Cathay Life Insurance Co., Ltd.
Financial Statements
For The Three Months Ended
March 31, 2012 and 2011
With Independent Auditors' Review Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and accounting principles generally accepted in the R.O.C.. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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English Translation of Report Originally Issued in Chinese

Independent Auditors' Review Report

Board of Directors

Cathay Life Insurance Co., Ltd.

We have reviewed the accompanying balance sheets of Cathay Life Insurance Co., Ltd. (the "Company") as of March 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

We conducted our review in accordance with auditing standards No. 36 "Review of Financial Statements" generally accepted in the Republic of China ("R.O.C."). A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements as of and for the three-month periods ended March 31, 2012 and 2011 in order for them to be in conformity with requirements of the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and accounting principles generally accepted in the R.O.C..

Effective from January 1, 2011, the Company adopted the third revision of the SFAS No.34 "Financial Instruments: Recognition and Measurement", the new SFAS No.40 "Insurance Contract" and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Ernst & Young
Certified Public Accountants
Taipei, Taiwan R.O.C.
April 24, 2012

Notice to Readers:

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.
Unaudited balance sheets
As of March 31, 2012 and 2011
(Expressed in thousands of dollars)

Assets	Notes	March 31, 2012 NT$	March 31, 2012 US$	March 31, 2011 NT$	March 31, 2011 US$
Cash and cash equivalents	2,4,31,32	$422,707,116	$14,329,055	$379,776,244	$12,917,559
Receivables	31				
Notes Receivables - Net		2,464,812	83,553	2,800,778	95,265
Claims recoverable from reinsurers - Net		1,440	49	10,134	345
Due from reinsurers and ceding companies - Net		16,020	543	15,724	535
Other Receivables - Net	32	83,855,058	2,842,544	66,743,988	2,270,203
Subtotal		86,337,330	2,926,689	69,570,624	2,366,348
Investments	31				
Financial assets at fair value through profit or loss	2,5,12,32	83,305,370	2,823,911	63,549,203	2,161,538
Available-for-sale financial assets	2,6,12	1,259,237,175	42,686,006	598,161,915	20,345,643
Derivative financial assets for hedging	2,7	1,656,849	56,164	1,838,580	62,537
Financial assets carried at cost	2,8	9,316,982	315,830	8,940,033	304,083
Investments under the equity method - Net	2,9	4,074,432	138,116	4,923,495	167,466
Investments in debt securities with no active market	2,10,12	563,256,275	19,093,433	436,394,671	14,843,356
Held-to-maturity financial assets	2,11,12	-	-	593,645,448	20,192,022
Other financial assets		20,000,000	677,966	40,600,000	1,380,952
Investments in real estate - Net	2,13	147,075,083	4,985,596	129,922,278	4,419,125
Loans	2,14,32	487,683,959	16,531,660	479,925,391	16,323,993
Subtotal		2,575,606,125	87,308,682	2,357,901,014	80,200,715
Reinsurance reserve assets - Net	31				
Ceded unearned premium reserve - Net	20	7,998,335	271,130	6,709,157	228,203
Ceded reserve for claims - Net	20	612,541	20,764	544,235	18,511
Subtotal		8,610,876	291,894	7,253,392	246,714
Property and equipment - Net	2,15,31,32				
Land		5,811,432	196,998	4,888,203	166,265
Buildings and construction		11,459,801	388,468	10,922,622	371,518
Computer equipment		2,233,251	75,703	2,180,244	74,158
Communication and transportation equipment		9,318	316	9,658	329
Other equipment		3,183,253	107,907	3,109,216	105,755
Revaluation increments		620	21	620	21
Subtotal of cost and revaluation		22,697,675	769,413	21,110,563	718,046
Less: Accumulated depreciation		(9,323,278)	(316,043)	(8,760,454)	(297,975)
Less: Accumulated impairment		(140,412)	(4,760)	(140,412)	(4,775)
Construction in progress and prepayment for real estate equipment		51,251	1,737	12,020	409
Subtotal		13,285,236	450,347	12,221,717	415,705
Intangible assets	2,31				
Computer software cost	16	249,919	8,472	370,347	12,597
Subtotal		249,919	8,472	370,347	12,597
Other assets	31				
Prepayment		123,854	4,198	82,275	2,798
Guarantee deposits paid	2,32,33	13,716,491	464,966	10,719,923	364,623
Deferred income tax assets	2,26	16,146,239	547,330	12,554,666	427,029
Other assets - Other		3,395,182	115,091	1,291,506	43,929
Subtotal		33,381,766	1,131,585	24,648,370	838,379
Separate account product assets	2,31,37	299,709,401	10,159,641	295,656,688	10,056,350
Total assets		$3,439,887,769	$116,606,365	$3,147,398,396	$107,054,367

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2012 and 2011 were NT$29.50 and NT$29.40 to US$1.00)

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

Cathay Life Insurance Co., Ltd.
Unaudited balance sheets - (continued)
As of March 31, 2012 and 2011
(Expressed in thousands of dollars)

		March 31, 2012		March 31, 2011	
Liabilities & stockholders' equity	Notes	NT$	US$	NT$	US$
Payables	31				
Notes payable		$1,128	$38	$1,270	$43
Life insurance proceeds payable		110	4	525	18
Commissions payable		1,894,117	64,207	1,596,663	54,308
Due to reinsurers and ceding companies		6,396,627	216,835	4,805,060	163,438
Others payable	32	60,847,152	2,062,615	44,014,299	1,497,085
Subtotal		69,139,134	2,343,699	50,417,817	1,714,892
Financial Liabilities	31				
Financial liabilities at fair value through profit or loss	2,17	5,925,636	200,869	4,225,838	143,736
Derivative financial liabilities for hedging	2,18	-	-	580	20
Preferred stock liability	2,19,32	30,000,000	1,016,949	25,000,000	850,340
Subtotal		35,925,636	1,217,818	29,226,418	994,096
Reserve for liabilities	2,20,31				
Unearned premium reserve		11,255,184	381,532	10,968,524	373,079
Reserve for claims		4,017,367	136,182	3,532,645	120,158
Reserve for life insurance liabilities		2,793,982,720	94,711,279	2,548,694,484	86,690,289
Special reserve		4,489,468	152,185	10,506,797	357,374
Premium deficiency reserve		14,406,489	488,355	11,317,458	384,947
Reserve for insurance contract with feature of financial instruments		60,028,409	2,034,861	61,832,638	2,103,151
Foreign exchange volatility reserve	39	4,663,734	158,093	-	-
Subtotal		2,892,843,371	98,062,487	2,646,852,546	90,028,998
Other liabilities	31				
Accounts collected in advance		117,784	3,993	124,122	4,222
Guarantee deposits received	32	1,977,320	67,028	1,678,136	57,079
Reserve for land revaluation increment tax		3,487	118	3,487	119
Accrued pension liability	2,37	1,944,511	65,916	1,306,718	44,446
Other liabilities - Other		5,881,522	199,373	16,964,815	577,034
Subtotal		9,924,624	336,428	20,077,278	682,900
Separate account product liabilities	2,31,37	299,709,401	10,159,641	295,656,688	10,056,350
Total liabilities		3,307,542,166	112,120,073	3,042,230,747	103,477,236
Capital stock					
Common stock	2,21	53,065,274	1,798,823	53,065,274	1,804,941
Capital surplus	2				
Capital surplus - Common stock		13,000,000	440,678	13,000,000	442,177
Capital surplus - Others		9,649	327	9,649	328
Retained earnings	2,22				
Legal reserve		9,150,054	310,171	20,861,134	709,562
Special reserve		27,624,972	936,440	21,687,527	737,671
Unappropriated retained earnings		(1,992,424)	(67,540)	(8,014,511)	(272,602)
Equity adjustments					
Unrealized revaluation increments		1,462	50	1,462	50
Unrealized gains on financial instruments	2	32,363,602	1,097,071	5,006,324	170,283
Cumulative conversion adjustments	2,9	(367,312)	(12,451)	(449,210)	(15,279)
Net loss not recognized as pension cost	37	(509,674)	(17,277)	-	-
Total stockholders' equity		132,345,603	4,486,292	105,167,649	3,577,131
Total liabilities and stockholders' equity		$3,439,887,769	$116,606,365	$3,147,398,396	$107,054,367

