insurance	113,377	-	113,377	112,153	-	112,153	107,493	-	107,493
	16,311,069	-	16,311,069	16,458,535	-	16,458,535	15,392,482	-	15,392,482
Less ceded unearned premium reserve:									
Individual life insurance	512,359	-	512,359	509,092	-	509,092	264,454	-	264,454
Individual injury insurance	13,621	-	13,621	9,703	-	9,703	8,478	-	8,478
Individual health insurance	200,027	-	200,027	105,542	-	105,542	47,961	-	47,961
Group insurance	3,388	-	3,388	-	-	-	299	-	299
	729,395	-	729,395	624,337	-	624,337	321,192	-	321,192
	$ 15,581,674	$ -	$ 15,581,674	$ 15,834,198	$ -	$ 15,834,198	$ 15,071,290	$ -	$ 15,071,290

The changes in unearned premium reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 16,458,535	$ -	$ 16,458,535	$ 15,653,614	$ -	$ 15,653,614
Provision	16,311,067	-	16,311,067	15,392,488	-	15,392,488
Recovery	(16,458,535)	-	(16,458,535)	(15,653,614)	-	(15,653,614)
Foreign exchange	2	-	2	(6)	-	(6)
Ending balance	16,311,069	-	16,311,069	15,392,482	-	15,392,482
Less ceded unearned premium reserve:						
Beginning balance	624,337	-	624,337	300,568	-	300,568
Increase	105,058	-	105,058	20,624	-	20,624
Ending balance	729,395	-	729,395	321,192	-	321,192
Net ending balance	$ 15,581,674	$ -	$ 15,581,674	$ 15,071,290	$ -	$ 15,071,290

b) Loss reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance									
Filed but not paid	$ 1,935,034	$ 4,322	$ 1,939,356	$ 1,479,672	$ 9,145	$ 1,488,817	$ 853,279	$ 5,068	$ 858,347
Not yet filed	65,160	-	65,160	72,309	-	72,309	70,443	-	70,443
Individual injury insurance									
Filed but not paid	38,184	-	38,184	27,337	-	27,337	79,223	-	79,223
Not yet filed	1,800,425	-	1,800,425	1,780,799	-	1,780,799	1,707,446	-	1,707,446
Individual health insurance									
Filed but not paid	926,102	-	926,102	851,238	-	851,238	762,207	-	762,207
Not yet filed	2,892,926	-	2,892,926	2,777,967	-	2,777,967	2,654,942	-	2,654,942
Group insurance									
Filed but not paid	42,742	-	42,742	38,689	-	38,689	35,039	-	35,039
Not yet filed	1,319,860	-	1,319,860	1,275,114	-	1,275,114	1,068,201	-	1,068,201
Investment-linked insurance									
Filed but not paid	150,023	-	150,023	218,680	-	218,680	125,976	-	125,976
Not yet filed	719	-	719	620	-	620	2,984	-	2,984
	9,171,175	4,322	9,175,497	8,522,425	9,145	8,531,570	7,359,740	5,068	7,364,808
Less ceded loss reserve									
Individual life insurance	1,142	-	1,142	8,479	-	8,479	21	-	21
Individual health insurance	657	-	657	314	-	314	930	-	930
Group insurance	-	-	-	-	-	-	936	-	936
	1,799	-	1,799	8,793	-	8,793	1,887	-	1,887
	$ 9,169,376	$ 4,322	$ 9,173,698	$ 8,513,632	$ 9,145	$ 8,522,777	$ 7,357,853	$ 5,068	$ 7,362,921

The changes of loss reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 8,522,425	$ 9,145	$ 8,531,570	$ 7,238,115	$ 2,678	$ 7,240,793
Provision	9,170,691	4,322	9,175,013	7,361,071	5,068	7,366,139
Recovery	(8,522,426)	(9,145)	(8,531,571)	(7,238,115)	(2,678)	(7,240,793)
Foreign exchange	485	-	485	(1,331)	-	(1,331)
Ending balance	9,171,175	4,322	9,175,497	7,359,740	5,068	7,364,808
Less ceded loss reserve						
Beginning balance	8,793	-	8,793	1,955	-	1,955
Decrease	(6,994)	-	(6,994)	(68)	-	(68)
Ending balance	1,799	-	1,799	1,887	-	1,887
Net ending balance	$ 9,169,376	$ 4,322	$ 9,173,698	$ 7,357,853	$ 5,068	$ 7,362,921

c) Policy reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	$ 4,589,539,710	$ 6,110	$ 4,589,545,820	$ 4,519,398,687	$ 8,236	$ 4,519,406,923	$ 4,260,615,560	$ 734,370	$ 4,261,349,930
Injury insurance	7,386,877	-	7,386,877	7,446,584	-	7,446,584	7,492,666	-	7,492,666
Health insurance	670,918,677	-	670,918,677	652,473,787	-	652,473,787	601,948,161	-	601,948,161
Annuity insurance	1,396,177	25,424,723	26,820,900	1,395,567	25,839,454	27,235,021	1,387,509	30,237,232	31,624,741
Investment-linked insurance	438,534	-	438,534	438,045	-	438,045	487,525	-	487,525
Total (Note 2)	5,269,679,975	25,430,833	5,295,110,808	5,181,152,670	25,847,690	5,207,000,360	4,871,931,421	30,971,602	4,902,903,023
Less ceded policy reserve									
Life insurance	375,147	-	375,147	365,409	-	365,409	307,202	-	307,202
	$ 5,269,304,828	$ 25,430,833	$ 5,294,735,661	$ 5,180,787,261	$ 25,847,690	$ 5,206,634,951	$ 4,871,624,219	$ 30,971,602	$ 4,902,595,821

Note 1: Allowance for doubtful account pertinent to 3% of business tax cut and recovery from major incident reserve are included.

Note 2: Total policy reserve after including policy reserve- payables for the insured amounted to $5,295,546,010 thousand, $5,207,460,951 thousand and $4,903,198,280 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

The changes of policy reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 5,181,152,670	$ 25,847,690	$ 5,207,000,360	$ 4,816,868,641	$ 32,918,998	$ 4,849,787,639
Provision	168,856,161	719,941	169,576,102	150,967,883	32,243	151,000,126
Recovery	(84,063,584)	(1,136,850)	(85,200,434)	(70,478,322)	(1,950,124)	(72,428,446)
Losses (gains) on foreign exchange	3,734,728	52	3,734,780	(25,426,781)	(29,515)	(25,456,296)
Ending balance	5,269,679,975	25,430,833	5,295,110,808	4,871,931,421	30,971,602	4,902,903,023
Less ceded policy reserve						
Beginning balance	365,409	-	365,409	301,806	-	301,806
Increase	1,021	-	1,021	909	-	909
Foreign exchange	8,717	-	8,717	4,487	-	4,487
Ending balance	375,147	-	375,147	307,202	-	307,202
Net ending balance	$ 5,269,304,828	$ 25,430,833	$ 5,294,735,661	$ 4,871,624,219	$ 30,971,602	$ 4,902,595,821

d) Special reserve

	March 31, 2019				December 31, 2018				March 31, 2018			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	$ (58,786)	$ -	$ -	$ (58,786)	$ (62,254)	$ -	$ -	$ (62,254)	$ (58,246)	$ -	$ -	$ (58,246)
Reserve for risk of bonus	59,879	-	-	59,879	63,184	-	-	63,184	59,306	-	-	59,306
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	$ 1,093	$ -	$ 11,083,324	$ 11,084,417	$ 930	$ -	$ 11,083,324	$ 11,084,254	$ 1,060	$ -	$ 11,083,324	$ 11,084,384

The changes of special reserve are summarized below:

	For the Three Months Ended March 31							
	2019				2018			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	$ 930	$ -	$ 11,083,324	$ 11,084,254	$ 889	$ -	$ 11,083,324	$ 11,084,213
Effects on retrospective and restatement on IFRS 9	-	-	-	-	(395)	-	-	(395)
Beginning balance, as adjusted	930	-	11,083,324	11,084,254	494	-	11,083,324	11,083,818
Provision for participating policies dividends reserve	3,468	-	-	3,468	1,507	-	-	1,507
Provision for reserve for risk of bonus	(3,305)	-	-	(3,305)	(941)	-	-	(941)
Ending balance	$ 1,093	$ -	$ 11,083,324	$ 11,084,417	$ 1,060	$ -	$ 11,083,324	$ 11,084,384

e) Premium deficiency reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 20,374,778	$ -	$ 20,374,778	$ 20,966,673	$ -	$ 20,966,673	$ 23,965,961	$ -	$ 23,965,961
Individual injury insurance	1,172	-	1,172	1,229	-	1,229	-	-	-
Individual health insurance	1,477,978	-	1,477,978	1,508,079	-	1,508,079	1,610,133	-	1,610,133
Group insurance	86,736	-	86,736	72,323	-	72,323	54,540	-	54,540
	$ 21,940,664	$ -	$ 21,940,664	$ 22,548,304	$ -	$ 22,548,304	$ 25,630,634	$ -	$ 25,630,634

The changes of premium deficiency reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 22,548,304	$ -	$ 22,548,304	$ 26,232,317	$ -	$ 26,232,317
Provision	196,784	-	196,784	376,779	-	376,779
Recovery	(830,637)	-	(830,637)	(776,242)	-	(776,242)
Foreign exchange	26,213	-	26,213	(202,220)	-	(202,220)
Ending balance	$ 21,940,664	$ -	$ 21,940,664	$ 25,630,634	$ -	$ 25,630,634

f) Other reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	$ 1,889,542	$ -	$ 1,889,542	$ 1,894,570	$ -	$ 1,894,570	$ 1,910,570	$ -	$ 1,910,570

The changes of other reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,894,570	$ -	$ 1,894,570	$ 1,916,570	$ -	$ 1,916,570
Recovery	(5,028)	-	(5,028)	(6,000)	-	(6,000)
Ending balance	$ 1,889,542	$ -	$ 1,889,542	$ 1,910,570	$ -	$ 1,910,570

g) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	March 31, 2019	December 31, 2018	March 31, 2018
Unearned premium reserve	$ 16,311,069	$ 16,458,535	$ 15,392,482
Policy reserve	5,295,546,010	5,207,000,360	4,902,903,023
Premium deficiency reserve	21,940,664	22,548,304	25,630,634
Other reserve	1,889,542	1,894,570	1,910,570
Book value of insurance liabilities	$ 5,335,687,285	$ 5,247,901,769	$ 4,945,836,709
Estimated present value of cash flows	$ 4,252,573,096	$ 4,230,271,471	$ 4,028,733,324
Balance of liability adequacy reserve	$ -	$ -	$ -

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

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

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

Liability adequacy testing methodology is listed as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
i. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	` Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
ii. Discount rate	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on September 30, 2018, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2017, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2017, with neutral assumption for discount rates after 30 years.

(Concluded)

2) Cathay Lujiazui Life

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

a) Unearned premium reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 5,716	$ -	$ 5,716	$ 5,911	$ -	$ 5,911	$ 7,151	$ -	$ 7,151
Individual health insurance	45,802	-	45,802	38,600	-	38,600	31,554	-	31,554
Group insurance	254,635	-	254,635	234,496	-	234,496	280,517	-	280,517
	$ 306,153	$ -	$ 306,153	$ 279,007	$ -	$ 279,007	$ 319,222	$ -	$ 319,222

The changes of unearned premium reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 279,007	$ -	$ 279,007	$ 315,955	$ -	$ 315,955
Provision	96,694	-	96,694	319,077	-	319,077
Recovery	(76,517)	-	(76,517)	(316,436)	-	(316,436)
Foreign exchange	6,969	-	6,969	626	-	626
Ending balance	$ 306,153	$ -	$ 306,153	$ 319,222	$ -	$ 319,222

b) Loss reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance									
Filed but not paid	$ 2,659	$ -	$ 2,659	$ 1,323	$ -	$ 1,323	$ -	$ -	$ -
Not yet filed	7,389	-	7,389	5,984	-	5,984	862	-	862
Individual injury insurance									
Filed but not paid	-	-	-	25	-	25	2	-	2
Not yet filed	454	-	454	229	-	229	549	-	549
Individual health insurance									
Filed but not paid	14,065	-	14,065	15,129	-	15,129	3,367	-	3,367
Not yet filed	39,787	-	39,787	35,035	-	35,035	15,427	-	15,427
Group insurance									
Filed but not paid	10,031	-	10,031	12,774	-	12,774	9,893	-	9,893
Not yet filed	308,808	-	308,808	297,007	-	297,007	282,169	-	282,169
	383,193	-	383,193	367,506	-	367,506	312,269	-	312,269
Less ceded loss reserve									
Individual life insurance	145	-	145	-	-	-	10	-	10
Individual injury insurance	14,333	-	14,333	-	-	-	-	-	-
Individual health insurance	69	-	69	13,716	-	13,716	5,115	-	5,115
Group insurance	7	-	7	-	-	-	4	-	4
	14,554	-	14,554	13,716	-	13,716	5,129	-	5,129
	$ 368,639	$ -	$ 368,639	$ 353,790	$ -	$ 353,790	$ 307,140	$ -	$ 307,140

The changes of loss reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 367,506	$ -	$ 367,506	$ 332,627	$ -	$ 332,627
Provision	107,047	-	107,047	139,461	-	139,461
Recovery	(100,470)	-	(100,470)	(163,915)	-	(163,915)
Foreign exchange	9,110	-	9,110	4,096	-	4,096
Ending balance	383,193	-	383,193	312,269	-	312,269
Less ceded loss reserve						
Beginning balance	13,716	-	13,716	7,729	-	7,729
Increase	14,505	-	14,505	-	-	-
Decrease	(14,007)	-	(14,007)	(2,683)	-	(2,683)
Gains (losses) on foreign exchange	340	-	340	83	-	83
Ending balance	14,554	-	14,554	5,129	-	5,129
Net ending balance	$ 368,639	$ -	$ 368,639	$ 307,140	$ -	$ 307,140

c) Policy reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 16,243,027	$ -	$ 16,243,027	$ 13,750,483	$ -	$ 13,750,483	$ 10,483,269	$ -	$ 10,483,269
Health insurance	1,369,345	-	1,369,345	1,156,197	-	1,156,197	880,215	-	880,215
Investment-linked insurance	2,725	-	2,725	2,496	-	2,496	3,287	-	3,287
	$ 17,615,097	$ -	$ 17,615,097	$ 14,909,176	$ -	$ 14,909,176	$ 11,366,771	$ -	$ 11,366,771

The changes of policy reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 14,909,176	$ -	$ 14,909,176	$ 9,387,494	$ -	$ 9,387,494
Provision	2,529,988	-	2,529,988	1,981,460	-	1,981,460
Recovery	(200,680)	-	(200,680)	(135,924)	-	(135,924)
Foreign exchange	376,613	-	376,613	133,741	-	133,741
Ending balance	$ 17,615,097	$ -	$ 17,615,097	$ 11,366,771	$ -	$ 11,366,771

d) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Unearned premium reserve	$ 306,153	$ 279,007	$ 319,222
Policy reserve	17,615,097	14,909,176	11,366,771
Book value of insurance liabilities	$ 17,921,250	$ 15,188,183	$ 11,685,993
Estimated present value of cash flows	$ 14,337,000	$ 12,150,546	$ 9,348,794
Balance of liability adequacy reserve	$ -	$ -	$ -

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

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

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

Liability adequacy testing methodology is listed as follows:

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
i. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	` Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
ii. Discount rate	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2017, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2017, with neutral assumption for discount rates after 30 years.