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2012 and 2011 were NT$29.50 and NT$29.40 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.
Unaudited statements of income
For the three months ended March 31, 2012 and 2011
(Expressed in thousands of dollars, except earnings per share)

Item	Notes	January 1-March 31, 2012 NT$	January 1-March 31, 2012 US$	January 1-March 31, 2011 NT$	January 1-March 31, 2011 US$
Operating revenues	2,32				
Direct premium income	23	$140,813,431	$4,773,337	$102,138,697	$3,474,105
Reinsurance premium income	23	46,349	1,571	52,156	1,774
Premiums income	23	140,859,780	4,774,908	102,190,853	3,475,879
Deduct: Reinsurance premiums ceded	23	(6,565,020)	(222,543)	(3,599,802)	(122,442)
Changes in unearned premium reserve	23	150,815	5,112	1,219,930	41,494
Retained earned premium	23	134,445,575	4,557,477	99,810,981	3,394,931
Reinsurance commission earned		3,684,212	124,888	1,872,208	63,681
Handling fees earned	37	530,995	18,000	967,916	32,922
Net investment profit and loss					
Interest income		22,613,712	766,566	20,899,688	710,874
Gains (losses) from valuation on financial assets		3,237,821	109,757	(35,498,456)	(1,207,431)
Gains (losses) from valuation on financial liabilities		11,796,568	399,884	(1,681,879)	(57,207)
Gains (losses) on equity investments	9	19,722	669	(52,921)	(1,800)
(Losses) gains on foreign exchange		(21,749,073)	(737,257)	10,745,015	365,477
Gains on disposal of investments		9,240,634	313,242	24,710,473	840,492
Changes in provision for foreign exchange volatility reserve	39	(152,328)	(5,164)	-	-
Gains on investments - Real estate		1,824,274	61,840	1,626,348	55,318
Separate account product revenues	37	21,632,010	733,288	40,976,902	1,393,772
Subtotal		187,124,122	6,343,190	164,376,275	5,591,029
Operating costs	2,32				
Insurance claim payments	24	(54,538,075)	(1,848,748)	(62,377,200)	(2,121,673)
Deduct: Claims recovered from reinsures	24	2,536,261	85,975	1,146,017	38,980
Retained claim payment	24	(52,001,814)	(1,762,773)	(61,231,183)	(2,082,693)
Changes in liability reserves					
Changes in provision claim reserve		(75,687)	(2,566)	(41,818)	(1,422)
Changes in provision for life insurance		(101,848,568)	(3,452,494)	(51,115,061)	(1,738,608)
Changes in provision for special reserve		22,165	751	50,147	1,706
Changes in provision for premium deficiency reserve		(933,657)	(31,649)	(1,240,913)	(42,208)
Changes in reserve for insurance contract with feature of financial instruments		(365,980)	(12,406)	(392,591)	(13,353)
Brokerage expenses	25	(3,913,033)	(132,645)	(4,571,486)	(155,493)
Commissions expenses		(4,706,725)	(159,550)	(4,487,105)	(152,623)
Other operating cost		(758,470)	(25,711)	(611,275)	(20,792)
Separate account product expenses	37	(21,632,010)	(733,288)	(40,976,902)	(1,393,772)
Subtotal		(186,213,779)	(6,312,331)	(164,618,187)	(5,599,258)
Operating expenses	2,16,22,25,32				
Business expenses		(1,496,564)	(50,731)	(982,668)	(33,424)
Administrative and general expenses		(1,936,029)	(65,628)	(1,921,429)	(65,355)
Employee training expenses		(5,342)	(181)	(4,336)	(148)
Subtotal		(3,437,935)	(116,540)	(2,908,433)	(98,927)
Operating loss		(2,527,592)	(85,681)	(3,150,345)	(107,156)
Non-operating revenues and gains	2,32				
Gains on disposal of property and equipment		-	-	205	7
Other non-operating revenues and gains		451,239	15,296	405,393	13,789
Subtotal		451,239	15,296	405,598	13,796
Non-operating expenses and losses	2,32				
Losses on disposal of property and equipment		(33)	(1)	(68)	(2)
Dividend on preferred stock liabilities		(225,760)	(7,653)	(200,959)	(6,835)
Miscellaneous expenses		(809)	(27)	(2,031)	(69)
Subtotal		(226,602)	(7,681)	(203,058)	(6,906)
Loss from continuing operations before income taxes		(2,302,955)	(78,066)	(2,947,805)	(100,266)
Income taxes benefit	2,26	596,602	20,224	1,448,880	49,282
Net loss		$(1,706,353)	$(57,842)	$(1,498,925)	$(50,984)
Earnings per share (In dollars)	2,27				
Net loss		$(0.32)	$(0.01)	$(0.28)	$(0.01)

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2012 and 2011 were NT$29.50 and NT$29.40 to US$1.00)

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

Cathay Life Insurance Co., Ltd.
Unaudited statements of changes in stockholders' equity
For the three months ended March 31, 2012 and 2011
(Expressed in thousands of dollars)

					Retained earnings						Equity adjustment									
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized revaluation increments		Unrealized gains on financial instruments		Cumulative conversion adjustments		Net loss not recognized as pension cost		Total	
Summary	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Balance on January 1, 2011	$53,065,274	$1,804,941	$13,009,649	$442,505	$20,861,134	$709,562	$21,687,527	$737,671	$(6,515,586)	$(221,618)	$1,462	$50	$12,057,721	$410,126	$(401,935)	$(13,671)	$-	$-	$113,765,246	$3,869,566
Changes in unrealized losses on financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	(7,051,397)	(239,843)	-	-	-	-	(7,051,397)	(239,843)
Changes in cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47,275)	(1,608)	-	-	(47,275)	(1,608)
Net loss for the three months ended March 31, 2011	-	-	-	-	-	-	-	-	(1,498,925)	(50,984)	-	-	-	-	-	-	-	-	(1,498,925)	(50,984)
Balance on March 31, 2011	$53,065,274	$1,804,941	$13,009,649	$442,505	$20,861,134	$709,562	$21,687,527	$737,671	$(8,014,511)	$(272,602)	$1,462	$50	$5,006,324	$170,283	$(449,210)	$(15,279)	$-	$-	$105,167,649	$3,577,131
Balance on January 1, 2012	$53,065,274	$1,798,823	$13,009,649	$441,005	$9,150,054	$310,171	$27,624,972	$936,440	$(286,071)	$(9,697)	$1,462	$50	$10,673,438	$361,811	$(304,530)	$(10,323)	$(509,674)	$(17,277)	$112,424,574	$3,811,003
Changes in unrealized gains on financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	21,690,164	735,260	-	-	-	-	21,690,164	735,260
Changes in cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,782)	(2,128)	-	-	(62,782)	(2,128)
Net loss for the three months ended March 31, 2012	-	-	-	-	-	-	-	-	(1,706,353)	(57,843)	-	-	-	-	-	-	-	-	(1,706,353)	(57,843)
Balance on March 31, 2012	$53,065,274	$1,798,823	$13,009,649	$441,005	$9,150,054	$310,171	$27,624,972	$936,440	$(1,992,424)	$(67,540)	$1,462	$50	$32,363,602	$1,097,071	$(367,312)	$(12,451)	$(509,674)	$(17,277)	$132,345,603	$4,486,292

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2012 and 2011 were NT$29.50 and NT$29.40 to US$1.00)

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

Cathay Life Insurance Co., Ltd.
Unaudited statements of cash flows
For the three months ended March 31, 2012 and 2011
(Expressed in thousands of dollars)

	January 1-March 31, 2012		January 1-March 31, 2011	
	NT$	US$	NT$	US$
Cash flows from operating activities				
Net loss for the periods	$(1,706,353)	$(57,842)	$(1,498,925)	$(50,984)
Adjustments:				
(Gains) losses from valuation of financial assets	(3,237,821)	(109,757)	35,498,456	1,207,430
(Gains) losses from valuation of financial liabilities	(11,796,568)	(399,884)	1,681,879	57,207
Provision (recovered) bad debt	385,065	13,053	(16,285)	(554)
Depreciation	566,881	19,216	582,764	19,822
Amortization	20,351	690	38,156	1,298
Provision or recovered for each reserve	98,943,245	3,354,008	58,982,936	2,006,222
Losses (gains) on disposal of property and equipment	33	1	(137)	(5)
Gains on equity investments (more than) less than cash dividends received	(19,722)	(668)	52,921	1,800
Decrease in notes receivable	952,530	32,289	2,711,626	92,232
Decrease (increase) in claims recoverable from reinsurers	1,500	51	(7,131)	(243)
Increase in due from reinsurers and ceding companies	(13,266)	(450)	(6,111)	(208)
Increase in other accounts receivable	(41,571,639)	(1,409,208)	(15,112,571)	(514,033)
(Increase) decrease in financial assets at fair value through profit or loss	(20,357,471)	(690,084)	9,683,999	329,388
Decrease in derivative financial assets for hedging	236,986	8,033	2,012	68
Increase in other financial assets	(6,700,000)	(227,119)	(6,000,000)	(204,082)
Decrease (increase) in ceded unearned premium reserve	611,982	20,745	(445,248)	(15,144)
Increase in ceded reserve for claims	(62,950)	(2,134)	(46,528)	(1,582)
Decrease (increase) in prepayments	77,959	2,643	(64,963)	(2,210)
Decrease (increase) in guarantee deposits paid	740,924	25,116	(34,752)	(1,182)
Increase in deferred income tax assets	(1,120,799)	(37,993)	(4,426,201)	(150,551)
(Increase) decrease in other assets - Other	(1,148,974)	(38,948)	442,009	15,034
Decrease in notes payable	(18)	-	(97)	(3)
Decrease in life insurance proceeds payable	(64)	(2)	(310)	(11)
Increase in commissions payable	671,850	22,775	471,055	16,022
Increase in due to reinsurers and ceding companies	181,898	6,166	425,561	14,475
Increase in others payable	46,281,665	1,568,870	7,453,189	253,510
Increase in financial liabilities at fair value through profit or loss	-	-	1,901	65
Decrease in derivative financial liabilities for hedging	-	-	(72,851)	(2,478)
Increase in accounts collected in advance	7,503	254	16,041	546
Increase in guarantee deposits received	20,356	690	16,263	553
Increase in accrued pension liability	59,528	2,018	22,712	773
Increase in other liabilities - Other	1,820,896	61,725	11,969,846	407,138
Net cash provided by operating activities	63,845,507	2,164,254	102,321,216	3,480,313
Cash flows from investing activities				
Decrease in loans	1,686,995	57,186	1,672,982	56,904
Decrease (increase) in available-for-sale financial assets	37,517,712	1,271,787	(30,214,472)	(1,027,703)
Decrease in held-to-maturity financial assets	-	-	29,511,152	1,003,781
Decrease in financial assets carried at cost	874,850	29,656	175,517	5,970
Increase in investments in debt securities with no active market	(53,757,395)	(1,822,284)	(77,080,079)	(2,621,771)
Acquisition of investments in real estate	(1,764,537)	(59,815)	(4,589,900)	(156,119)
Disposal of property and equipment	-	-	722	24
Acquisition of property and equipment	(47,094)	(1,596)	(71,144)	(2,420)
Acquisition of intangible assets	(2,883)	(98)	(21,583)	(734)
Net cash used in investing activities	(15,492,352)	(525,164)	(80,616,805)	(2,742,068)
Increase in cash and cash equivalents	48,353,155	1,639,090	21,704,411	738,245
Cash and cash equivalents at the beginning of the periods	374,353,961	12,689,965	358,071,833	12,179,314
Cash and cash equivalents at the end of the periods	$422,707,116	$14,329,055	$379,776,244	$12,917,559
Supplemental disclosure of cash flows information				
Interest paid during the period	$32,077	$1,087	$3,649	$124
Interest paid (excluding capitalized interest)	$32,077	$1,087	$3,649	$124
Income tax paid	$300,313	$10,180	$314,601	$10,701

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2012 and 2011 were NT$29.50 and NT$29.40 to US$1.00)

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

1. Organizations and business scope

Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on October 23, 1962, under the provisions of the Company Act of the Republic of China ("R.O.C."). The Company mainly engages in the business of life insurance. On December 31, 2001, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holding") by adopting the stock conversion method under the R.O.C. Financial Holding Company Act and other pertinent acts of the R.O.C. in order to gain benefit of synergistic operation and enhance the Company's competitiveness in the financial market.