3) Cathay Life (Vietnam)

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

a) Unearned premium reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 8,282	$ -	$ 8,282	$ 7,312	$ -	$ 7,312	$ 4,506	$ -	$ 4,506
Individual health insurance	8,455	-	8,455	7,463	-	7,463	4,382	-	4,382
	$ 16,737	$ -	$ 16,737	$ 14,775	$ -	$ 14,775	$ 8,888	$ -	$ 8,888

The changes of unearned premium reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 14,775	$ -	$ 14,775	$ 8,630	$ -	$ 8,630
Provision	1,916	-	1,916	499	-	499
Recovery	-	-	-	-	-	-
Foreign exchange	46	-	46	(241)	-	(241)
Ending balance	$ 16,737	$ -	$ 16,737	$ 8,888	$ -	$ 8,888

b) Loss reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance									
Filed but not paid	$ 1,503	$ -	$ 1,503	$ 1,417	$ -	$ 1,417	$ 751	$ -	$ 751
Not yet filed	-	-	-	-	-	-	-	-	-
Individual injury insurance									
Filed but not paid	37	-	37	483	-	483	9	-	9
Not yet filed	932	-	932	826	-	826	558	-	558
Individual health insurance									
Filed but not paid	1,082	-	1,082	665	-	665	174	-	174
Not yet filed	990	-	990	864	-	864	580	-	580
	$ 4,544	$ -	$ 4,544	$ 4,255	$ -	$ 4,255	$ 2,072	$ -	$ 2,072

The changes of loss reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 4,255	$ -	$ 4,255	$ 2,477	$ -	$ 2,477
Provision	275	-	275	-	-	-
Recovery	-	-	-	(341)	-	(341)
Losses (gains) on foreign exchange	14	-	14	(64)	-	(64)
Ending balance	$ 4,544	$ -	$ 4,544	$ 2,072	$ -	$ 2,072

c) Policy reserve

	March 31, 2019			December 31, 2018			March 31, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 3,392,788	$ -	$ 3,392,788	$ 3,219,759	$ -	$ 3,219,759	$ 2,298,827	$ -	$ 2,298,827
Investment - linked insurance	65,644	-	65,644	-	-	-	-	-	-
	$ 3,458,432	$ -	$ 3,458,432	$ 3,219,759	$ -	$ 3,219,759	$ 2,298,827	$ -	$ 2,298,827

The changes of policy reserve are summarized below:

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 3,219,759	$ -	$ 3,219,759	$ 1,978,535	$ -	$ 1,978,535
Provision	228,952	-	228,952	378,015	-	378,015
Recovery	-	-	-	-	-	-
Foreign exchange	9,721	-	9,721	(57,723)	-	(57,723)
Ending balance	$ 3,458,432	$ -	$ 3,458,432	$ 2,298,827	$ -	$ 2,298,827

d) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	March 31, 2019	December 31, 2018	March 31, 2018
Unearned premium reserve	$ 16,737	$ 14,775	$ 8,888
Policy reserve	3,458,432	3,219,759	2,298,827
Book value of insurance liabilities	$ 3,475,169	$ 3,234,534	$ 2,307,715
Estimated present value of cash flows	$ 1,752,847	$ 1,885,077	$ 1,592,440
Balance of liability adequacy reserve	$ -	$ -	$ -

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

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

Note 3: There are merger or transfer of insurance contract for Cathay Life (Vietnam). As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

26. RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of March 31, 2019, December 31, 2018 and March 31, 2018, reserve for insurance contracts with the nature of financial products is summarized below:

a. The Company

	March 31, 2019	December 31, 2018	March 31, 2018
Life insurance	$ 85,754	$ 87,604	$ 129,281
Investment-linked insurance	908,379	843,050	504,672
	$ 994,133	$ 930,654	$ 633,953

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 930,654	$ 472,573
Claims and payments	(19,316)	(25,909)
Net provision of statutory reserve	82,165	188,919
Foreign exchange	630	(1,630)
Ending balance	$ 994,133	$ 633,953

b. Cathay Lujiazui Life

	March 31, 2019	December 31, 2018	March 31, 2018
Life insurance	$ 9,192,662	$ 8,388,059	$ 8,276,653

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 8,388,059	$ 8,289,036
Premiums received	1,157,670	583,113
Claims and payments	(655,382)	(53,337)
Net reserve (recovery) of statutory reserve	92,854	(647,091)
Foreign exchange	209,461	104,932
Ending balance	$ 9,192,662	$ 8,276,653

27. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedge strategy and risk exposure

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

b. Reconciliation for reserve for foreign exchange valuation

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 17,075,289	$ 11,589,138
Provision		
Compulsory reserve	2,064,978	1,505,934
Additional reserve	2,483,198	472,585
	4,548,176	1,978,519
Reversal	(1,675,800)	(2,350,465)
Ending balance	$ 19,947,665	$ 11,217,192

c. Effects due to reserve for foreign exchange valuation

	For the Three Months Ended March 31, 2019		
Items	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	$ 8,628,268	$ 6,330,368	$ (2,297,900)
Earnings per share	1.51	1.11	(0.40)
Reserve for foreign exchange valuation	-	19,947,665	19,947,665
Equity attributable to owners of the Company	488,453,645	476,098,410	(12,355,235)

Items	For the Three Months Ended March 31, 2018 Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	$ 16,382,403	$ 16,679,960	$ 297,557
Earnings per share	3.08	3.14	0.06
Reserve for foreign exchange valuation	-	11,217,192	11,217,192
Equity attributable to owners of the Company	432,645,043	427,274,186	(5,370,857)

28. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 151,180,309	$ 757,832	$ 151,938,141	$ 129,068,587	$ 42,266	$ 129,110,853
Reinsurance premium	34,328	-	34,328	56,699	-	56,699
Premium income	151,214,637	757,832	151,972,469	129,125,286	42,266	129,167,552
Less: Reinsurance expenses	(447,620)	-	(447,620)	(339,356)	-	(339,356)
Net changes in unearned premium reserve	252,526	-	252,526	281,750	-	281,750
Retained earned premium	$ 151,019,543	$ 757,832	$ 151,777,375	$ 129,067,680	$ 42,266	$ 129,109,946

2) Cathay Lujiazui Life

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 3,757,838	$ -	$ 3,757,838	$ 3,273,505	$ -	$ 3,273,505
Reinsurance premium	-	-	-	-	-	-
Premium income	3,757,838	-	3,757,838	3,273,505	-	3,273,505
Less: Reinsurance expenses	(34,598)	-	(34,598)	(22,554)	-	(22,554)
Net changes in unearned premium reserve	(20,176)	-	(20,176)	(2,641)	-	(2,641)
Retained earned premium	$ 3,703,064	$ -	$ 3,703,064	$ 3,248,310	$ -	$ 3,248,310

3) Cathay Life (Vietnam)

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 270,824	$ -	$ 270,824	$ 166,585	$ -	$ 166,585
Reinsurance premium	-	-	-	-	-	-
Premium income	270,824	-	270,824	166,585	-	166,585
Less: Reinsurance expenses	-	-	-	-	-	-
Net changes in unearned premium reserve	(1,917)	-	(1,917)	(499)	-	(499)
Retained earned premium	$ 268,907	$ -	$ 268,907	$ 166,086	$ -	$ 166,086

b. Retained claim payments

1) The Company

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 98,558,820	$ 1,271,708	$ 99,830,528	$ 85,209,291	$ 1,880,363	$ 87,089,654
Reinsurance claim payments	12,344	-	12,344	22,430	-	22,430
Insurance claim payments	98,571,164	1,271,708	99,842,872	85,231,721	1,880,363	87,112,084
Less: Claims recovered from reinsures	(208,447)	-	(208,447)	(186,152)	-	(186,152)
Retained claim payments	$ 98,362,717	$ 1,271,708	$ 99,634,425	$ 85,045,569	$ 1,880,363	$ 86,925,932

2) Cathay Lujiazui Life

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 429,566	$ -	$ 429,566	$ 323,035	$ -	$ 323,035
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	429,566	-	429,566	323,035	-	323,035
Less: Claims recovered from reinsures	(25,803)	-	(25,803)	(13,375)	-	(13,375)
Retained claim payments	$ 403,763	$ -	$ 403,763	$ 309,660	$ -	$ 309,660

3) Cathay Life (Vietnam)

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 24,720	$ -	$ 24,720	$ 19,242	$ -	$ 19,242
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	24,720	-	24,720	19,242	-	19,242
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$ 24,720	$ -	$ 24,720	$ 19,242	$ -	$ 19,242

29. EQUITY

a. Share capital

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	10,000,000	10,000,000	10,000,000
Shares authorized	$ 100,000,000	$ 100,000,000	$ 100,000,000
Number of shares issued and fully paid (in thousands)	5,726,527	5,726,527	5,306,527
Shares issued	$ 57,265,274	$ 57,265,274	$ 53,065,274

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right a dividend.

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
Additional paid-in capital	$ 50,800,000	$ 50,800,000	$ 13,000,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142	29,142
Changes in amount of associates accounted for using the equity method	698,334	706,783	711,888
	$ 51,527,476	$ 51,535,925	$ 13,741,030

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus). Under Rule No. 10202501991 pronounced by the FSC, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act or to distribute its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them in accordance with Article 241 of the Company Act, it should be approved by the FSC before the shareholders' meeting.

The capital surplus arising from investments accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in No. 37 of the Company's Article of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends also takes precedence in accordance with the dividends policy of the preferred share, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 31 d.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy, future demand for capital and meet the dividend needs of ordinary shareholders, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby share dividends, if declared, shall not be less than 50% of the total ordinary share dividends declared for the year. However, the Company may adjust dividend policy moderately based on the capital needs of business and investment, the approval of dividend appropriation or major regulation amendments, etc.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash. Under Rule No. 10202501991 pronounced by the FSC, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before shareholders’ meeting.

Under Rule No. 10202501992 pronounced by the FSC, a life insurance enterprise intending to distribute cash dividends from earnings (not including dividends for preference share liabilities) should notify the FSC and then the FSC approves the distribution of earnings based on its financial position.

The appropriations of earnings for 2018 and 2017 had been approved by the Board of Directors (on behalf of shareholders) on May 3, 2019 and on April 25, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 2,871,520	$ 7,258,027
Special reserve	12,730,041	22,713,045

d. Special reserves

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Special reserve for major incidents and fluctuation of risks (1)	$ 14,165,457	$ 14,165,457	$ 14,220,653
Special reserve for the foreign exchange valuation reserve (2)	9,948,187	9,948,187	2,220,260
Special reserve appropriated at the first-time adoption of IFRSs (3)	47,327,860	47,327,860	42,994,565
Special reserve for investment properties at fair value model in subsequent measurement (4)	147,359,748	147,359,748	146,986,413
Others (5)	59,085,150	59,085,150	52,957,246
	$ 277,886,402	$ 277,886,402	$ 259,379,137

1) Special reserve for major incidents and fluctuation of risks

According to the revised Regulations Governing the setting aside of Various Reserves by Insurance Enterprise on February 7, 2012, the Company transferred the balance of special reserve for major incidents and for fluctuation of risks, net of tax, from liability to special reserve under retained earnings.

In accordance with the rules submitted to the authorities and relevant regulations, the Company reserves special reserve for major incidents and special reserve for fluctuation of risks for retained insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year as follows:

a) Special reserve for major incidents

All types of insurance should follow the reserve rates for major incidents set by the authorities. Upon occurrence of the major incidents, actual claims on retained business in excess of $30,000 thousand can be withdrawn from the special reserve. If the reserve has been set aside for over 15 years, the Company could plan the recovering process of the reserve through assessment by certified actuarial professionals and submit the plan to the authorities for reference. The post-tax amount of the recovery determined in accordance with IAS 12 “Income Taxes” can be recorded in the special capital reserve for major incidents under equity.

b) Special reserve for fluctuation of risks

When the actual claim payment less the offsetting amount from special reserve for major incidents is less than the anticipated claim amount, 15% of this difference should be provided in special reserve for fluctuation of risks.

When the actual claim payment less the offsetting amount from special reserve for major incidents is greater than the anticipated claim amount, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used, and the type of insurance and total amount written-down should be reported to the authority. When accumulative amount of special reserve for fluctuation of risks exceeds 30% of retained earned premium at that year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authorities may designate or restrict the use of the abovementioned recovered amount. The post-tax amount of written-down or recovery determined in accordance with IAS 12 Income Taxes can be recorded in the special capital reserve for fluctuation of risks under equity.

For abovementioned special reserves, the balance of the annual provision net of tax should be recorded in special reserve under equity in accordance with IAS 12 “Income Taxes”.

According to Article 23-2 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, Life Insurance Enterprise should recognize the amount equals to initial amount of reserve for foreign exchange valuation transferred from liabilities as special reserve in three years, starting from implementation. Above mentioned special reserve includes the reduced recover amounts of special reserve for major incidents and special reserve for fluctuation of risks, which are calculated in accordance with Article 19 and 20, due to transferring to the initial amount of reserve for foreign exchange valuation.

According to Rule No. 09802513192: The revised Regulations Governing setting aside of Various Reserve by insurance enterprise, issued by the FSC on December 28, 2009, the provision for special reserve for major incidents and for fluctuation of risks is recognized at the end of the year, and should not be distributed as dividends or be used for any other purposes. The related account balances are summarized as follows:

	March 31, 2019		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 110,364	$ -	$ 110,364
Injury insurance	4,762,465	-	4,762,465
Health insurance	5,240,790	-	5,240,790
Group insurance	4,051,838	-	4,051,838
	$ 14,165,457	$ -	$ 14,165,457

	December 31, 2018		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 110,364	$ -	$ 110,364
Injury insurance	4,762,465	-	4,762,465
Health insurance	5,240,790	-	5,240,790
Group insurance	4,051,838	-	4,051,838
	$ 14,165,457	$ -	$ 14,165,457

	March 31, 2018		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 166,349	$ -	$ 166,349
Injury insurance	4,867,975	-	4,867,975
Health insurance	5,251,241	-	5,251,241
Group insurance	3,935,088	-	3,935,088
	$ 14,220,653	$ -	$ 14,220,653

2) Special reserve for foreign exchange valuation reserve

Under Rule No. 10102501551 issued by the FSC on February 7, 2012 and Foreign Exchange Reserve Information No. 9, in order to strengthen the foreign exchange reserve and capital, the Company should appropriate a special reserve of 10% of the profit after tax.

Under Rule No. 10102501551 and No. 10402026901 issued by the FSC on May 8, 2015, the Company should set aside special reserve as the amount of hedging expense saved. This special reserve should set aside in later years if there is no enough earnings, and it should only be used for transferring to capital or offsetting deficit.

3) Special reserves appropriated at the first-time adoption of IFRSs

At the first-time adoption of IFRSs, the Company chose to use fair values as the deemed costs of investment properties and in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects at the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Rule No. 10202508140, the abovementioned adjustments of retained earnings amounting to $2,994,565 thousand should be set aside as special reserve under equity following Rule No. 10102508861.

In accordance with Rule No. 10102515281, special reserves under liabilities due to the first-time adoption of IFRSs are allowed to recover 80% in five years and transferred to special reserve under equity. The limitation of the recoverable amount is $10 billion per year.

4) Special reserve for investment properties at fair value model in subsequent measurement

In accordance with Rule No. 10402501001, the Company set aside special reserve based on net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, which was measured by the fair value and approved by the authorities, and accumulated net gain on subsequent fair value measurements.

Special reserve for net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, can only be used for compensating deficit of policy reserve of effective contracts, which was measured by fair value and approved by the authorities, and stabilizing future adoption of the second stage of IFRS 4, which means that the Company can only transfer this special reserve with the approval by the authorities to provide enough liabilities in accordance of the second stage of IFRS 4.