The parent company and ultimate parent company of the Company is Cathay Financial Holding. As of March 31, 2012 and 2011, total numbers of employees in the Company were 31,081 and 31,046, respectively.

2. Summary of significant accounting policies

The Company prepares the financial statements in accordance with the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and accounting principles generally accepted in the Republic of China. A summary of significant accounting policies is as follows:

(1) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that are both:

A. readily convertible to known amounts of cash; and
B. near maturity and subject to insignificant risk of changes in value resulting from interest rate fluctuations.

Common examples of cash equivalents are treasury bills, commercial papers and bank acceptances with maturity of three months or less from the original acquisition date.

(2) Recognition of financial assets and liabilities

According to the Statements of Financial Accounting Standards of the R.O.C. ("R.O.C. SFAS") No.34 "Financial Instruments: Recognition and Measurement" and "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", financial assets are categorized as the "financial assets at fair value through profit or loss", "held-to-maturity financial assets", "investments in debt securities with no active market", "available-for-sale financial assets", "financial assets carried at cost" and "derivative financial assets for hedging". Financial liabilities are categorized as either "financial liabilities at fair value through profit or loss" or "derivative financial liabilities for hedging". Upon their initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets.

All "regular way" purchases and sales of financial assets are recorded using trade date (the date that the Company commits to purchase or sell the asset) accounting. "Regular way" purchases or sales are transactions of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets held for trading include products acquired primarily for the purpose of sale in the near term and derivative financial assets, except for those that are designated as hedging instruments and are effective. Such assets are subsequently measured at fair value with changes in fair value recognized in profit or loss.

Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling or repurchasing them in the near term, and the following requirements are met:

a. Financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

b. Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company has both the positive intention and ability to hold the financial assets to maturity. Such investments are subsequently measured at amortized cost. Gains or losses are recognized in profit or loss when the investments are derecognized or impaired. The amortized cost is computed as the cost amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate arising from the difference between the cost and the maturity amount, and minus impairment. Contracts related to the financial assets, transactions costs, fees and premiums/discounts are taken into consideration when calculating the effective interest rate.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be recognized in equity. When the financial asset is derecognized, those cumulative gains or losses shall be recognized in profit or loss.

C. Investments in debt securities with no active market

Investments in debt securities with no active market are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses from changes in fair value are recognized in profit or loss when the investments in debt securities with no active market are derecognized or impaired.

D. Available-for-sale financial assets

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

Available-for-sale financial asset that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Upon reclassification, the fair value on the date of reclassification becomes its new cost or amortized cost, as applicable. Any previous gain or loss on the asset that has been recognized in stockholders' equity shall be amortized over the remaining life of the asset.

E. Financial assets carried at cost

Financial assets carried at cost are investments in equity instruments to non-listed companies which the Company has no significant influence over. They are recorded at initial cost as the fair values cannot be reliably measured. If there is objective evidence that an impairment loss has been incurred, the impairment loss is recognized. Such impairment loss shall not be reversed.

F. Derivative financial assets for hedging

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

The fair value, as mentioned above, for a listed stock or a depositary receipt is based on the closing price on the balance sheet date, while for an open-end fund, the fair value is determined based on its net asset value as at the balance sheet date.

Financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging are measured at fair value.

(3) Derecognizing of financial assets and liabilities

A. Financial assets

A financial asset or a portion of a financial asset is derecognized when the Company loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. A transfer of a financial asset or a portion of the asset in which the Company surrenders control over the asset in exchange of consideration received is deemed a sale.

If a financial asset is transferred but the transfer does not satisfy the conditions for loss of control, the Company accounts for the transaction as a secured borrowing. In that case, the Company's right to reacquire the asset is not a derivative financial instrument.

B. Financial liabilities

An entire or a part of a financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Where an existing financial liability is replaced by another one from the same creditor with substantially different terms of agreement, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognization of the original liability and a recognition of a new liability. The difference between the respective carrying amounts is recognized as a gain or loss for the period.

(4) Accounting for impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Applying to different financial assets valued in different ways, the adopted impairment methods are as follows:

A. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

B. Financial assets measured at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument, or on a derivative asset that is linked to and must be settled by delivery of such equity instrument has been incurred, the amount of the loss is recorded and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

C. Available-for-sale financial assets

If an available-for-sale financial asset is impaired, the cumulative loss that had been recognized in equity shall be reclassified from equity to profit or loss. The amount of the impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value or recoverable amount, less any impairment loss previously recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall be reversed through equity, rather than through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed through profit or loss.

(5) Derivative financial instruments

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

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

Hedging relationships consist of three types:

A. Fair value hedges: a hedge of the exposure to changes in fair value of a recognized asset or liability, an unrecognized firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk which could affect profit or loss.

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

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

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

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

Fair value hedges

The carrying amount of the hedged item is adjusted and gain or loss attributable to the hedged risk is recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with the R.O.C. SFAS No. 14 "The Effects of Changes in Foreign Exchange Rates" (for a non-derivative hedging instrument) is recognized in profit or loss.

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

The Company discontinues fair value hedge accounting when any of the below situation occurs:

A. the hedging instrument expires or is sold, terminated or exercised,
B. the hedge no longer meets the conditions for hedge accounting,
C. the Company revokes the designation.

Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in equity, while the ineffective portion is recognized in profit or loss.

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

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

Hedges of a net investment in a foreign operation

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

(6) Allowance for bad and doubtful debts

In accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", the Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts: 0.5 percent of the ending balance for the first category of loan assets excluding life insurance loan, automatic premium loans, and holding government debt to be reserved within three years starting on January 1, 2011, 2 percent of the ending balance for the second category of loan assets, 10 percent of the ending balance for the third category of loan assets, as well as 50 and 100 percent of the ending balance for the fourth and fifth category of loan assets, respectively.

Since January 1, 2011, the Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant. If there is objective evidence that an impairment loss on individual loans and receivables has been incurred, the amount of impairment loss should be assessed individually. If there is objective evidence that an impairment loss on loans and receivables that are not individually significant has been incurred, the Company shall include those assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Similarly, for receivables with no objective evidence that an impairment loss has been incurred, those receivables shall be collectively assessed for impairment.

If the objective evidence indicating the occurrence of the impairment loss does exist, the assessment of impairment loss is based upon the difference between the carrying amount of loans and receivables and the present value of the estimated future cash flows, excluding forecasted loss on credit risks. Present value of the future cash flow on loans and receivables is discounted by using the original effective interest rate. However, if floating rate is stipulated, then the present value of the future cash flows for loans and receivables shall be calculated using the current effective interest rate determined under the contract as the discount rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the loan and receivable that exceeds what the amortized cost would have been had the impairment not being recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in current period as profit or loss.

(7) Investments under the equity method

Investments in equity securities are accounted for under the equity method where the Company holds more than 20% of the investee's voting rights or has significant influence over the investee company. The difference between the investment cost and the Company's share of net assets of the investee company at the acquisition date is analyzed and accounted for in conformity with the acquisition cost allocation as provided in R.O.C. SFAS No.25 "Business Combination - Accounting Treatment under Purchase Method". Goodwill is no longer amortized.

Adjustment to additional paid-in capital is required when the holding percentage changes due to disproportional subscription to new issue of investee's shares. If the balance of additional paid-in capital is insufficient, retained earnings are adjusted.

Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses arising from sales of depreciable assets between the Company and its subsidiaries are amortized over the economic service life of the assets. Gains or losses arising from other types of intercompany transactions are recognized when realized.

The Company prepares semi-annual and annual consolidated financial statements including all subsidiaries over which the Company has a controlling interest, with the exception of subsidiaries whose total revenues and total assets are relatively immaterial to the Company.

(8) Investments in real estate

Investments in real estate are stated at cost when acquired.

Improvements and major renovation of investments in real estate are capitalized, while repairs and maintenance are expensed as incurred.

Upon disposal, the related cost, accumulated depreciation and accumulated impairment are eliminated and gains or losses are recorded in operating gains or losses.

Depreciation is calculated using the straight-line method in accordance with the "Estimated Useful Life of Fixed Assets Table" published by the Executive Yuan of the R.O.C. (the "Executive Yuan Depreciation Table").

Real estate investment primarily is for business leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(9) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. Upon revaluation, land and depreciable properties shall be reevaluated separately. Property increments shall be recorded in "unrealized reevaluation increments" under stockholders' equity.

Major improvements, additions, and renewals are capitalized, while repairs and maintenance are expensed when incurred.

Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from respective accounts. Gain or loss resulting from such sale or disposal is accounted for as non-operating gain or loss.

Depreciation is calculated using the straight-line method over the estimated service lives prescribed by the Executive Yuan Depreciation Table. Property and equipment that are still in use after their useful lives are depreciated based on the residual value and the newly estimated remaining useful lives.

(10) Intangible assets

According to the R.O.C. SFAS No. 37 "Accounting for Intangible Assets" effective on January 1, 2007, intangible assets are initially recognized at cost. After the initial recognition, the intangible assets shall be carried at cost plus statutory revaluation increment less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets of the Company are deemed finite.

The intangible assets with finite useful lives are amortized on a systematic basis over their useful lives. Impairment testing is performed when there are indications of impairment on intangible assets. The Company will reassess the useful lives and amortization methods for its intangible assets with finite useful lives at each balance sheet date. If there is any change to be made, it will be treated as changes in accounting estimates.

(11) Deferred charges

According to the regulations established by the R.O.C. Ministry of Finance (the "MOF") in the year of 1993, the Company created a "stabilization fund" and an offsetting account "stabilization fund reserve", both of which are off balance sheet accounts. From January 1, 1993 to December 31, 2002, an amount of NT$1,603,526 (US$54,357) thousands was appropriated to this fund. From July 1, 2002 to March 31, 2012, an amount of NT$3,408,022 (US$115,526) thousands was appropriated to this fund under Regulations Governing Management of Insurance Stabilization Funds, which was established by the "MOF" in the year of 2002.

(12) Accounting for assets impairment

Pursuant to R.O.C. SFAS No. 35, the Company evaluates whether indicators of impairment exist at each balance sheet date for all assets subject to guidelines set forth under the Statement. If impairment indicators exist, the Company shall perform impairment testing by comparing the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU"). Impairment losses shall be recognized when the carrying amount exceeds the recoverable amount which is defined as the higher of fair values less costs to sell and the values in use. Conversely, if there is any evidence that the impairment loss may no longer exist or may have decreased, the recoverable amount of the asset shall be subsequently re-evaluated. The impairment loss may be reversed to reflect the asset's estimated increase in future service potential since the date of its last recognition of impairment loss. However, the carrying amount of the asset after the reversal of impairment loss should not exceed the carrying amount of the asset that would have been determined net of depreciation or amortization had no impairment loss been recognized for the asset in prior years.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment at the same day of each year, regardless of whether an impairment indicator exists. If the recoverable amount of the CGU assets or the group of CGUs assets is smaller than their carrying amount, impairment loss should be recognized to reduce the carrying amount of the assets. First, the carrying amount of the goodwill allocated to the CGU or group of CGUs shall be reduced. Then, any remaining impairment loss should be allocated on a pro-rata basis based on the carrying amount of each asset within the CGU or group of CGUs. Recognized impairment loss for goodwill should not be reversed.

Impairment loss (reversal) is classified as non-operating losses (income).

(13) Guaranteed depository insurance payment

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

(14) Reserve for liabilities

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

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

A. Unearned premium reserve:

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

B. Reserve for claims:

It is mainly a reserve for the unpaid claims and unreported claims. The unpaid claims reserve is assessed upon a based that the relevant information of each case and the amount deposited is further classified by the type of insurance. Unreported claims reserve is calculated and deposited by the following methods:

a. Health or life insurance with a policy period within 1 year: Before December 31, 2009, 1 percent of earned premium by each type of insurance is reserved and deposited. At the beginning of January 2010, the dollar amount of indemnity reserve by each type of insurance is calculated and deposited based upon the past indemnity experiences and expenses occurred and in accordance with the actuarial principles.

b. Injury insurance: The dollar amount of reserve required and deposited is based upon the past experiences and expenses occurred and in accordance with the actuarial principle.

C. Reserve for life insurance liabilities:

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

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

From January 1, 2012, insurance company should reserve the amount of special reserve for major incidents which is recovered in accordance with the section 19 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" as reserve for life insurance liabilities.