When the Company disposes relevant assets, special reserve for accumulated net gain of subsequent fair value measurements could be reversed in the proportion of initial recognition. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Rule No. 10202501992.

5) Other special reserve mainly included the amount of $34,764,311 thousand transferred from insurance liabilities in accordance with Rule No. 10402029590.

e. Other equity

1) Exchange differences on translating financial statements of foreign operations

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ (10,796,480)	$ (9,958,336)
Recognized for the period	1,104,054	104,453
Share of associates accounted for using the equity method	305,537	(894,128)
Tax effects	(53,934)	235,376
Other comprehensive income recognized for the period	1,355,657	(554,299)
Ending balance	$ (9,440,823)	$ (10,512,635)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2019	2018
Beginning balance per IFRS 9	$ (20,547,627)	$ 31,488,614
Recognized for the period	49,988,271	(35,102,456)
Share of associate accounted for using the equity method	118,655	(65,748)
Reclassification adjustment		
Disposal of investments in debt instruments	(5,159,689)	(6,685,965)
Tax effects	(8,868,016)	6,594,876
Other comprehensive income recognized for the period	36,079,221	(35,259,293)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	1,274,296	4,481,315
Ending balance	$ 16,805,890	$ 710,636

3) Gain (loss) on hedging instruments

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 173,288	$ 203,646
Recognized for the period	106,524	2,814
Reclassification adjustment		
Hedged item that affects profit or loss	(16,283)	(27,583)
Tax effects	(20,424)	(2,407)
Other comprehensive income recognized for the period	69,817	(27,176)
Ending balance	$ 243,105	$ 176,470

4) Remeasurement of defined benefit plans

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 287,100	$ 110,471
Share of associate accounted for using the equity method	9,651	(10,913)
Tax effects	(1,930)	(1,880)
Other comprehensive income recognized for the period	7,721	(12,793)
Ending balance	$ 294,821	$ 97,678

5) Property revaluation surplus

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 187,503	$ 188,821
Tax effects	-	(1,319)
Ending balance	$ 187,503	$ 187,502

6) Other comprehensive income (loss) on reclassification using overlay approach

	For the Three Months Ended March 31	
	2019	2018
Beginning balance per IFRS 9	$ (52,549,236)	$ 55,611,592
Recognized for the period	96,008,090	(595,049)
Reclassification adjustment		
Disposal of investments in financial instruments	(13,030,506)	(25,437,068)
Tax effects	(7,306,218)	4,284,531
Other comprehensive income recognized for the period	75,671,366	(21,747,586)
Ending balance	$ 23,122,130	$ 33,864,006

f. Non-controlling interests

	For the Three Months Ended March 31	
	2019	2018
Beginning balance per IFRS 9	$ 5,536,717	$ 5,602,222
Net income attributed to non-controlling interests		
Net profit for the period	115,712	47,150
Other comprehensive income for the period		
Exchange differences on translating financial statements of foreign operations	124,093	48,513
Other comprehensive income reclassified using overlay approach	290,992	(36,946)
Others	(17,820)	(14,053)
Ending balance	$ 6,049,694	$ 5,646,886

30. EARNINGS PER SHARE

	March 31	
	2019	2018
Basic earnings per share	$ 1.11	$ 3.14

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	March 31	
	2019	2018
Earnings used in the computation of basic earnings per share	$ 6,330,368	$ 16,679,960

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	March 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	5,726,527	5,306,527

If reserve for foreign exchange valuation was not applied, basic earnings per share would be $1.51 and $3.08 for the three months ended March 31, 2019 and 2018, respectively. If gains from recovery of special reserve for revaluation increment of property was not included, basic earnings per share would be $1.11 and $3.14 for the three months ended March 31, 2019 and 2018, respectively.

31. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Three Months Ended March 31	
	2019	2018
Financial assets at FVTOCI	$ 10,046,225	$ 8,973,308
Financial assets measured at amortized cost	24,912,846	19,681,905
Loans	4,205,676	4,372,554
Others	802,076	617,563
	$ 39,966,823	$ 33,645,330

b. Expected credit impairment losses and gains on reversal

	For the Three Months Ended March 31	
	2019	2018
Operating revenues - expected credit impairment losses and gains on reversal on investments		
Debt instrument investments at FVTOCI	$ 15,944	$ (26,340)
Financial assets measured at amortized cost	373,723	(250,333)
Other financial assets	(50)	(48)
Loans	259,277	(5,741)
	648,894	(282,462)
Operating expenses - expected credit impairment losses and gains on reversal from non-investments		
Receivables	(460)	(25,901)
	$ 648,434	$ (308,363)

c. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Short-term benefits		
Salaries	$ 11,826,046	$ 8,779,786
Labor and health insurance expenses	860,398	825,589
Post-employment benefits		
Defined contribution plans	279,747	259,561
Defined benefit plans	56,898	52,961
Remuneration of directors	17,242	17,875
Other employee benefits	390,846	236,019
	$ 13,431,177	$ 10,171,791
An analysis of employee benefits expense by function		
Operating costs	$ 10,446,179	$ 7,661,285
Operating expenses	2,984,998	2,510,506
	$ 13,431,177	$ 10,171,791

As of March 31, 2019 and 2018, the total numbers of the Group's employees were 38,829 and 37,359, respectively. There were 7 non-executive directors in both years.

d. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no more than 0.1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the three months ended March 31, 2019 and 2018, respectively, as follows.

	For the Three Months Ended March 31			
	2019		2018	
	Accrual Rate	**Amount**	**Accrual Rate**	**Amount**
Employees' compensation	0.01%	$ 651	0.01%	$ 1,360
Remuneration of directors and supervisors	0.10%	1,425	0.10%	1,425

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

The compensation and remuneration of directors and supervisors for the years ended 2018 and 2017, which were resolved by the board of directors on March 21, 2019 and March 15, 2018, respectively, are as follows:

	2018	**2017**
Employees' compensation	$ 2,760	$ 3,382
Remuneration of directors and supervisors	5,700	5,700

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	**2018**
Property and equipment	$ 186,596	$ 182,850
Right-of-use assets	147,862	-
Intangible assets	651,070	658,161
	$ 985,528	$ 841,011
An analysis of depreciation by function		
Operating expenses	$ 334,458	$ 182,850
An analysis of amortization by function		
Operating expenses	$ 651,070	$ 658,161

f. Non-operating income and expenses

	For the Three Months Ended March 31	
	2019	2018
Loss on disposal of property and equipment	$ (169)	$ (128)
Dividend on preferred share liability	-	(22,932)
Other	358,227	347,249
	$ 358,058	$ 324,189

32. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax income (expense) were as follows:

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current period	$ 448,757	$ (6,437,622)
Adjustments for prior years	67,989	126,106
Deferred tax		
In respect of the current period	(822,065)	5,628,326
Adjustments to deferred tax attributable to changes in tax rates and laws	-	3,380,130
Other		
Tax effect under integrated income tax systems	(353,489)	-
Income tax expense recognized in profit or loss	$ (658,808)	$ 2,696,940

Foreign withholding taxes of $259,485 thousand and $50,247 thousand were recognized in tax expense for the three months ended March 31, 2019 and 2018, respectively, since the Company evaluated that foreign withholding tax was not tax-deductible. The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings had been reduced from 10% to 5%.

b. Income tax recognized directly in equity

	For the Three Months Ended March 31	
	2019	2018
Current tax		
Derecognition of equity instruments at FVTOCI	$ 41,359	$ 435,003
Deferred tax		
Effect of changes in tax rate	-	(26,633)
Derecognition of equity instruments at FVTOCI	(41,359)	(435,003)
Total income tax (benefit) recognized directly in equity	$ -	$ (26,633)

c. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2019	2018
Deferred tax		
In respect of the current period:		
Effect of changes in tax rate	$ -	$ (2,053,402)
Translation of foreign operations	(53,934)	176,165
Losses (gains) on hedging instruments/effective portion of gains on hedging instruments in cash flow hedges	(20,424)	4,954
Fair value changes of equity instruments at FVTOCI	(271,993)	63,511
Losses (gains) on debt instruments at FVTOCI	(8,561,425)	7,735,296
Shares of associates and joint ventures accounted for using the equity method	(36,528)	15,091
Other comprehensive income (loss) reclassified using overlay approach	(7,306,218)	5,167,562
Total income tax recognized in other comprehensive income	$ (16,250,522)	$ 11,109,177

d. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities. The Company had filed administrative remedial due to disagreements on assessment of the foreign withholding tax for fiscal years 2011 and 2012, respectively.

33. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent
Cathay Insurance Company Limited (China)	Associate
Symphox Information Co., Ltd.	Associate
Global Evolution Holding ApS	Subsidiary's associate
Ally Logistic Property Co., Ltd.	Subsidiary of associate
Seaward Card Co., Ltd.	Subsidiary of associate
Cathay United Bank	Fellow subsidiary
Cathay Century Insurance Co., Ltd.	Fellow subsidiary
Cathay Securities Co., Ltd.	Fellow subsidiary
Cathay Venture Inc.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Indovina Bank Limited	Subsidiary of fellow subsidiaries
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiaries

(Continued)

Related Party Name	Related Party Category
Cathay Charity Foundation	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship)	Other related party

(Concluded)

b. Significant transactions with related parties:

1) Property transactions

Property transactions between the Group and related parties are in the nature of undertaking contracted projects, trade, and lease transactions. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

a) Significant transactions of undertaking contracted projects with related parties are listed below:

Name	Items	For the Three Months Ended March 31 2019	For the Three Months Ended March 31 2018
Subsidiary of associate			
Ally Logistic Property Co., Ltd.	Wuri E-commerce Building, etc.	$ -	$ 186,771
Other related party			
Lin Yuan Property Management Co., Ltd.	Cathay Land Mark, etc.	540	4,855
San Ching Engineering Co., Ltd.	THSR Taoyuan Commercial Park, etc.	424,542	302,429
Cathay Real Estate Development Co., Ltd.	Minsheng Jingguo Building, etc.	296,515	65,766
		721,597	373,050
		$ 721,597	$ 559,821

The total amounts of contracted projects for real estate as of March 31, 2019, December 31, 2018 and March 31, 2018, between the Group and Ally Logistic Property Co., Ltd. were $3,383,783 thousand, $3,383,783 thousand and $3,383,783 thousand, respectively.

The total amounts of contracted projects for real estate as of March 31, 2019, December 31, 2018 and March 31, 2018, between the Group and San Ching Engineering Co., Ltd. were $1,838,045 thousand, $1,838,045 thousand and $1,850,813 thousand, respectively.

The total amounts of contracted projects for real estate as of March 31, 2019, December 31, 2018 and March 31, 2018, between the Group and Cathay Real Estate Development Co., Ltd. were $1,742,250 thousand, $1,742,250 thousand and $1,742,250 thousand, respectively.

b) Real-estate rental income (from related parties)

Name	Rental Income For the Three Months Ended March 31 2019	2018
Parent company		
Cathay Financial Holdings	$ 14,610	$ 14,916
Associate and its subsidiary		
Symphox Information Co., Ltd.	10,822	10,190
Ally Logistic Property Co., Ltd.	142,932	104,828
Cathay Insurance Company Limited (China)	6,060	6,552
	159,814	121,570
Fellow subsidiaries		
Cathay United Bank	126,783	165,353
Cathay Century Insurance Co., Ltd.	26,920	27,275
Cathay Securities Investment Trust Co., Ltd.	12,297	11,291
Cathay Securities Co., Ltd.	10,193	9,668
	176,193	213,587
Other related party		
Cathay Medical Care Corp.	45,043	44,767
Cathay Real Estate Development Co., Ltd.	4,264	4,240
Cathay Healthcare Management Co., Ltd.	16,789	14,090
Cathay Hospitality Management Co., Ltd.	48,436	57,843
Cathay Hospitality Consulting Co., Ltd.	28,489	-
	143,021	120,940
	$ 493,638	$ 471,013

Name	Guarantee Deposits Received March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
Cathay Financial Holdings	$ 21,344	$ 12,588	$ 12,588
Associate and its subsidiary			
Symphox Information Co., Ltd.	10,363	10,363	9,798
Ally Logistic Property Co., Ltd.	56,941	57,040	56,752
Cathay Insurance Company Limited (China)	-	7,030	7,277
	67,304	74,433	73,827
Fellow subsidiaries			
Cathay United Bank	189,738	189,738	164,798
Cathay Century Insurance Co., Ltd.	25,167	25,167	25,531
Cathay Securities Investment Trust Co., Ltd.	10,991	10,991	10,093
Cathay Securities Co., Ltd.	9,393	9,393	8,826
	235,289	235,289	209,248

(Continued)

Name	Guarantee Deposits Received March 31, 2019	December 31, 2018	March 31, 2018
Other related party			
Cathay Medical Care Corp.	$ 11,369	$ 11,260	$ 10,916
Cathay Real Estate Development Co., Ltd.	3,803	3,803	3,783
Cathay Healthcare Management Co., Ltd.	16,029	15,628	13,157
Cathay Hospitality Management Co., Ltd.	184,170	206,166	218,252
	215,371	236,857	246,108
	$ 539,308	$ 559,167	$ 541,771

(Concluded)

Lease periods are usually between 2 to 5 years and rental incomes are collected on a monthly basis.

c) Lease arrangements

Name	Lease Liabilities March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiaries			
Cathay United Bank	$ 43,296	$ -	$ -

Name	Rental Expense For the Three Months Ended March 31 2019	2018
Fellow subsidiaries		
Cathay United Bank	$ -	$ 15,457

Name	Guarantee Deposits Paid March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiaries			
Cathay United Bank	$ 12,019	$ 12,019	$ 15,367

2) Cash in banks

Name	Items	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiaries				
Cathay United Bank	Time deposit	$ 2,265,800	$ 2,715,620	$ 2,003,000
	Cash in bank	18,338,703	28,726,895	25,186,485
	Check deposit	294,976	268,337	228,545
	Security deposit	6	6	6
Subsidiary of fellow subsidiaries				
Indovina Bank Limited	Time deposit	1,063,200	1,536,338	12,780
	Cash in bank	7,717	8,344	5,650
		$ 21,970,402	$ 33,255,540	$ 27,436,466

Interest income from Cathay United Bank for the three months ended March 31, 2019 and 2018 were $18,382 thousand and $7,441 thousand, respectively.

Interest income from Indovina Bank Limited for the three months ended March 31, 2019 and 2018 were $25,486 thousand and $110 thousand, respectively.

As of March 31, 2019, December 31, 2018 and March 31, 2018, amounts of time deposit pledged were $3,000 thousand, $3,000 thousand and $3,000 thousand, respectively.

3) Loans

Name	For the Three Months Ended March 31, 2019		
	Maximum	Rate	Ending Balance
Other related party	$ 1,012,392	1.03%-3.44%	$ 974,374

Name	For the Three Months Ended March 31, 2018		
	Maximum	Rate	Ending Balance
Other related party	$ 884,639	1.03%-3.45%	$ 827,973

Interest income from other related parties for the three months ended March 31, 2019 and 2018 were $3,844 thousand and $3,236 thousand, respectively.

4) Balance of beneficiary certificates purchased from related parties

Name		Guarantee Deposits Paid		
		March 31, 2019	December 31, 2018	March 31, 2018
Subsidiary's associate				
Global Evolution Holding ApS	Market value	$ 2,799,199	$ 2,138,492	$ -
	Cost	$ 2,707,877	$ 2,142,144	$ -

5) Discretionary account management balance

Name	March 31, 2019	December 31, 2018	March 31, 2018
Subsidiary's associate			
Global Evolution Holding ApS	$ 6,703,295	$ 6,494,247	$ -
Fellow subsidiaries			
Cathay Securities Investment Trust Co., Ltd.	235,789,632	210,965,710	247,581,133
	$ 242,492,927	$ 217,459,957	$ 247,581,133

6) Other receivables

Name	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
Cathay Financial Holdings (Note)	$ 9,828,035	$ 8,998,563	$ -
Fellow subsidiaries			
Cathay Century Insurance Co., Ltd.	66,529	60,668	69,196
Cathay Securities Investment Trust Co., Ltd.	39,675	48,365	51,635
	106,204	109,033	120,831
	$ 9,104,755	$ 9,107,596	$ 120,831

Note: Receivables are the refundable tax under the integrated income tax system.

7) Guarantee deposits paid

Name	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiaries			
Cathay Futures Co., Ltd.	$ 2,450,591	$ 1,511,584	$ 1,936,421

Above balances were deposits for future transactions. For the three months ended March 31, 2019 and 2018, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were $350 thousand and $368 thousand, respectively.

8) Guarantee deposits received

Name	March 31, 2019	December 31, 2018	March 31, 2018
Associate and its subsidiary			
Ally Logistic Property Co., Ltd.	$ 160,310	$ 139,386	$ 337,790
Other related party			
Lin Yuan Property Management Co., Ltd.	5,000	5,000	5,000
San Ching Engineering Co., Ltd.	440,700	440,700	456,980
Cathay Hospitality Management Co., Ltd.	256,883	256,883	104,537
Cathay Hospitality Consulting Co., Ltd.	107,074	107,074	-
	809,657	809,657	566,517
	$ 969,967	$ 949,043	$ 904,307

9) Other payables

Name	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
Cathay Financial Holdings (Note)	$ 376,274	$ 65,589	$ 5,176,563
Associate			
Symphox Information Co., Ltd.	57,699	9,718	20,269
Fellow subsidiaries			
Cathay United Bank	656,257	89,605	613,733
Cathay Century Insurance Co., Ltd.	1,394	7,372	1,588
Cathay Securities Investment Trust Co., Ltd.	14,019	13,166	14,325
	671,670	110,143	629,646
Other related party			
Lin Yuan Property Management Co., Ltd.	47,090	-	54,239
	$ 1,152,733	$ 185,450	$ 5,880,717

Note: The payables consist of interest expenses accrued from bonds payable and preferred share liability and tax payable under the integrated income tax system.

10) Receipts in advance

Name	March 31, 2019	December 31, 2018	March 31, 2018
Fellow subsidiaries			
Cathay Century Insurance Co., Ltd.	$ -	$ -	$ 4,842

11) Bonds payable

Name	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
Cathay Financial Holdings	$ 35,000,000	$ 35,000,000	$ 35,000,000

12) Preferred share liability

Name	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
Cathay Financial Holdings	$ -	$ -	$ 5,000,000

13) Premium income

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay United Bank	$ 3,903	$ 5,838
Cathay Century Insurance Co., Ltd.	3,402	4,974
	7,305	10,812
Other related party		
Cathay Medical Care Corp.	7,395	11,143
Other	77,455	37,281
	84,850	48,424
	$ 92,155	$ 59,236

14) Fee income

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	$ 15,442	$ 18,438

15) Insurance expenses

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	$ 88,704	$ 81,785

16) Indemnity income

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	$ -	$ 16,322

17) Other operating revenue

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	$ 31,321	$ 30,895

18) Other operating costs

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay United Bank	$ 289,442	$ 242,682
Cathay Securities Investment Trust Co., Ltd.	44,934	101,941
Subsidiary's associate		
Global Evolution Holding ApS	4,909	-
Total	$ 339,285	$ 344,623

19) Finance costs

Name	For the Three Months Ended March 31	
	2019	2018
Parent company		
Cathay Financial Holdings	$ 310,685	$ 310,685

Finance costs consist of interest expenses accrued from bond payable.

20) Operating expenses

Name	For the Three Months Ended March 31	
	2019	2018
Associate and its subsidiary		
Symphox Information Co., Ltd.	$ 66,369	$ 60,017
Seaward Card Co., Ltd.	14,353	24,024
	80,722	84,041
Fellow subsidiaries		
Cathay United Bank	2,106,459	1,677,009
Cathay Venture Inc.	-	5,928
	2,106,459	1,682,937
Other related party		
Lin Yuan Property Management Co., Ltd.	195,093	193,849
Cathay Healthcare Management Co., Ltd.	8,731	9,509
Cathay Charity Foundation	-	5,550
	203,824	208,908
	$ 2,391,005	$ 1,975,886

21) Non-operating income

Name	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	$ 144,720	$ 135,913
Cathay United Bank	36,360	37,649
Cathay Securities Investment Trust Co., Ltd.	4,198	5,004
Cathay Securities Co., Ltd.	8,069	-
	$ 193,347	$ 178,566

Non-operating income is mainly generated from the Group’ integrated marketing activities.

22) Non-operating expense

Name	For the Three Months Ended March 31	
	2019	2018
Parent company		
Cathay Financial Holdings	$ -	$ 22,932

Non-operating expenses are interest expenses accrued from preferred share liability.

23) Other

As of March 31, 2019, December 31, 2018 and March 31, 2018, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as follows (in thousands of USD):

Item	March 31, 2019	December 31, 2018	March 31, 2018
SWAP	US$ 3,665,000	US$ 3,752,000	US$ 4,144,000

c. Key management personnel compensation

	For the Three Months Ended March 31	
	2019	2018
Short-term employee benefits	$ 30,127	$ 29,913
Post-employment benefits	623	445
	$ 30,750	$ 30,358

The management of the Company includes chairman, directors, president, senior executive vice president and senior vice general managers.

34. SEPARATE ACCOUNT INSURANCE PRODUCTS

a. The Company

The related accounts of the Company were summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Separate account insurance product assets			
Cash in bank	$ 820,761	$ 888,274	$ 1,141,925
Financial assets at FVTPL	578,805,789	539,874,109	547,302,793
Other receivables	5,338,291	6,090,351	10,463,931
	$ 584,964,841	$ 546,852,734	$ 558,908,649
Separate account insurance product liabilities			
Other payables	$ 845,781	$ 743,442	$ 1,218,286
Reserve for separate account - insurance contracts	235,981,892	220,038,873	232,721,540
Reserve for separate account - investment contracts	348,137,168	326,070,419	324,968,823
	$ 584,964,841	$ 546,852,734	$ 558,908,649

	For the Three Months Ended March 31	
	2019	2018
Separate account insurance product income		
Premium income	$ 7,954,623	$ 7,349,050
Interest income	363	448
Gains (losses) from financial assets and liabilities at FVTPL	15,996,277	(665,269)
Foreign exchange gains (losses)	861,594	(4,007,987)
	$ 24,812,857	$ 2,676,242
Separate account insurance product expenses		
Claims and payments	$ 1,942,715	$ 2,209,471
Cash surrender value	6,116,327	10,772,116
Dividends	1	2
Reserve (recovery) of separate account reserve	15,881,155	(11,232,582)
Administrative expenses	903,644	952,396
Non-operating income and expenses	(30,985)	(25,161)
	$ 24,812,857	$ 2,676,242

The commission earned for the sales of separate account insurance products from counterparties recorded under fee income for the three months ended March 31, 2019 and 2018 were $228,431 thousand and $264,693 thousand, respectively.

b. Cathay Lujiazui Life

The related accounts of Cathay Lujiazui Life were summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Separate account insurance product assets			
Cash in bank	$ 20,507	$ 17,902	$ 15,669
Financial assets at FVTPL	102,308	94,126	122,465
Interest receivables	6	55	51
Other	53	(556)	(154)
	$ 122,874	$ 111,527	$ 138,031
Separate account insurance product liabilities			
Other payables	$ (650)	$ 8	$ 9
Reserve for separate account	123,524	98,690	123,092
Other	-	12,829	14,930
	$ 122,874	$ 111,527	$ 138,031

	For the Three Months Ended March 31	
	2019	2018
Separate account insurance product income		
Premium income	$ 74	$ 162
Gains from financial assets and liabilities at FVTPL	12,213	1,404
Interest income	49	47
	$ 12,336	$ 1,613
Separate account insurance product expenses		
Cash surrender value	$ 3,961	$ 3,901
Reserve (recovery) of separate account reserve	7,280	(2,793)
Administrative expenses	371	450
Tax expenses	724	55
	$ 12,336	$ 1,613

35. THE ALLOCATION OF REVENUE AND EXPENSES ARISING FROM BUSINESS TRANSACTIONS, PROMOTION ACTIVITIES AND INFORMATION SHARING BETWEEN PARENT COMPANY AND OTHER SUBSIDIARIES

To elaborate the benefits of economic scale, Cathay Financial Holdings and its subsidiaries cooperate to launch promotion activities, and the related expenses are allocated to each subsidiary directly by the nature of business or other reasonable basis.

36. PLEDGED ASSETS

a. The Company

The Company provided cash, time deposits and government bonds with legal courts in as guarantee of litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the insurance operation guarantee deposits. Pledged assets are summarized based on the net carrying amounts as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Guarantee deposits paid - government bonds	$ 10,255,432	$ 11,321,833	$ 9,990,655
Guarantee deposits paid - time deposits	492,000	495,000	486,100
Guarantee deposits paid - others	77,473	80,461	61,796
	$ 10,824,905	$ 11,897,294	$ 10,538,551

b. Cathay Lujiazui Life

According to the requirement by the "China Insurance Regulatory Commission", the guaranteed deposit is 20% of the registered capital. Details are as follows (in thousands of CNY):

	March 31, 2019	December 31, 2018	March 31, 2018
Guarantee deposits paid - time deposits	CNY 700,000	CNY 700,000	CNY 630,000

c. Cathay Life (Vietnam)

According to the requirement by the Ministry of Finance of Vietnam, the guaranteed deposit is 2% of the legal capital. Details are as follows (in thousands of VND):

	March 31, 2019	December 31, 2018	March 31, 2018
Guarantee deposits paid - time deposits	VND 12,000,000	VND 12,000,000	VND 12,000,000

d. CHL

In accordance with Dodd-Frank Act, the financial assets are pledged as collaterals for loans as follows (in thousands of USD):

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at FVTPL	US$ -	US$ -	US$ 30,226
Financial assets measured at amortized cost	-	-	260,131
	US$ -	US$ -	US$ 290,357

37. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. The Company has its own formal control and response policies to manage legal claims. Once the losses can be reasonably estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial figures resulting from the claims.

b. As of March 31, 2019, the maximum remaining capital commitments for the contracted private equity fund of the Company were NT$1,950,900 thousand, US$2,372,649 thousand, EUR379,194 thousand and GBP1,557 thousand.

38. FINANCIAL INSTRUMENTS

a. The methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

1) The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short maturities.

2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

3) Fair value of equity instruments without an active market (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and P/B ratio of similar entities).

4) Fair value of debt instruments without an active market is determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by Taipei Exchange, average prices for fixed rate commercial paper published by Reuters and credit risk information).

5) The fair values of derivatives which are not options and without an active market is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivatives is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determine their credit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates their debit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experience of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.

b. Financial instruments not measured at fair value

Other than cash and cash equivalents, receivables, loans, guarantee deposits paid, payables, bonds payable, preferred share liability and guarantee deposits received, the items whose carrying amounts approximate their fair value, the fair value of the Group' financial instruments which are not measured at fair value are listed in the table below:

March 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at amortized cost	$ 2,378,239,234	$ 83,417,007	$ 2,321,115,503	$ -	$ 2,404,532,510
Other financial assets	1,999,356	-	2,005,116	-	2,005,116

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at amortized cost	$ 2,273,957,428	$ 74,806,524	$ 2,105,780,720	$ -	$ 2,180,587,244
Other financial assets	1,999,406	-	2,009,973	-	2,009,973

March 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at amortized cost (Note)	$ 1,955,744,526	$ 66,483,647	$ 1,866,676,522	$ 7,575,011	$ 1,940,735,180
Other financial assets	3,499,051	-	3,530,097	-	3,530,097

Note: Guarantee deposits paid in bonds are included.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rate that reflects the credit risk of counterparties and the cash flows that reflects the feature of early reimbursement.

c. Fair value of financial instruments that are measured at fair value -recurring measurements

1) Fair value hierarchy

Items	March 31, 2019				December 31, 2018				March 31, 2018			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Non-derivative instruments												
Assets												
Financial assets at FVTPL												
Stocks	$ 657,083,899	$ 580,758,068	$ 73,037,405	$ 3,288,426	$ 664,805,149	$ 587,635,828	$ 72,200,110	$ 4,969,211	$ 646,895,960	$ 575,219,985	$ 64,574,790	$ 7,101,185
Bonds	231,283,715	1,773,915	227,964,711	1,545,089	206,293,856	2,488,966	202,301,743	1,503,147	156,649,353	4,270,386	150,665,065	1,713,902
Other	352,712,465	255,310,477	18,952,847	78,449,141	291,274,421	194,722,071	19,550,417	77,001,933	346,238,417	275,282,631	17,420,350	53,535,436
Financial assets at FVTOCI												
Stocks	35,271,676	31,036,950	166,269	4,068,457	30,261,146	26,030,760	154,309	4,076,077	50,545,138	45,569,830	196,256	4,779,052
Bonds	872,289,590	26,066,490	846,223,100	-	893,987,970	29,684,763	864,303,207	-	874,280,729	34,746,286	839,534,443	-
Derivative instruments												
Assets												
Financial assets at FVTPL	1,350,056	6,107	1,343,949	-	5,377,759	10,210	5,367,549	-	28,789,762	1,378	28,788,384	-
Derivative assets for hedging	392,653	-	392,653	-	216,611	-	216,611	-	221,211	-	221,211	-
Liabilities												
Financial liabilities at FVTPL	24,556,672	60,186	24,496,486	-	27,499,106	-	27,499,106	-	1,504,046	-	1,504,046	-

Transfers between Level 1 and Level 2:

For the three months ended March 31, 2019, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis. For the three months ended March 31, 2018, the Group transferred stocks mandatorily classified as FVTPL of $200,945 thousand from Level 2 to Level 1 due to the availability of market prices.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Three Months Ended March 31, 2019	
	Financial Assets at FVTPL	**Financial Assets at FVTOCI**
Beginning balance	$ 83,474,291	$ 4,076,936
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	54,013	-
Gains on reclassification using overlay approach	1,314,158	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	4,649	13
Other comprehensive loss reclassified using overlay approach	(1,314,158)	-
Loss on changes in fair value of FVTOCI	-	(23,391)
Purchases or issuances	6,699,554	25,000
Disposals or settlements	(6,949,851)	(10,101)
Ending balance	$ 83,282,656	$ 4,068,457

	For the Three Months Ended March 31, 2018	
	Financial Assets at FVTPL	**Financial Assets at FVTOCI**
Beginning balance	$ 59,420,556	$ 4,631,596
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	530,030	-
Gains on reclassification using overlay approach	126,430	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	(29,435)	(87)
Other comprehensive loss reclassified using overlay approach	(126,430)	-
Gains on changes in fair value of FVTOCI	-	147,543
Purchases or issuances	5,484,356	-
Disposals or settlements	(2,112,589)	-
Transfers into Level 3	399,900	-
Transfers out of Level 3	(1,342,295)	-
Ending balance	$ 62,350,523	$ 4,779,052

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2019 and 2018, unrealized losses of $892,134 thousand and $159,203 thousand were related to financial assets held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

	March 31, 2019			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of marketability, the lower the fair value estimates
	Market approach	Discount for lack of marketability	11%-30%	The higher the discount for lack of marketability, the lower the fair value estimates
	Income approach	Discount for lack of marketability, discount for minority interest, etc.	22%-37%	The higher the discount for lack of marketability and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-(23%)	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	80%-140%	The higher the dividend payout ratio, the higher the fair value estimates