D. Special reserve:

a. For the retained businesses with policy period within 1 year and injury insurance with policy period longer than 1 year, the special reserve is classified into 2 categories, "Special Reserves for Major Incidents" and "Special Reserve for Fluctuation of Risks." The dollar amount of reserve required is addressed as follows:

(A) Special reserves for major incidents

All types of insurance should follow the special catastrophe reserve rates set by authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of NT$30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, the Company could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference. Effected on January 1, 2011, the recovery of special reserves for major incidents can be charged against the special reserve for life insurance proceeds if sufficient. If the recovery amount

exceeds the balance of the special reserve for life insurance proceeds, according to SFAS No. 22, the post-tax excess amount can be placed in the special reserve under stock holder's equity.

(B) Special reserves for fluctuation of risks

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is less than the anticipated dollar amount need to be paid, the 15 percent of this difference should be reserved in special reserve for fluctuation of risks.

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used for writing down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for major incidents for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purpose. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30 percent of self-retention earned premium, the exceeded amount will be recalled and recognized as profit in current period. Since January of 2011, the amounts of written-down and recallable can be recognized and recorded in special reserve for major incidents under liability. However, these amounts are able to be recognized and recorded in special reserve for major incidents under equity in accordance with SFAS No. 22 if the amounts reserved under liability are unrecoverable.

For special reserves addressed previously, the balance of the annual reserve net of tax needs to be recorded in special reserve under equity since January of 2011 according to SFAS No. 22.

In addition, the full amount of special reserves for fluctuation of risks in liability should be recognized and recorded in special reserve next year after approved by shareholders; it should not be used for other purposes and distributed if not been approved by the authority.

b. The Company sells participating life insurance policy. According to the "Rule Governing application of revenues and expenses related to participating / non-participating policy", the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks.

E. Premium deficiency reserve：

For the contracts over 1 year of life insurance, health insurance, or annuities contracts commencing on January 1, 2001, the following rules applied: If the written premiums are lower than those of providing policy reserves, the special premium deficiency reserve will be set aside based on the premium deficiencies.

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

F. Liability adequacy reserve：

This is the reserve that is set aside based on the adequacy test of liability required by SFAS No.40.

G. Reserves for insurance contract with feature of financial instruments

Reserves for financial instruments that does not have discretionary participation features follows "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." and Depository Accounting.

H. Foreign exchange volatility reserve

The beginning balance of foreign exchange volatility reserve is NT$4,511,406 (US$152,929) thousands which was appropriated in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Direction for foreign exchange volatility reserve by Life Insurance Enterprises”. As of March 31, 2012, the amount set aside was NT$4,663,734 (US$158,093) thousands.

I. Liability adequacy test

Liability adequacy test is base on integrated insurance contract and related regulations following ASP No. 40 - Contract classification and liability adequacy test. This test compares reserve for insurance contract net with deferred acquisition cost and related intangible assets and anticipated present value of insurance contract cash flow on balance sheet date. If net book value is insufficient, recognize all insufficient amounts as expense and loss at that period is applicable.

(15) Insurance premium income and expenses

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

For non-separate account insurance product that is also classified as financial products without discretionary participation features, the insurance revenue collected is recognized on the balance sheet as “reserves for insurance contract with feature of financial instruments.”

(16) Product categories

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

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

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

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

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

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

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

   a. Special combination of contracts or specific type of contractual performance.
   b. The Company holds return on investment from a portfolio of specific assets.
   c. Profit and loss from the Company, funds, or other entities.

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

(17) Reinsurance

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

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

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

Reinsurance contracts that have their significant insurance risk transferred; if the Company can separate the individual elements and measure their savings, then the reinsurance contracts need to be recognized separately as the insurance's element and the saving's element. That is, the Company receive (or pay) the contract's value minus the insurance element, recognizing it as either financial liabilities (or assets), and not as incomes (or expenses). The financial liabilities (or assets) are recognized with the fair value method and uses the present value of future cash flow as the basis for the fair value method.

(18) Pension plan

The Company has established a pension plan for all employees since 1972. Pension plan benefits are primarily based on participants' compensation and the length of service period. The Company has established a pension fund committee in 1981 to independently administer the pension fund. Prior to the establishment of the pension fund committee, the Company had provided for 4% of the employees' salaries into the pension fund; after the establishment of the committee, 8% were provided for.

The Labor Pension Act of R.O.C. ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or other pension mechanism under the Labor Standards Act. For employees subject to the Act, the Company shall make monthly contributions to the employees' individual pension accounts on a basis of no less than 6% of the employees' monthly wages.

In compliance with R.O.C. Securities and Futures Commissions ("SFC") regulations, the Company adopted the R.O.C. SFAS No. 18, "Accounting for Pensions" to account for its pension plan. An actuarial valuation of pension liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets. When providing defined contribution plans, an enterprise should recognize the amounts to be contributed as current expense as incurred.

According to the R.O.C. SFAS No. 23, "Interim Financial Reporting and Disclosures", the interim financial statements are not required to follow the principles outlined in the R.O.C. SFAS No. 18, "Accounting for Pensions".

(19) Foreign currency transactions

A. Translation of foreign currency transactions

Monetary assets or liabilities denominated in foreign currencies shall be translated using the applicable rate as at the balance sheet date and the resulting exchange differences shall be recognized in profit or loss for the period. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary asset or liability is recognized directly in equity, any exchange component of that gain or loss shall be recognized in equity. When a gain or loss on a non-monetary asset or liability is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Non-monetary assets or liabilities denominated in foreign currencies that are measured at historical cost shall be translated using the exchange rate at the date of the initial transaction.

B. Translation of subsidiaries' financial statements in foreign currencies

Financial statements of foreign subsidiaries accounted for under the equity method are translated into NT dollars as follows: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate on the balance sheet date. Stockholders' equity items are translated at the historical rates except for the opening balance of retained earnings, which is carried forward directly from the yearend balance of previous year. Revenue and expense items are translated by the weighted-average exchange rate for the fiscal year. Translation differences arising from above conversion are reported as "cumulative conversion adjustments" under stockholders' equity.

(20) Income taxes

The Company adopted SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, loss carry-forward and investment tax credits. A valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. The prior year's income tax expenses adjustment should be recorded as current period income tax expenses in the year of adjustment.

The Company has adopted SFAS No. 12, "Accounting for Income Tax Credits" in dealing with income tax credits. Accordingly, the income tax credits resulting from expenditures on the purchase of equipment and technology, research and development, education training, and investment in equity are accounted for using the flow-through method.