	December 31, 2018			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of marketability, the lower the fair value estimates
	Market approach	Discount for lack of marketability	11%-30%	The higher the discount for lack of marketability, the lower the fair value estimates
	Income approach	Discount for lack of marketability, discount for minority interest, etc.	22%-37%	The higher the discount for lack of marketability and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-(36%)	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	70%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Items	March 31, 2018			
	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Market approach	Discount for lack of marketability	11%-30%	The higher the discount for lack of marketability, the lower the fair value estimates
	Income approach	Discount for lack of marketability, discount for minority interest, etc.	15%-52%	The higher the discount for lack of marketability and control, the lower the fair value estimates
		Growth rate of net profit after tax	(60%)-67%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	0%-140%	The higher the dividend payout ratio, the higher the fair value estimates

4) Valuation process for Level 3 fair value measurement

The Group' risk management department is responsible for validating the fair value measurements of financial assets and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. To ensure the fair value measurement is reasonable, the department analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed at each reporting date according to the Group's accounting policies.

d. Categories of financial instruments

Items	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Financial assets at FVTPL	$ 1,242,430,135	$ 1,167,751,185	$ 1,178,573,492
Financial assets at FVTOCI	906,513,103	921,968,246	922,644,025
Measured at amortized cost			
Cash and cash equivalents (Note)	233,334,145	175,098,127	254,840,648
Receivables	81,828,978	74,970,469	61,798,671
Financial assets measured at amortized cost	2,371,039,170	2,258,673,041	1,947,935,713
Other financial assets	1,999,356	1,999,406	3,499,051
Loans	561,162,012	581,215,839	601,997,919
Guarantee deposits paid	33,055,264	32,195,253	21,852,298
Financial assets for hedging	392,653	216,611	221,211
Financial liabilities			
Financial liabilities at FVTPL	24,556,672	27,499,106	1,504,046
Financial liabilities at amortized cost			
Payables	25,340,913	32,822,268	45,403,957
Bonds payable	70,000,000	70,000,000	70,000,000
Preferred share liability	-	-	5,000,000
Guarantee deposits received	2,789,424	2,899,157	15,075,329

Note: Excluded cash on hand.

e. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Sources of market risk

Market risk is the risk that changes in market risk factors, such as exchange rate, product price, interest rate, credit spread and stock price, may decrease the Group's income or value of investment portfolio.

The Group assesses, monitors, and manages market risks completely and effectively by applying Value at Risk ("VaR") and stress testing consistently.

a) Value at Risk

VaR is the maximum loss on the portfolio at a given confidence level and over a given period. Currently, the Group adopts one-week VaR at 95% and 99% confidence level to measure market risk.

b) Stress testing

The Group evaluates the potential risks occurred in extreme and abnormal events regularly in addition to VaR models.

The Group performs stress testing on positions regularly by applying simple sensitivity test and scenario analysis. Such tests cover the losses on positions resulted from a change in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

Simple sensitivity test is to measure the changes in the value of the investment portfolio caused by specific risk factors.

ii. Scenario analysis

Scenario analysis is to measure the changes in the total value of investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, the Group evaluates that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

The Group simulates rational expectations for the possible extreme market changes to evaluate the losses incurred for the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

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

Table of Stress Testing

Risk Factors	Changes (+/-)	For the Three Months Ended March 31 2019	2018
Equity risk (stock price index)	-10%	$ (68,389,711)	$ (67,132,767)
Interest rate risk (yield curve)	+100bps	(109,126,726)	(107,670,513)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(12,026,177)	(9,272,076)

Note 1: Impacts of credit spread changes are not included.

Note 2: Effects of hedging are considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

c) Sensitivity analysis

Summary of Sensitivity Analysis

	For the Three Months Ended March 31, 2019		
Risk Factors	**Variables (+/-)**	**Changes in Profit or Loss**	**Changes in Equity**
Foreign currency risk	USD/NTD appreciates 1%	$ 7,196,759	$ 4,800,324
	CNY (CNH)/USD appreciates 1%	868,023	512,323
	HKD/USD appreciates 1%	6,279	485,842
	EUR/USD appreciates 1%	113,555	176,393
	GBP/USD appreciates 1%	40,283	288,021
Interest rate risk	Yield curve (USD) parallel shifts up 1 bp	3,803	(909,855)
	Yield curve (CNY) parallel shifts up 1 bp	-	(13,339)
	Yield curve (EUR) parallel shifts up 1 bp	-	(7,158)
	Yield curve (GBP) parallel shifts up 1 bp	223	(4,444)
	Yield curve (NTD) parallel shifts up 1 bp	352	(121,757)
Equity price risk	Equity price increases 1%	(98,818)	6,919,457

	For the Three Months Ended March 31, 2018		
Risk Factors	**Variables (+/-)**	**Changes in Profit or Loss**	**Changes in Equity**
Foreign currency risk	USD/NTD appreciates 1%	$ 4,560,211	$ 4,804,585
	CNY (CNH)/USD appreciates 1%	865,382	353,949
	HKD/USD appreciates 1%	(4,100)	407,100
	EUR/USD appreciates 1%	(21,822)	175,145
	GBP/USD appreciates 1%	367,760	17,578
Interest rate risk	Yield curve (USD) parallel shifts up 1 bp	6,861	(859,335)
	Yield curve (AUD) parallel shifts up 1 bp	-	(106)
	Yield curve (EUR) parallel shifts up 1 bp	3,432	(6,978)
	Yield curve (NTD) parallel shifts up 1 bp	911	(189,878)
Equity price risk	Equity price increases 1%	75,232	6,645,535

Note 1: Impacts of credit spread changes are not included.

Note 2: Effects of hedging are considered.

Note 3: Impacts of changes in profit or loss are not included in those of changes in equity.

Note 4: Provision or reversal of reserve for foreign exchange valuation changes is not considered in profit or loss due to foreign currency risk.

Note 5: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, the Company is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

i. Issuer credit risk is the risk that the Company may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations an agreed conditions due to default, bankruptcy or liquidation.

ii. Counterparty credit risk is the risk that the Company may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.

iii. Credit risk of underlying assets is the risk that the Company may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration of credit risk

i. Regional distribution of maximum risk exposure for the Company's financial assets:

	March 31, 2019					
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	$ 153,692,042	$ 4,457,601	$ 157,515	$ 61,691,389	$ 3,213,279	$ 223,211,826
Financial assets at FVTPL	32,285,197	28,865,127	102,246,219	35,342,869	84,681,465	283,420,877
Financial assets at FVTOCI	65,328,496	31,791,804	172,576,868	352,553,352	248,990,907	871,241,427
Financial assets for hedging	99,728	-	172,413	120,512	-	392,653
Financial assets measured at amortized cost	182,811,690	150,261,270	411,633,422	1,054,488,937	571,480,314	2,370,675,633
Other financial assets	-	-	1,999,356	-	-	1,999,356
	$ 434,217,153	$ 215,375,802	$ 688,785,793	$ 1,504,197,059	$ 908,365,965	$ 3,750,941,772
Proportion	11.6%	5.7%	18.4%	40.1%	24.2%	100.0%

	December 31, 2018					
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	$ 108,663,821	$ 598,577	$ 136,389	$ 54,671,101	$ 201,744	$ 164,271,632
Financial assets at FVTPL	36,221,083	26,691,362	86,749,425	34,116,884	82,160,244	265,938,998
Financial assets at FVTOCI	90,868,582	31,038,900	168,157,801	359,145,961	242,495,856	891,707,100
Financial assets for hedging	96,344	-	-	120,267	-	216,611
Financial assets measured at amortized cost	183,624,214	140,559,799	382,921,822	1,001,042,809	549,913,112	2,258,061,756
Other financial assets	-	-	1,999,406	-	-	1,999,406
	$ 419,474,044	$ 198,888,638	$ 639,964,843	$ 1,449,097,022	$ 874,770,956	$ 3,582,195,503
Proportion	11.7%	5.5%	17.9%	40.5%	24.4%	100.0%

	March 31, 2018					
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	$ 167,665,030	$ 58,894	$ 118,844	$ 81,436,106	$ 70,713	$ 249,349,587
Financial assets at FVTPL	43,989,399	22,666,445	69,218,772	22,406,503	73,976,285	232,257,404
Financial assets at FVTOCI	112,023,076	36,925,442	145,194,674	371,933,747	206,021,947	872,098,886
Financial assets for hedging	92,923	-	-	128,288	-	221,211
Financial assets measured at amortized cost	197,528,091	122,772,075	308,685,825	831,560,298	478,662,205	1,939,208,494
Other financial assets	-	-	3,499,051	-	-	3,499,051
	$ 521,298,519	$ 182,422,856	$ 526,717,166	$ 1,307,464,942	$ 758,731,150	$ 3,296,634,633
Proportion	15.8%	5.5%	16.0%	39.7%	23.0%	100.0%

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

	March 31, 2019				
Financial Assets	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 274,622,983	$ 46,440,064	$ 68,309,826	$ 7,811,756	$ 397,184,629
Non-accrual receivables	450,001	66,820	100,229	-	617,050
	$ 275,072,984	$ 46,506,884	$ 68,410,055	$ 7,811,756	$ 397,801,679
Proportion	69.1%	11.7%	17.2%	2.0%	100%

	December 31, 2018				
Financial Assets	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 287,440,820	$ 48,492,142	$ 71,391,306	$ 8,193,993	$ 415,518,261
Non-accrual receivables	878,642	36,044	54,067	-	968,753
	$ 288,319,462	$ 48,528,186	$ 71,445,373	$ 8,193,993	$ 416,487,014
Proportion	69.2%	11.6%	17.2%	2.0%	100%

Financial Assets	March 31, 2018 Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 313,302,434	$ 50,168,990	$ 76,416,322	$ 1,926,018	$ 441,813,764
Non-accrual receivables	295,439	38,195	82,404	-	416,038
	$ 313,597,873	$ 50,207,185	$ 76,498,726	$ 1,926,018	$ 442,229,802
Proportion	70.9%	11.4%	17.3%	0.4%	100.0%

iii. Categories for credit risk quality

The Company classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

i) Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment will be kept and maintained

ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.

iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform the commitment depends on the favorability of its business environment and financial conditions.

iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

i) The Company assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, the Company considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii) If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

v. The definition of default and credit-impaired financial assets

The Company's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

i) Quantitative factor: when the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

ii) Qualitative factor: an evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:

- The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial recorganization.

- The issuers fail to pay interest or principal according to the issue terms and conditions.

- The collaterals of the borrowers are provisionally seized or enforced.

- The borrowers claim for a change of credit conditions due to financial difficulties.

iii) The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

i) The methodology and assumption applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments whose credit risk has increased significantly since initial recognition or those which have been credit-impaired, the Company measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

In the measurement of expected credit losses, 12-month and lifetime expected credit losses are the multiply of exposure at default (“LGD”) and probability of default (“PD”) of issuers, guarantee agencies or borrowers for 12 months and the lifetime, respectively, in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

	March 31, 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 Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 845,210,235	$ -	$ -	$ -	$ -	$ 845,210,235
Financial assets measured at amortized cost	2,329,783,528	-	-	-	(943,954)	2,328,839,574
Other financial assets	2,000,000	-	-	-	(644)	1,999,356
Non-investment grade						
Debt instruments at FVTOCI	25,741,631	219,152	70,409	-	-	26,031,192
Financial assets measured at amortized cost	32,103,131	7,494,550	3,179,636	-	(941,258)	41,836,059

	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 Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 868,624,804	$ -	$ -	$ -	$ -	$ 868,624,804
Financial assets measured at amortized cost	2,221,201,714	-	-	-	(853,594)	2,220,348,120
Other financial assets	2,000,000				(594)	1,999,406
Non-investment grade						
Debt instruments at FVTOCI	22,790,603	215,072	76,621	-	-	23,082,296
Financial assets measured at amortized cost	26,117,815	7,906,750	5,155,973	-	(1,466,902)	37,713,636

	March 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 Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 843,085,254	$ -	$ -	$ -	$ -	$ 843,085,254
Financial assets measured at amortized cost	1,894,457,169	-	-	-	(701,335)	1,893,755,834
Other financial assets	3,500,000	-	-	-	(949)	3,499,051
Non-investment grade						
Debt instruments at FVTOCI	25,653,769	3,359,864	-	-	-	29,013,633
Financial assets measured at amortized cost	31,946,341	14,515,175	-	-	(1,008,856)	45,452,660

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

ii) Secured loans and overdue receivables of the Company

	March 31, 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 Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivable	$ 391,453,107	$ 122,529	$ 6,226,043	$ -	$ (945,976)	$ (4,601,772)	$ 392,253,931

	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 Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivable	$ 411,821,024	$ 111,237	$ 4,554,753	$ -	$ (682,254)	$ (5,126,352)	$ 410,678,408

	March 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 Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivable	$ 436,844,168	$ 1,438,371	$ 3,947,263	$ -	$ (663,878)	$ (5,484,628)	$ 436,081,296

viii Reconciliation for loss allowance is summarized below:

i) Debt instrument investments at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 468,280	$ 17,049	$ 12,339	$ -	$ 497,668
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(99)	99	-	-	-
New financial assets originated or purchased	37,532	-	7	-	37,539
Financial assets that have been derecognized during the period	(58,655)	(15,373)	(4,276)	-	(78,304)
Changes in models/risk parameters	17,570	3,878	(787)	-	20,661
Foreign exchange and other movements	1,274	49	1,178	-	2,501
March 31, 2019	$ 465,902	$ 5,702	$ 8,461	$ -	$ 480,065

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2018	$ 455,064	$ 96,965	$ -	$ -	$ 552,029
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(848)	848	-	-	-
Transfer to 12-month expected credit losses	127	(127)	-	-	-
New financial assets originated or purchased	99,378	-	-	-	99,378
Financial assets that have been derecognized during the period	(62,500)	(33,704)	-	-	(96,204)
Changes in models/risk parameters	(16,845)	52,692	-	-	35,847
Foreign exchange and other movements	(10,030)	(2,651)	-	-	(12,681)
March 31, 2018	$ 464,346	$ 114,023	$ -	$ -	$ 578,369

ii) Financial assets measured at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 904,430	$ 705,622	$ 710,444	$ -	$ 2,320,496
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(542)	542	-	-	-
New financial assets originated or purchased	60,849	-	-	-	60,849
Financial assets that have been derecognized during the period	(32,343)	(162,905)	(384,265)	-	(579,513)
Changes in models/risk parameters	67,938	44,387	(29,569)	-	82,756
Foreign exchange and other movements	2,727	2,147	(4,250)	-	624
March 31, 2019	$ 1,003,059	$ 589,793	$ 292,360	$ -	$ 1,885,212

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2018	$ 754,100	$ 705,758	$ -	$ -	$ 1,459,858
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(4,464)	4,464	-	-	-
New financial assets originated or purchased	84,549	-	-	-	84,549
Financial assets that have been derecognized during the period	(25,152)	(165,520)	-	-	(190,672)
Changes in models/risk parameters	23,801	369,875	-	-	393,676
Foreign exchange and other movements	(17,352)	(19,868)	-	-	(37,220)
March 31, 2018	$ 815,482	$ 894,709	$ -	$ -	$ 1,710,191

iii) Other financial assets

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 594	$ -	$ -	$ -	$ 594
Foreign exchange and other movements	50	-	-	-	50
March 31, 2019	$ 644	$ -	$ -	$ -	$ 644

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2018	$ 901	$ -	$ -	$ -	$ 901
Foreign exchange and other movements	48	-	-	-	48
March 31, 2018	$ 949	$ -	$ -	$ -	$ 949

iv) Secured loans and non-accrual receivable

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2019	$ 90,567	$ 201	$ 591,486	$ -	$ 682,254	$ 5,126,352	$ 5,808,606
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(15)	15	-	-	-	-	-
Transfer to credit-impaired financial assets	(316)	(82)	398	-	-	-	-
Transfer to 12-month expected credit losses	896	(77)	(819)	-	-	-	-
Financial assets that have been derecognized during the period	(2,758)	(22)	(17,501)	-	(20,281)	-	(20,281)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(524,580)	(524,580)
Changes in models/risk parameters	4,153	194	279,657	-	284,003	-	284,003
March 31, 2019	$ 92,527	$ 229	$ 853,221	$ -	$ 945,976	$ 4,601,772	$ 5,547,748

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2018	$ 108,879	$ 1,211	$ 601,271	$ -	$ 711,361	$ 5,438,078	$ 6,149,439
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(177)	871	(694)	-	-	-	-
Transfer to credit-impaired financial assets	(12)	(63)	75	-	-	-	-
Transfer to 12-month expected credit losses	161	(102)	(59)	-	-	-	-
New financial assets originated or purchased	5,750	-	3,593	-	9,343	-	9.343
Financial assets that have been derecognized during the period	(1,605)	-	(5,486)	-	(7,091)	-	(7,091)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	46,550	46,550
Changes in models/risk parameters	6,161	(237)	(55,659)	-	(49,735)	-	(49,735)
March 31, 2018	$ 119,157	$ 1,680	$ 543,041	$ -	$ 663,878	$ 5,484,628	$ 6,148,506

There is no significant change in loss allowance due to significant changes in the carrying amounts of financial instruments.

ix. Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of the Company's receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under simplified approach. Loss allowance measured by a provision matrix under simplified approach is as follows:

March 31, 2019	Recognition: Not Yet Due/within 1 Month	Recognition: 1-3 Months	Recognition: 3-6 Months	Recognition: Over 6 Months	Total
Gross carrying amounts (Note)	$ 19,219,958	$ 103,339	$ 856	$ -	$ 19,324,153
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	2,066	86	-	2,152

Note: Notes receivable of $5,825 thousand and other receivables of $19,318,328 thousand were included.