The additional 10% income tax imposed on undistributed earnings is recognized as expense on the date of shareholders' meeting in which the shareholders have resolved that the earnings shall be retained.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed corporation income tax returns and 10% surcharge on it undistributed retained earnings since 2002 under the Integrated Income Tax System. If there is any tax effect due to the adoption of the foregoing Integrated Income Tax System, parent company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and its parent company.

Effective from January 1, 2006, the Company adopted “Income Basic Tax Act” and “Enforcement Rules of Income Basic Tax Act” to estimate and file joint income basic tax.

(21) Capital expenditure expenses

Capital expenditure is capitalized and amortized over its useful life if it involves a significant amount and may generate revenues in future periods. Otherwise, it is expensed in the year as incurred.

(22) Separate account products

The Company sells Separate account products, of which the insured pays the insurance fees according to the agreement amount less the expenses incurred by the insured. In addition, the investment distribution is approved by the insured and then transferred to specific accounts as requested by the insured. The value of these specific accounts is determined based on the market value on the applicable date, and its fair value is determined based on the accounting principles and practices generally accepted in the R.O.C..

In accordance with guidelines for the preparation of financial statements in the insurance industry, provides a dedicated book for assets and liabilities, regardless if it is produced by an insurance contract or insurance policy with features of financial instruments. All contracts are to be accounted for separately as, “separate account product assets” and “separate account product liabilities”. To record related revenues and expenditures, this method is consistent with SFAS No. 40 insurance contract’s definition for separate account insurance products’ income and expenses, separately recognizing as “separate account product revenues” and “separate account product expenses.”

(23) Employee bonus and remuneration of directors and supervisors

Pursuant to (96) Article 052 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors and supervisors are accounted for as expenses instead of distribution of earnings.

(24) Operating segment information

An operating segment is a component of an entity that has the following characteristics:

A. engaging in business activities from which it may earn revenues and incur expenses,

B. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance,

C. for which discrete financial information is available.

(25) Conversion to U.S. dollars

The financial statements are presented in NT dollars. The converted U.S. dollars amounts from NT dollars as of March 31, 2012 and 2011 are for information only. The U.S. dollar/NT dollars noon buying rates of NT$29.5 and NT$29.40 provided by Federal Reserve Bank of New York of March 31, 2012 and 2011 are used for the conversion.

3. Reasons and effects for changes in accounting principles

(1) This applied to SFAS No.40 "Insurance Contract" and "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises".

The company applies SFAS No.40 "Insurance Contract" and "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" issued on December 30, 2009 according to FSC Insurance Interpretation No. 09802506492 from January 1, 2011. Based on SFAS, preparing guidance and related interpretation, the impact of the Company's insurance policies reclassification, measurement and disclosure are as following:

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

For investment-linked insurance products which are categorized as non-participating financial instruments, the Company should recognize the accumulated change in accounting principle of deferred surcharge revenue and deferred acquiring costs on January 1, 2011 under this change in accounting principle. The change in accounting principles does not have significant effect on net income and earnings per share in first quarter of 2011.

In addition, special reserves for major incidents and special reserves for fluctuation of risks that have been set aside should be accounted for special reserve under retained earnings at year end. As of March 31, 2011, the amount set aside was NT$545,071 (US$18,540) thousands.

(2) Effected on January 1, 2011, the Company adopted the third revision of the SFAS No.34 “Financial Instruments: Recognition and Measurement”. This change in accounting principles has no significant impact on net income and earnings per share for the first quarter of 2011.

(3) Effected on January 1, 2011, the Company adopted SFAS No.41, “Operating Segments”, to present operating segment information. The new SFAS No.41 replaces SFAS No.20, “Segment Reporting”.

4. Cash and cash equivalents

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Cash on hand	$5,323	$180	$7,244	$246
Revolving Funds	197,639	6,700	210,628	7,164
Cash in banks	99,474,049	3,372,002	51,948,327	1,766,950
Time deposits	298,052,433	10,103,472	282,921,476	9,623,180
Cash equivalents	24,977,672	846,701	44,688,569	1,520,019
Total	$422,707,116	$14,329,055	$379,776,244	$12,917,559

As of March 31, 2012 and 2011, the amounts of time deposits with maturities beyond one year were NT$16,460,000 (US$557,966) thousands and NT$68,300 (US$2,323) thousands, respectively.

The cash equivalent usually includes commercial paper and repurchase agreement with maturity shorter than three months.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

5. Financial assets at fair value through profit or loss

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Listed stocks	$5,468,520	$185,374	$4,829,251	$164,260
Overseas stocks	319,327	10,825	319,243	10,858
Beneficiary certificates	56,125,011	1,902,543	19,214,805	653,565
Exchange traded funds	1,109,210	37,600	250,748	8,529
Overseas bonds	207,326	7,028	252,272	8,581
Corporate bonds	1,240,656	42,056	2,972,083	101,091
Government bonds	1,572,423	53,302	51,767	1,761
Derivative financial instruments	109,978	3,728	-	-
Structured time deposits	11,000,000	372,881	1,000,000	34,014
Subtotal	77,152,451	2,615,337	28,890,169	982,659
Add: Adjustment of valuation	6,152,919	208,574	34,659,034	1,178,879
Total	$83,305,370	$2,823,911	$63,549,203	$2,161,538

6. Available-for-sale financial assets

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Listed stocks	$218,158,204	$7,395,193	$181,009,344	$6,156,780
Overseas stocks	56,513,019	1,915,696	19,075,638	648,831
Beneficiary certificates	76,992,336	2,609,910	52,623,641	1,789,920
Collateralized loans obligation and collateralized bonds obligation	9,097,439	308,388	1,321,934	44,964
Exchange traded funds	7,067,933	239,591	5,553,060	188,880
Real estate investment trust	8,309,019	281,662	8,724,890	296,765
Financial debentures	190,769,690	6,466,769	158,249,171	5,382,625
Corporate bonds	52,579,918	1,782,370	38,408,493	1,306,411
Government bonds	187,468,637	6,354,869	37,591,150	1,278,611
Overseas bonds	429,527,712	14,560,261	89,410,647	3,041,178
Subtotal	1,236,483,907	41,914,709	591,967,968	20,134,965
Add : Adjustment of valuation	34,085,721	1,155,448	6,928,947	235,678
Less: Accumulated impairment	(735,000)	(24,915)	(735,000)	(25,000)
Less: Securities serving as deposits paid-bonds	(10,597,453)	(359,236)	-	-
Total	$1,259,237,175	$42,686,006	$598,161,915	$20,345,643

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with collateralized loans obligation held by the Company. As of March 31, 2012 and 2011 the Company recognized impairment losses amounting to NT$735,000 (US$24,915) thousands and NT$735,000 (US$25,000) thousands, respectively. Refer to Note 11 for reclassification of held-to-maturity financial assets information.