	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
	Recognition				
December 31, 2018					
Gross carrying amounts (Note)	$ 11,311,658	$ 111,076	$ 1,219	$ 3	$ 11,423,956
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	2,222	123	1	2,346

Note: Notes receivable of $72,825 thousand and other receivables in the amount of $11,351,131 thousand were included.

	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
	Recognition				
March 31, 2018					
Gross carrying amounts (Note)	$ 18,618,028	$ 96,211	$ 8,731	$ 6	$ 18,722,976
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,927	874	3	2,804

Note: Notes receivable of $3,229 thousand and other receivables of $18,719,747 thousand were included.

The abovementioned expected credit losses were measured by a provision matrix under simplified approach and the movement loss allowance is as follows:

	For the Three Months Ended March 31	
	2019	**2018**
Beginning balance	$ 2,346	$ 2,175
(Deduction) addition for the period	(194)	629
Ending balance	$ 2,152	$ 2,804

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of the Company makes an emergency operating procedure to deal with significant liquidity risks.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	March 31, 2019				
	Less than 6 Months	**Due in 6-12 Months**	**Due in 1-2 Years**	**Due in 2-5 Years**	**Over 5 Years**
Non-derivative financial liabilities					
Payables	$ 23,103,244	$ 630,787	$ 270,781	$ 1,308,170	$ 27,931
Bonds payables (Note)	129,745	883,726	2,415,000	7,245,000	78,400,000
Derivative financial liabilities					
Forward	2,126,591	351,400	-	-	-
SWAP	22,265,264	12,339,281	-	-	-
IRS	11,028	1,661	3,920	3,009	-

	December 31, 2018				
	Less than 6 Months	**Due in 6-12 Months**	**Due in 1-2 Years**	**Due in 2-5 Years**	**Over 5 Years**
Non-derivative financial liabilities					
Payables	$ 31,044,618	$ 239,517	$ 285,769	$ 1,242,728	$ 9,636
Bonds payables (Note)	-	1,608,951	2,415,000	7,245,000	78,400,000
Derivative financial liabilities					
Forward	5,538,893	53,900	-	-	-
SWAP	23,555,917	10,107,225	-	-	-
IRS	14,230	3,686	3,978	2,587	-

	March 31, 2018				
	Less than 6 Months	**Due in 6-12 Months**	**Due in 1-2 Years**	**Due in 2-5 Years**	**Over 5 Years**
Non-derivative financial liabilities					
Payables	$ 36,956,892	$ 737,533	$ 81,437	$ 51,246	$ 7,576,849
Bonds payables (Note)	1,210,801	1,204,199	2,415,000	7,245,000	79,413,471
Preferred share liability	-	5,057,074	-	-	-
Derivative financial liabilities					
Forward	432,010	-	-	-	-
SWAP	1,141,257	713,631	-	-	-
IRS	23,313	14,897	17,165	(640)	-

Note: The bonds payable do not have maturity dates; therefore, the remaining period used for the calculation of the contract cash flows is 10 years.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the floating-rate assets held by the Company may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Company held IRS to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

	March 31, 2019				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	$ 6,800,000	$ 220,240	$ -	Financial assets for hedging	$ 19,912

	December 31, 2018				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	$ 6,800,000	$ 216,611	$ -	Financial assets for hedging	$ 54,891

	March 31, 2018				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	$ 14,790,000	$ 221,211	$ -	Financial assets for hedging	$ 2,814

2) Maturities of the nominal amount of hedging instruments and average price or rate

	Due in				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
March 31, 2019					
IRS					
Nominal principal	$ -	$ -	$ -	$ 3,800,000	$ 3,000,000
Average fixed rate	-	-	-	1.6%	1.7%

	Due in				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2018					
IRS					
Nominal principal	$ -	$ -	$ -	$ 3,800,000	$ 3,000,000
Average fixed rate	-	-	-	1.6%	1.7%

	Due in				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
March 31, 2018					
IRS					
Nominal principal	$ -	$ 7,990,000	$ -	$ 2,800,000	$ 4,000,000
Average fixed rate	-	1.3%	-	1.6%	1.7%

3) Hedged items

	For the Three Months Ended March 31, 2019							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	$ (19,912)	$ 220,240	N/A	$ 19,912	$ -	$ -	$ (16,283)	Finance costs
Discontinued hedge - floating-rate bonds	N/A	N/A	$ -	N/A	N/A	N/A	-	Finance costs

	For the Three Months Ended March 31, 2018							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	$ (2,814)	$ 221,211	N/A	$ 2,814	$ -	$ -	$ (28,046)	Finance costs
Discontinued hedge - floating-rate bonds	N/A	N/A	$ (624)	N/A	N/A	N/A	463	Finance costs

4) Reconciliation for equity component applying hedge accounting and related other comprehensive income is summarized below:

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	$ 173,288	$ 203,646
Gross amounts recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	19,912	2,814
Amount reclassified from cash flow hedge reserve to profit or loss	(16,283)	(27,583)
Income tax	(726)	(2,407)
Ending balance	$ 176,191	$ 176,470

Fair value hedges

The book value of the foreign currency denominated assets held by the Company may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, the Company held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

1) Hedging instruments

	March 31, 2019				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument - Assets	Carrying Amounts of the Hedging Instrument - Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period
CCS	$ 9,974,674	$ 172,413	$ -	Financial assets for hedging	$ 73,922

2) Maturities of the nominal amount of hedging instruments and average price or rate

	Due in 1 Month	Due in 1-3 Months	Due in 3 Months - 1 Year	Due in 1-5 Years	Due in Over 5 Years
March 31, 2019					
CCS					
Nominal principal	$ -	$ -	$ -	$ -	$ 9,974,674
Interest rate	-	-	-	-	2.2%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285-1.1353

3) Hedged items

	For the Three Months Ended March 31, 2019							
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair value of Hedged Items included in Book Value of Hedged Items		Line item in Statement of Financial Position that includes Hedged items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or loss	Line item in Profit or Loss that includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Oversea bonds	$9,974,674	$ -	$ (73,922)	$ -	Financial assets measured at amortized cost	$ (73,922)	$ -	$ -

4) Reconciliation for equity component applying hedged accounting and related other comprehensive income are summarized below:

Foreign currency basis-related period	For the Three Months Ended March 31, 2019
Beginning balance	$ -
Gross amounts recognized in other comprehensive income	
Changes in the values of the hedging instruments recognized in other comprehensive income	98,491
Income tax	(19,698)
Ending balance	$ 78,793

g. Offsetting of financial assets and financial liabilities

The Group engages in derivative financial instruments that do not meet the offsetting criteria of standards, and enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

March 31, 2019

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Assets	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Assets Recognized on Balance Sheet	Relevant Amount That Has Not Been Offset on Balance Sheet: Financial Instruments	Relevant Amount That Has Not Been Offset on Balance Sheet: Cash Collateral Received	Net Amount
Derivative financial instruments	$ 1,736,602	$ -	$ 1,736,602	$ (1,461,993)	$ (91,089)	$ 183,520

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Liabilities	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Liabilities Recognized on Balance Sheet	Relevant Amount That Has Not Been Offset on Balance Sheet: Financial Instruments	Relevant Amount That Has Not Been Offset on Balance Sheet: Cash Collateral Paid	Net Amount
Derivative financial instruments	$ 24,496,486	$ -	$ 24,496,486	$ (1,461,993)	$ (11,053,233)	$ 11,981,260

December 31, 2018

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Assets	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Assets Recognized on Balance Sheet	Relevant Amount That Has Not Been Offset on Balance Sheet: Financial Instruments	Relevant Amount That Has Not Been Offset on Balance Sheet: Cash Collateral Received	Net Amount
Derivative financial instruments	$ 5,584,159	$ -	$ 5,584,159	$ (5,424,679)	$ -	$ 159,480

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Liabilities	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Liabilities Recognized on Balance Sheet	Relevant Amount That Has Not Been Offset on Balance Sheet: Financial Instruments	Relevant Amount That Has Not Been Offset on Balance Sheet: Cash Collateral Paid	Net Amount
Derivative financial instruments	$ 27,499,106	$ -	$ 27,499,106	$ (5,424,679)	$ (10,921,864)	$ 11,152,563

March 31, 2018

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
				Relevant Amount That Has Not Been Offset on Balance Sheet		
Item	Gross Amounts of Recognized Financial Assets	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Assets Recognized on Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Derivative financial instruments	$ 29,009,596	$ -	$ 29,009,596	$ (1,385,997)	$ (12,188,277)	$ 15,435,322

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
				Relevant Amount That Has Not Been Offset on Balance Sheet		
Item	Gross Amounts of Recognized Financial Liabilities	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Liabilities Recognized on Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amount
Derivative financial instruments	$ 1,504,046	$ -	$ 1,504,046	$ (1,385,997)	$ -	$ 118,049

39. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

The Company’s risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders’ value, and comply with applicable domestic and oversea laws and regulations for the purpose of steady growth and sustainable management.

2) Framework, organization structure and responsibilities of risk management

a) Chairman of the board

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

ii. The board of directors and senior management should consistently promote and execute risk management.

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

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

b) Risk management committee

i. The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.

ii. The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.

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

iv. The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.

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

c) Chief risk officer

i. The chief risk officer should maintain independence and should not concurrently play a business or financial role nor hold a position in any profit center of the Company.

ii. The chief risk officer should be able to access any and all business information which may have an impact on risk overview of the Company.

iii. The chief risk officer should be in charge of overall risk management of the Company.

iv. The chief risk officer should participate in the Company's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

d) Risk management department

i. The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independent to business.

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

i) Propose and execute the risk management policies set by the board of directors.

ii) Propose the risk limits based on risk appetite.

iii) Summarize the risk information provided by each department, negotiate and communicate with each departments to facilitate the execution of the policies and the risk limits.

iv) Regularly present risk management reports.

v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.

vi) Assist to execute stress testing.

vii) Execute back testing if necessary.

viii) Other risk management related issues.

e) Business units

i. Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.

ii. The duties of the risk management include the following:

i) Identify and measure risks and report risk exposures and potential impacts on time.

ii) Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with what the corresponding actions.

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

iv) Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.

v) Assist to collect data related to operational risk.

vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to such risks.

vii) Manager of a business unit should supervise the unit to summit risk management information regularly to the risk management department.

f) Audit department

The department is responsible to audit each department’s performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Company.

Each subsidiary’s risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to the Company’s risk management committee for future reference.

3) The range and nature of risk reporting or evaluation system

The Company’s risk management procedures include risk identification, risk measurement, risk control and risk reporting. The Company sets its management standards for market risk, credit risk, country risk, liquidity risk, operational risk, insurance risk, and asset and liability matching risk, as well as for capital adequacy. The Company also develops methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

a) Market risk

Market risk is the risk of losses in value of the Company’s financial assets arising from the changes in market prices of financial instruments. The Company adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, the Company performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events. In response to the implementation of foreign exchange valuation reserve, the Company determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

b) Credit risk

Credit risk is the risk of losses on the Company’s rights due to that the counterparty or debtor does not perform the contractual obligation. The Company applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events.

c) Country risk

Country risk is the risk that the Company suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. The Company adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. The Company reviews and adjusts the indicator on a regular basis.

d) Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. The Company has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. Cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth. The Company has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

e) Operational risk

Operational risk is the risk of losses caused by misconducts or errors of internal process, personnel, and system by external issues. Operational risk includes legal risk but excludes strategic risk and reputation risk. The Company has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain the Company’s operation and ability to provide customer services while minimizing the losses under a major crisis, the Company has established emergency handling mechanism and information system damage responses.

f) Insurance risk

The Company assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and the Company may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

g) Asset and liability matching risk

This risk resulted from the differences between the changes in values of assets and those of liabilities. The Company measures the risk with capital costs, duration, cash flow management and scenario analysis.

h) Risk-based capital (RBC) ratio

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

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

a) The process of assuming, measuring, monitoring and controlling insurance risks

i. Stipulate the Company's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.

ii. Establish methods to evaluate insurance risks.

iii. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Company and that of Cathay Financial Holdings.

b) The underwriting policies to determine proper risk classification and premium levels

i. Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

ii. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.

iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

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

a) Insurance risk assessment covers the following risks:

i. Product design and pricing risk: the risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.

ii. Underwriting risk: unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.

iii. Reinsurance risk: this risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.

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

v. Claim risk: this risk arises from mishandling claims.

vi. Reserve-related risk: this risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.

b) The scope of management of insurance risk

i. Develop a risk control framework of the Company’s insurance risk to empower related development to execute risk management.

ii. Establish the Company’s insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.

iii. Develop related response in consideration of the Company’s growth strategy and changes in the domestic and global economic and financial environments.

iv. Determine methods to measure insurance risks.

v. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

vi. Other insurance risk management issues.

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

The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company’s risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

7) Asset/liability management

a) The Company established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Company faces.

b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.

c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company’s RBC ratio should be higher than a certain number. In order to enhance the Company’s capital management and to maintain a proper RBC ratio, the Company has established a set of capital adequacy management standards as follows:

a) Capital adequacy management

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

ii. Regularly provide the capital adequacy management analysis report to the risk management committee.

iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio.

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

b) Exception management process

i. When RBC ratio exceeds the medium-low risk criteria or other exceptions occur, the Company is required to notify the risk management department together with the capital adequacy analysis report and actions.

ii. When RBC ratio exceeds the medium risk criteria or other exceptions occur, the Company is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings together with the capital adequacy analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Company’s investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

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

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

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by business groups, industries and countries. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

		For the Three Month Ended March 31, 2019			
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 691,494	Decrease (increase)	$ 553,195
Expense	×1.05 (×0.95)	Decrease (increase)	903,947	Decrease (increase)	723,157
Surrender rate	×1.05 (×0.95)	Increase (decrease)	154,337	Increase (decrease)	123,469
Rate of return	+0.1%	Increase	1,387,674	Increase	1,110,139
Rate of return	-0.1%	Decrease	1,388,019	Decrease	1,110,415

		For the Three Month Ended March 31, 2018			
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 681,733	Decrease (increase)	$ 545,386
Expense	×1.05 (×0.95)	Decrease (increase)	735,848	Decrease (increase)	588,678
Surrender rate	×1.05 (×0.95)	Increase (decrease)	87,813	Increase (decrease)	70,251
Rate of return	+0.1%	Increase	1,329,821	Increase	1,063,857
Rate of return	-0.1%	Decrease	1,330,152	Decrease	1,064,121

b) Cathay Lujiazui Life

		For the Three Month Ended March 31, 2019			
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 41,005	Decrease (increase)	$ 30,754
Expense	×1.05 (×0.95)	Decrease (increase)	22,504	Decrease (increase)	16,878
Surrender rate	×1.10 (×0.90)	Increase (decrease)	24,406	Increase (decrease)	18,304
Rate of return	+0.25%	Increase	348,556	Increase	261,417
Rate of return	-0.25%	Decrease	382,628	Decrease	286,971

		For the Three Month Ended March 31, 2018			
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 40,583	Decrease (increase)	$ 30,437
Expense	×1.05 (×0.95)	Decrease (increase)	21,130	Decrease (increase)	15,848
Surrender rate	×1.10 (×0.90)	Increase (decrease)	26,797	Increase (decrease)	20,097
Rate of return	+0.25%	Increase	147,541	Increase	110,656
Rate of return	-0.25%	Decrease	161,962	Decrease	121,471

c) Cathay Life (Vietnam)

		For the Three Month Ended March 31, 2019			
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 241	Decrease (increase)	$ 193
Expense	×1.05 (×0.95)	Decrease (increase)	9,323	Decrease (increase)	7,458
Surrender rate	×1.10 (×0.95)	Increase (decrease)	1,790	Increase (decrease)	1,432
Rate of return	+0.1%	Increase	3,184	Increase	2,547
Rate of return	-0.1%	Decrease	3,185	Decrease	2,548

		For the Three Month Ended March 31, 2018			
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 96	Decrease (increase)	$ 77
Expense	×1.05 (×0.95)	Decrease (increase)	6,406	Decrease (increase)	5,125
Surrender rate	×1.10 (×0.95)	Increase (decrease)	1,340	Increase (decrease)	1,072
Rate of return	+0.1%	Increase	1,979	Increase	1,583
Rate of return	-0.1%	Decrease	1,980	Decrease	1,584

i. Changes in income before tax listed above referred to the effects of income before tax for the three months ended March 31, 2019 and 2018. The changes in equity of the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.

ii As an increase (decrease) of 0.1% in discount rates is applied to liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii. Sensitivity Test

i) Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

ii) Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.

iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

iv) Rate of return sensitivity test is executed by adjusting rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses and employee training expenses of operating expenses.

Note 2: Rate of return is calculated as follows (to be annualized):

2 x (net investment - finance costs)/(the beginning balance of available funds + the ending balance of available funds, net incomes (losses) on investment + finance costs)

2) Concentration of insurance risks

The Company's insurance business is mainly from the ROC, and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). The Company reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, the Company reviews the overall results of claims and payments and its ability to assume risk periodically, and performs an evaluation of insurance risks according to the retention amounts, which is submitted for approval by authority. The Company cedes the excess of insurance risks over the retention amounts to reinsurers. At the same time, the Company considers unexpected human and natural disasters to estimate the reasonable maximum of losses according to the retained risks regularly; the Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the range of losses its ability to assume risks. Hence, the insurance risks to some degree have been diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for major incidents should be provided for huge claims and payments due to future major incidents, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for major incidents and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

3) Claim development trend

a) The Company

i. Direct business development trend

Accident Year	Development Year							Claims not yet filed	Reserve for claims not yet filed
	1	2	3	4	5	6	7		
2012Q2-2013Q1	$ 14,569,267	$ 17,789,762	$ 18,110,776	$ 18,165,256	$ 18,206,847	$ 18,240,233	$ 18,263,191	$ -	$ -
2013Q2-2014Q1	14,477,781	17,698,383	18,006,950	18,071,883	18,108,996	18,137,596	18,160,321	22,725	22,770
2014Q2-2015Q1	14,551,675	17,833,415	18,170,312	18,237,819	18,237,267	18,268,300	18,291,435	54,168	54,276
2015Q2-2016Q1	15,615,418	19,060,569	19,414,149	19,490,509	19,531,992	19,565,400	19,590,249	99,740	99,939
2016Q2-2017Q1	16,022,652	19,698,946	20,049,004	20,120,214	20,162,750	20,197,314	20,223,168	174,163	174,512
2017Q2-2018Q1	18,053,937	22,165,777	22,559,246	22,640,540	22,690,059	22,728,777	22,757,932	592,155	593,340
2018Q2-2019Q1	19,772,694	24,193,798	24,624,353	24,714,842	24,770,511	24,813,302	24,845,458	5,072,764	5,082,909

Expected future payments	$ 6,027,746
Add: Assumed reserve for claims not yet filed	51,343
Reserve for claims not yet filed	6,079,089
Add: Claims filed but not yet paid	3,096,408
Loss reserve balance	$ 9,175,497

ii. Retained business development trend

Accident Year	Development Year							Claims not yet filed	Reserve for claims not yet filed
	1	2	3	4	5	6	7		
2012Q2-2013Q1	$ 14,714,900	$ 17,996,648	$ 18,320,914	$ 18,376,366	$ 18,418,415	$ 18,452,269	$ 18,475,603	$ -	$ -
2013Q2-2014Q1	14,594,974	17,834,589	18,147,133	18,212,710	18,250,501	18,279,587	18,302,607	23,020	23,066
2014Q2-2015Q1	14,661,087	17,981,392	18,322,594	18,390,825	18,390,977	18,422,471	18,446,690	55,712	55,824
2015Q2-2016Q1	15,734,806	19,228,641	19,586,570	19,663,817	19,705,913	19,739,805	19,765,859	102,042	102,246
2016Q2-2017Q1	16,103,354	19,813,468	20,168,320	20,240,093	20,283,059	20,317,938	20,344,023	175,703	176,054
2017Q2-2018Q1	18,179,256	22,338,184	22,736,312	22,818,467	22,868,644	22,907,880	22,937,702	599,519	600,718
2018Q2-2019Q1	19,868,021	24,320,618	24,755,068	24,846,322	24,902,606	24,946,013	24,978,980	5,110,959	5,121,181

Expected future payments	$ 6,079,089
Add: Claims filed but not yet paid	3,094,609
Retained loss reserve balance	$ 9,173,698

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

In accordance with Order No. Financial-Supervisory-Insurance-Corporate-10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. Loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes recognized as profit or loss as incurred. Notification to the Company may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in at specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in at specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in at specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

b) Cathay Lujiazui Life

i. Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2011Q2-2012Q1	$ 373,764	$ 600,850	$ 638,521	$ 648,367	$ 648,367	$ 648,367	$ 648,367	$ -
2012Q2-2013Q1	219,366	410,567	439,392	446,938	446,938	446,938	446,938	-
2013Q2-2014Q1	260,304	446,686	478,522	484,934	484,934	484,934	484,934	-
2014Q2-2015Q1	267,802	506,115	542,170	542,170	542,170	542,170	542,170	-
2015Q2-2016Q1	302,789	547,324	578,777	585,342	585,342	585,342	585,342	6,565
2016Q2-2017Q1	363,183	394,489	420,538	425,308	425,308	425,308	425,308	30,819
2017Q2-2018Q1	425,796	692,351	738,068	746,439	746,439	746,439	746,439	320,643

Expected future payments	$ 358,027
Add: Assumed reserve for claims not yet filed	(1,589)
Reserve for claims not yet filed	356,438
Add: Claims filed but not yet paid	26,755
Loss reserve balance	$ 383,193

ii. Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2011Q2-2012Q1	$ 365,019	$ 592,105	$ 629,732	$ 639,575	$ 639,575	$ 639,575	$ 639,575	$ -
2012Q2-2013Q1	196,590	387,365	416,168	423,712	423,712	423,712	423,712	-
2013Q2-2014Q1	257,678	443,931	475,767	482,050	482,050	482,050	482,050	-
2014Q2-2015Q1	255,481	491,190	527,181	527,181	527,181	527,181	527,181	-
2015Q2-2016Q1	292,313	469,369	498,478	504,237	504,237	504,237	504,237	5,759
2016Q2-2017Q1	350,617	377,240	403,091	407,748	407,748	407,748	407,748	30,508
2017Q2-2018Q1	418,768	673,171	719,301	727,611	727,611	727,611	727,611	308,843

Expected future payments	$ 345,110
Less: Expected claims filed but not yet paid	(1,589)
Add: Claims filed but not yet paid	25,118
Retained loss reserve balance	$ 368,639

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

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in at specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in at specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in at specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

c) Cathay Life (Vietnam)

Direct business development trend (the same as retained business development trend)

Accident Year	Development Year				
	1	2	3	4	5
2014Q2-2015Q1	$ 656	$ 777	$ 777	$ 780	$ 780
2015Q2-2016Q1	1,490	1,589	1,589	1,589	1,589
2016Q2-2017Q1	2,838	4,568	4,568	4,570	4,570
2017Q2-2018Q1	20,297	29,402	29,402	29,418	29,418
2018Q2-2019Q1	92,201	130,099	130,099	130,166	130,166

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in at specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in at specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the aboved table. Notification to Cathay Life (Vietnam) may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

c) Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

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

The credit ratings of the Company's reinsurers are above a certain level, complying with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company's total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the total insurance payments and expenses of valid insurance contracts in the future on the balance sheet date. The actual future payment amounts may differ due to the difference between the actual and expected experiences.

Unit: Billion

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**
March 31, 2019	$ (155.5)	$ 165.1	$ 17,919.9
December 31, 2018	(109.5)	199.3	17,521.6
March 31, 2018	(94.8)	92.5	16,798.4

Note: Separate account products are not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contacts are considered minor to profit or loss of equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

40. SEGMENT INFORMATION

The Group operates life insurance business in accordance with Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the business decision makers allocate the resources to the Group as a whole, the Group is considered as single operating segment.

41. CAPITAL MANAGEMENT

a. Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company.

b. Management policies

In order for sufficient capital to assume all types of risks, the Company applies RBC ratio as the management indicator for capital adequacy. The Company calculates RBC ratio periodically and a periodically to monitor the status of short and mid-term capital adequacy. The Company sets business objectives and asset allocation.

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

a) Admitted owner's equity

b) Other adjustments prescribed by the authorities.

Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

a) Asset risk

b) Insurance risk

c) Interest rate risk

d) Other risk

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement management of RBC, the RBC ratio is received periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) A periodical calculation

The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangement, or changes of the financial market and regulations.

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, which complies with the regulations.

42. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

a. The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	March 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 106,221,313	30.825	$ 3,274,263,217
CNY	16,339,509	4.581	74,849,959
AUD	3,013,181	21.853	65,848,200
Non-monetary items			
USD	8,758,520	30.825	269,981,392
HKD	12,502,758	3.927	49,096,162
Investments accounted for the using equity method			
CNY	403,329	4.604	1,856,969
USD	92,937	30.825	2,864,794
PHP	27,649,019	0.571	15,798,649
IDR	6,655,277,994	0.002	14,182,397
Financial liabilities			
Monetary items			
USD	887,121	30.825	27,345,511

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 103,246,497	30.733000	$ 3,173,074,587
AUD	2,933,900	21.677522	63,599,680
CNY	15,976,157	4.474192	71,480,393
Non-monetary items			
USD	9,679,449	30.733000	297,478,514
HKD	15,745,308	3.92398	61,784,266
Investments accounted for using the equity method			
CNY	158,735	4.476200	710,531
USD	88,217	30.733000	2,711,174
PHP	26,948,935	0.584200	15,743,568
IDR	6,505,480,341	0.002111	13,733,069
Financial liabilities			
Monetary items			
USD	1,329,950	30.733000	40,873,360

	March 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 91,434,453	29.120000	$ 2,662,571,284
CNH	22,096,782	4.647043	102,684,703
AUD	2,102,124	22.425312	47,140,784
Non-monetary items			
USD	12,399,843	29.120000	361,083,425
HKD	10,972,129	3.710310	40,710,005
Investments accounted for using the equity method			
USD	4,054	29.120000	118,050
CNY	160,797	4.641900	746,402
PHP	23,631,003	0.558100	13,188,463
IDR	5,754,546,314	0.002116	12,176,620

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

b. Total amount of assets and liabilities expected to recover or settle within/over 12 months

Items	March 31, 2019 Recovery within 12 Months	March 31, 2019 Recovery/ Settlement over 12 Months	March 31, 2019 Total
Cash and cash equivalents	$ 233,588,709	$ -	$ 233,588,709
Receivables	81,689,155	139,823	81,828,978
Investments			
Financial assets at FVTPL	15,042,999	1,227,387,136	1,242,430,135
Financial assets at FVTOCI	7,899,472	898,613,631	906,513,103
Financial assets measured at amortized cost	39,749,902	2,331,289,268	2,371,039,170
Financial assets for hedging	-	392,653	392,653
Investments accounted for using the equity method	-	42,563,648	42,563,648
Other financial assets	-	1,999,356	1,999,356
Investment property	-	471,538,455	471,538,455
Investment property under construction	-	3,420,751	3,420,751
Prepayments for buildings and land - investments	-	1,000,560	1,000,560
Loans	607,791	560,554,221	561,162,012
Total investments	63,300,164	5,538,759,679	5,602,059,843
Reinsurance assets	371,018	1,171,722	1,542,740
Property and equipment	-	32,366,600	32,366,600
Right-of-use assets	-	1,881,032	1,881,032
Intangible assets	-	43,454,209	43,454,209
Deferred tax assets	-	27,463,958	27,463,958
Other assets	6,605,201	33,880,816	40,486,017
Separate account insurance product assets	6,159,053	578,928,662	585,087,715
Total assets	$ 391,713,300	$ 6,258,046,501	$ 6,649,759,801
Payables	$ 23,734,030	$ 1,606,883	$ 25,340,913
Current tax liabilities	703,530	-	703,530
Financial liabilities at FVTPL	24,547,634	9,038	24,556,672
Bonds payable	-	70,000,000	70,000,000
Insurance liabilities			
Unearned premium reserve	-	16,633,959	16,633,959
Loss payments	-	9,563,234	9,563,234
Policy insurance	-	5,316,619,539	5,316,619,539
Special reserve	-	11,084,417	11,084,417
Premium deficiency reserve	-	21,940,664	21,940,664
Other reserve	-	1,889,542	1,889,542
Total insurance liabilities	-	5,377,731,355	5,377,731,355
Reserve for insurance contracts with the nature of financial products	-	10,186,795	10,186,795
Reserve for foreign exchange valuation	-	19,947,665	19,947,665
Provisions	-	216,535	216,535
Lease liabilities	-	10,646,116	10,646,116
Deferred tax liabilities	-	35,547,262	35,547,262

(Continued)

Items	March 31, 2019 Recovery within 12 Months	Recovery/ Settlement over 12 Months	Total
Other liabilities	$ 221,253	$ 7,425,886	$ 7,647,139
Separate account insurance product liabilities	845,781	584,241,934	585,087,715
Total liabilities	$ 50,052,228	$ 6,117,559,469	$ 6,167,611,697

(Concluded)

Items	December 31, 2018 Recovery within 12 Months	Recovery More than 12 Months	Total
Cash and cash equivalents	$ 175,332,205	$ -	$ 175,332,205
Receivables	74,184,073	786,396	74,970,469
Current tax assets	6,238	-	6,238
Investments			
Financial assets at FVTPL	8,923,624	1,158,827,561	1,167,751,185
Financial assets at FVTOCI	9,199,964	912,768,282	921,968,246
Financial assets measured at amortized cost	33,988,272	2,224,684,769	2,258,673,041
Financial assets for hedging	-	216,611	216,611
Investments accounted for using the equity method	-	40,780,828	40,780,828
Other financial assets, net	-	1,999,406	1,999,406
Investment property	-	461,352,381	461,352,381
Investment property under construction	-	2,785,640	2,785,640
Prepayments for buildings and land - investments	-	722,686	722,686
Loans	460,031	580,755,808	581,215,839
Total investments	52,571,891	5,384,893,972	5,437,465,863
Reinsurance assets	482,321	1,036,589	1,518,910
Property and equipment	-	32,381,622	32,381,622
Intangible assets	-	44,044,960	44,044,960
Deferred tax assets	-	38,252,456	38,252,456
Other assets	6,804,247	33,653,398	40,457,645
Separate account insurance product assets	6,996,582	539,967,679	546,964,261
Total assets	$ 316,377,557	$ 6,075,017,072	$ 6,391,394,629
Payables	$ 31,284,135	$ 1,538,133	$ 32,822,268
Current tax liabilities	636,050	-	636,050
Financial liabilities at FVTPL	27,490,471	8,635	27,499,106
Bonds payable	-	70,000,000	70,000,000
Insurance liabilities			
Unearned premium reserve	-	16,752,317	16,752,317
Loss payments	-	8,903,331	8,903,331
Policy insurance	-	5,225,589,886	5,225,589,886
Special reserve	-	11,084,254	11,084,254

(Continued)

Items	December 31, 2018		
	Recovery within 12 Months	Recovery More than 12 Months	Total
Premium deficiency reserve	$ -	$ 22,548,304	$ 22,548,304
Other reserve	-	1,894,570	1,894,570
Total insurance liabilities	-	5,286,772,662	5,286,772,662
Reserve for insurance contracts with the nature of financial products	-	9,318,713	9,318,713
Reserve for foreign exchange valuation	-	17,075,289	17,075,289
Provisions	-	225,277	225,277
Deferred tax liabilities	-	29,213,220	29,213,220
Other liabilities	418,274	8,320,083	8,738,357
Separate account insurance product liabilities	743,450	546,220,811	546,964,261
Total liabilities	$ 60,572,380	$ 5,968,692,823	$ 6,029,265,203

(Concluded)

Items	March 31, 2018		
	Recovery within 12 Months	Recovery More than 12 Months	Total
Cash and cash equivalents	$ 255,052,364	$ -	$ 255,052,364
Receivables	60,984,137	814,534	61,798,671
Investments			
Financial assets at FVTPL	36,906,663	1,141,666,829	1,178,573,492
Financial assets at FVTOCI	8,390,865	914,253,160	922,644,025
Financial assets measured at amortized cost	41,498,380	1,906,437,333	1,947,935,713
Financial assets for hedging	6,771	214,440	221,211
Investments accounted for using the equity method	-	32,249,528	32,249,528
Other financial assets, net	-	3,499,051	3,499,051
Investment property	-	459,870,311	459,870,311
Investment property under construction	-	4,233,188	4,233,188
Prepayments for buildings and land - investments	-	690,482	690,482
Loans	218,685	601,779,234	601,997,919
Total investments	87,021,364	5,064,893,556	5,151,914,920
Reinsurance assets	65,565	667,730	733,295
Property and equipment	-	31,076,035	31,076,035
Intangible assets	-	45,379,755	45,379,755
Deferred tax assets	-	43,085,046	43,085,046
Other assets	5,833,107	22,851,719	28,684,826
Separate account product assets	11,621,576	547,425,104	559,046,680
Total assets	$ 420,578,113	$ 5,756,193,479	$ 6,176,771,592
Payables	$ 37,694,425	$ 7,709,532	$ 45,403,957
Current tax liabilities	435,034	-	435,034
Financial liabilities at FVTPL	1,459,667	44,379	1,504,046
Bonds payable	-	70,000,000	70,000,000

(Continued)

Items	March 31, 2018 Recovery within 12 Months	Recovery More than 12 Months	Total
Preferred share liability	$ 5,000,000	$ -	$ 5,000,000
Insurance liabilities			
Unearned premium reserve	-	15,720,592	15,720,592
Loss payments	-	7,679,149	7,679,149
Policy insurance	-	4,916,863,878	4,916,863,878
Special reserve	-	11,084,384	11,084,384
Premium deficiency reserve	-	25,630,634	25,630,634
Other reserve		1,910,570	1,910,570
Total insurance liabilities	-	4,978,889,207	4,978,889,207
Reserve for insurance contracts with the nature of financial products	-	8,910,606	8,910,606
Reserve for foreign exchange valuation	-	11,217,192	11,217,192
Provisions	-	56,245	56,245
Deferred tax liabilities	-	38,685,539	38,685,539
Other liabilities	305,337	24,396,677	24,702,014
Separate account product liabilities	1,218,295	557,828,385	559,046,680
Total liabilities	$ 46,112,758	$ 5,697,737,762	$ 5,743,850,520

(Concluded)

c. Information for discretionary investment

1) As of March 31, 2019, December 31, 2018 and March 31, 2018, the Company contracts with securities investment trust companies for discretionary investment service and the related investments are as follows:

Items	March 31, 2019 Carrying Amount	Fair Value
Domestic stocks	$ 134,090,537	$ 134,090,537
Overseas stocks	56,572,458	56,572,458
Reverse repurchase bonds	12,583,000	12,583,000
Cash in banks	32,018,699	32,018,699
Beneficiary certificates	246,671	246,671
Futures and options	278,267	278,267
	$ 235,789,632	$ 235,789,632

Items	December 31, 2018 Carrying Amount	Fair Value
Domestic stocks	$ 118,377,980	$ 118,377,980
Overseas stocks	60,215,861	60,215,861
Reverse repurchase bonds	12,410,000	12,410,000
Cash in banks	17,914,307	17,914,307
Beneficiary certificates	1,830,959	1,830,959
Futures and options	216,603	216,603
	$ 210,965,710	$ 210,965,710

Items	March 31, 2018	
	Carrying Amount	Fair Value
Domestic stocks	$ 142,586,876	$ 142,586,876
Overseas stocks	56,693,223	56,693,223
Reverse repurchase bonds	13,067,000	13,067,000
Cash in banks	33,406,291	33,406,291
Beneficiary certificates	1,711,197	1,711,197
Futures and options	116,546	116,546
	$ 247,581,133	$ 247,581,133

2) As of March 31, 2019, the amount limits of discretionary investments were NT$101,872,589 thousand, US$1,238,500 thousand and HK$1,351,384 thousand. As of December 31, 2018, the amount limits of discretionary investments were NT$97,872,589 thousand, US$1,417,500 thousand and HK$2,023,000 thousand. As of March 31, 2018, the amount limits of discretionary investments were NT$111,612,149 thousand, US$1,645,000 thousand and HK$2,750,000 thousand.

d. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investments and management organizations. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group provided loans amounting to GBP345,000 thousand, GBP345,000 thousand and GBP345,000 thousand, respectively, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Group. The information of these unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in shares or limited partnership interests issued by the funds
Securitization vehicle	Investment in securitization vehicle to receive returns	Investment in asset-backed securities issued by the entities

b) As of March 31, 2019, December 31, 2018 and March 31, 2018, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2019	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 78,449,142	$ 30,369,972
Financial assets at FVTOCI	-	41,071,391
Financial assets measured at amortized cost	-	161,410,248
	$ 78,449,142	$ 232,851,611

	December 31, 2018	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 77,198,514	$ 29,059,383
Financial assets at FVTOCI	-	53,974,279
Financial assets measured at amortized cost	-	152,673,283
	$ 77,198,514	$ 235,706,945

	March 31, 2018	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 53,535,437	$ 24,990,877
Financial assets at FVTOCI	-	72,108,433
Financial assets measured at amortized cost	-	128,118,766
	$ 53,535,437	$ 225,218,076

43. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

No.	Description	Explanation
1	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
2	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
3	Engage in core business transactions with related parties amounting over $100 million or 20% of the paid-in capital	Note 33
4	Receivables from related parties amounting over $100 million or 20% of the paid-in capital	Note 33
5	Trading in derivative instruments	Notes 8 and 38

b. Information of investees

No.	Description	Explanation
1	Information on investee, including name, location and etc.	Table 1
2	Financing provided to others	N/A
3	Endorsements/guarantees provided	N/A
4	Marketable securities held	Table 2
5	Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital	N/A
6	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
7	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
8	Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital	N/A
9	Receivables from related parties amounting over $100 million or 20% of the paid-in capital	N/A
10	Trading in derivative instruments	N/A

c. Information on investments in Mainland China

No.	Description	Explanation
1	Name, principle business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed.	Table 3
2	Significant transaction, with investee in mainland China, directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses.	N/A
3	Note, endorsements and collaterals provided directly or indirectly through a third region by investee in mainland China.	N/A
4	Capital financing directly or indirectly through a third region by investee in mainland China.	N/A
5	Other significant transactions which may affect the decisions of users of the financial statements	N/A

d. The important intercompany transactions among the Group are disclosed in Table 4 following the notes to the consolidated financial statements.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2019	December 31, 2018	Number of Shares	Ratio (%)	Carrying Amount			
Cathay Life Insurance Co., Ltd.	Conning Holdings Limited	UK	Holding company	$ 15,723,539	$ 15,723,539	2,029	100.00	$ 14,962,185	$ 139,284	$ 96,198	Subsidiary (2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	9,090,730	9,090,730	-	100.00	9,562,456	31,780	31,780	Subsidiary (1)
	Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	Real estate investment and operation management	16,654,013	16,654,013	326,700	100.00	13,527,804	124,475	124,475	Subsidiary (1)
	Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	Real estate investment and operation management	168,222	168,222	3,300	100.00	136,461	1,101	1,101	Subsidiary (1)
	Cathay Walbrook Holding 1 Limited	Jersey Island	Real estate investment and operation management	10,189,090	10,189,090	213,750	100.00	9,080,137	69,670	69,670	Subsidiary (1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	475,083	3,568	3,568	Subsidiary (1)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	23.35	15,798,649	(637,342)	(148,835)	Associate (2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	13,317,536	13,317,536	2,550,767	40.00	14,182,398	502,343	200,937	Associate (2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	70,000	70,000	7,000	100.00	310,104	31,312	31,312	Subsidiary (1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information softwares	404,432	404,432	24,511	49.12	438,929	15,582	7,654	Associate (2)
	WK Technology Fund	Taiwan	Venture investment	108,372	108,372	10,837	21.43	52,063	(12,073)	(2,587)	Associate (2)
	KHL Capital	Taiwan	Venture investment	1,044,225	1,044,225	104,423	25.00	1,697,103	41,394	10,348	Associate (2)
	Da-Sheng-Si Venture Capital Co., Ltd.	Taiwan	Venture investment	750,000	750,000	75,000	21.43	788,019	22,733	4,871	Associate (2)
	Nan-Gang International I Co., Ltd.	Taiwan	Lease construction and development of residence and buildings	675,000	675,000	67,500	45.00	675,847	(580)	(261)	Associate (2)
	Nan-Gang International II Co., Ltd.	Taiwan	Lease construction and development of residence and buildings	675,000	675,000	67,500	45.00	674,761	(725)	(326)	Associate (2)
	Kai-Tai Energy Co., Ltd.	Taiwan	Energy technical services	270,000	270,000	27,000	45.00	274,964	1,360	612	Associate (2)
	Xin-Ri-Tai Energy Co., Ltd.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	690,263	(16,751)	(7,538)	Associate (2)
	Tai-Xu Energy Co., Ltd	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	697,522	2,544	1,145	Associate (2)
	Ding-Teng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	37,284	27.36	769,844	14,285	3,908	Associate (2)
	PSS Co., Ltd.	Taiwan	Parking space management	781,364	781,364	13,452	36.94	791,419	22,945	8,476	Associate (2)
Conning Holdings Limited	Global Evolution Holding ApS	Denmark	Investment management	2,679,234	2,679,234	3,138	45.00	2,864,794	422,423	178,026	Associate (2)

Note 1: Share of profit or loss is recognized on the basis of the financial statement reviewed by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the financial statement unreviewed by an independent auditor.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	March 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Preference shares							
Conning Inc.	Centerprise Services Inc.	N/A	Financial assets at FVTOCI	400	$ 4,514	1.76	$ 4,514	
	Stocks							
Symphox Information Co., Ltd.	Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	72	742	0.63	742	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	30,005	7.72	30,005	
	Buyforyou Co., Ltd.	N/A	Financial assets at FVTOCI	117	-	10.00	-	
	Ally Logistic Property Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	9,180	124,687	51.00	124,687	
	Connect Logistics Service Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	3,707	-	100.00	-	
	Seaward Card Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	3,000	55,523	100.00	55,523	
	Thinkpower Information Corporation	Parent and subsidiary	Investments accounted for using the equity method	3,329	291,871	52.00	291,871	

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Principle business activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	$ 13,497,155	(a)	$ 6,748,578	$ -	$ -	$ 6,748,578	$ 145,253	50.0	$ 72,627	$ 5,377,167	$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	(a)	2,943,663	-	-	2,943,663	(25,524)	24.5	(6,253)	1,856,969	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	(a)	7,223,435	-	-	7,223,435	58,591	100.0	43,917	7,708,259	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand)	$16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand)	$285,659,046

Note 1: Categories of method of investment

a. Direct investment in China.
b. Reinvestment in China through the third-region companies.
c. Others.

Note 2: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Company to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 thousand to US$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company's subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of March 31, 2019, the Company's remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US$78,210 thousand.

On October 17, 2007, MOEAIC authorized the Company to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. As of March 31, 2019, the Company's remittances to this general insurance company amounted to approximately CNY445,000 thousand and US$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US$47,000) thousand and CNY500,000 (US$80,000) thousand, respectively. A total of US$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US$111,000) thousand to increase the share capital. As of March 31, 2019, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

TABLE 4

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total operating revenue or Assets
0	Cathay Life Insurance Co., Ltd.	Cathay Walbrook Holding 1 Limited	a	Other loans	$ 13,160,031	Equivalent to general conditions of transactions	0.20
		Cathay Walbrook Holding 1 Limited	a	Other receivables	16,297	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 1 Limited	a	Interest income	125,660	Equivalent to general conditions of transactions	0.05
		Cathay Walbrook Holding 2 Limited	a	Other loans	692,633	Equivalent to general conditions of transactions	0.01
		Cathay Walbrook Holding 2 Limited	a	Other receivables	858	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 2 Limited	a	Interest income	6,614	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Processing fee expense	155,905	Equivalent to general conditions of transactions	0.06
		Conning Holdings Limited	a	Other payables	161,726	Equivalent to general conditions of transactions	-
1	Lin Yuan (Shanghai) Real Estate	Cathay Lujiazui Life Insurance Co., Ltd.	c	Guarantee deposits received	10,595	Equivalent to general conditions of transactions	-
		Cathay Lujiazui Life Insurance Co., Ltd.	c	Rental income	10,559	Equivalent to general conditions of transactions	-

Note 1: Parent is number 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue and assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm's length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.