7. Derivative financial assets for hedging

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$-	$-
Add: Adjustment of valuation	1,656,849	56,164	1,838,580	62,537
Total	$1,656,949	$56,164	$1,838,580	$62,537

8. Financial assets carried at cost

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Stocks	$6,897,078	$233,799	$8,302,274	$282,390
Beneficiary certificates	3,313,962	112,338	1,613,096	54,867
Subtotal	10,211,040	346,137	9,915,370	337,257
Less: Accumulated impairment	(894,058)	(30,307)	(975,337)	(33,174)
Total	$9,316,982	$315,830	$8,940,033	$304,083

An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with the stocks held by the Company. As of March 31, 2012 and 2011 the Company recognized impairment losses amounting to NT$894,058 (US$30,307) thousands and NT$975,337 (US$33,174) thousands, respectively.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

9. Investments under the equity method

(1) Investments under the equity method are as follows:

	March 31,			
	2012		2011	
Investee	NT$	US$	NT$	US$
WK Technology Fund VI Co., Ltd.	$347,689	$11,786	$361,869	$12,308
Vista Technology Venture Capital Corp.	27,321	926	28,583	972
Omnitek Venture Capital Corp.	74,701	2,532	64,545	2,195
Wa Tech Venture Capital Co., Ltd.	-	-	47,543	1,617
IBT Venture Capital Corp.	77,878	2,640	90,039	3,063
Cathay Insurance (Bermuda) Co., Ltd.	119,606	4,055	114,453	3,894
Symphox Information Co., Ltd.	357,872	12,131	367,811	12,511
Cathay Securities Investment Trust Co., Ltd.	-	-	444,008	15,102
Cathay Securities Investment Consulting Co., Ltd.	177,807	6,027	182,467	6,206
Cathay Life Insurance Ltd. (China)	958,456	32,490	1,094,519	37,229
Cathay Life Insurance (Vietnam) Co., Ltd.	1,357,291	46,010	1,438,984	48,945
Cathay Insurance Company Limited. (China)	575,811	19,519	688,674	23,424
Total	$4,074,432	$138,116	$4,923,495	$167,466

Cathay Securities Investment Trust Co., Ltd., an investee of the Company, was sold in accordance with resolution of the Board of Directors' meeting and became a subsidiary of Cathay Financial Holding Co., Ltd. with 100% ownership.

As of June 24, 2011, the Company has disposed all of its equity investment in Cathay Securities Investment Trust Co., Ltd. to Cathay Financial Holding Co., Ltd..

The disinvestment of investments under the equity method amounting to NT$30,351 (US$1,029) thousands and NT$ 31,362 (US$1,063) thousands for November 19, 2010 and November 16, 2011, respectively, and agreement of dissolution on July 1, 2010 were resolved by Wa Tech Venture Capital Co., Ltd.'s Board of Directors on June 23, 2010. The investments under the equity method of Wa Tech Venture Capital Co., Ltd. amounting to NT$1,162 (US$39) thousands had been reclassified to other accounts receivable.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(2) Changes in investments under the equity method are summarized below:

	For the three months ended March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Balance as of January 1	$4,016,883	$136,165	$5,067,119	$172,351
Add (less) :				
Gains (losses) on equity investments	19,722	669	(52,921)	(1,800)
Cumulative conversion adjustments	(62,782)	(2,128)	(47,275)	(1,608)
Unrealized gains (losses) on financial instruments	100,609	3,410	(43,428)	(1,477)
Balance as of March 31	$4,074,432	$138,116	$4,923,495	$167,466

(3) The recognized equity investment gains (losses) for the three months ended March 31, 2012 and 2011 are listed below:

	For the three months ended March 31,			
	2012		2011	
Investee	NT$	US$	NT$	US$
WK Technology Fund VI Co., Ltd.	$(1,250)	$(42)	$(1,398)	$(47)
Vista Technology Venture Capital Corp.	(11)	-	(21)	(1)
Omnitek Venture Capital Corp.	9,486	322	(559)	(19)
Wa Tech Venture Capital Co., Ltd.	-	-	(5)	-
IBT Venture Capital Corp.	145	5	1,554	53
Cathay Insurance (Bermuda) Co., Ltd.	(3,970)	(135)	155	5
Symphox Information Co., Ltd.	7,563	256	10,909	371
Cathay Securities Investment Trust Co., Ltd.	-	-	42,802	1,456
Cathay Securities Investment Consulting Co., Ltd.	15,894	539	17,152	583
Cathay Life Insurance Ltd. (China)	40,962	1,388	(99,694)	(3,391)
Cathay Life Insurance (Vietnam) Co., Ltd.	(7,783)	(264)	(2,111)	(72)
Cathay Insurance Company Limited. (China)	(41,314)	(1,400)	(21,705)	(738)
Total	$19,722	$669	$(52,921)	$(1,800)

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

A. The equity investment gains (losses) were recognized based on investees' reviewed financial statements for the three months ended March 31, 2012, except for Wk Technology Fund VI Co., Ltd., Vista Technology Venture Capital Corp., Omnitek venture Capital Corp. and IBT Venture Capital Corp. were recognized based on unreviewed financial statements. Unqualified review reports were issued for all above investee companies.

B. The equity investment gains (losses) were recognized based on investees' reviewed financial statements for the three months ended March 31, 2011, except for WK Technology Fund VI Co., Ltd., Vista Technology Venture Capital Corp., Omnitek Venture Capital Corp., Wa Tech Venture Capital Co., Ltd. and IBT Venture Capital Corp. were recognized based on unreviewed financial statements. The financial statements of Cathay Securities Investment Trust Co., Ltd. for the three months ended March 31, 2011, were reviewed by other auditors. Unqualified review reports were issued for all above investee companies.

10. Investments in debt securities with no active market

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Stocks	$3,108,000	$105,356	$1,108,000	$37,687
Corporate bonds	16,500,000	559,322	15,000,000	510,204
Overseas bonds	544,032,165	18,441,768	420,669,105	14,308,473
Subtotal	563,640,165	19,106,446	436,777,105	14,856,364
Less: Accumulated impairment	(383,890)	(13,013)	(382,434)	(13,008)
Total	$563,256,275	$19,093,433	$436,394,671	$14,843,356

A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by the Company. As of March 31, 2012 and 2011, the Company recognized impairment losses amounting to NT$383,890 (US$13,013) thousands and NT$382,434 (US$13,008) thousands, respectively.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

11. Held-to-maturity financial assets

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Treasury bills	$-	$-	$1,586,749	$53,971
Corporate bonds	-	-	11,439,619	389,103
Government bonds	-	-	106,355,789	3,617,544
Financial debentures	-	-	23,908,634	813,219
Collateralized loans obligation and collateralized bonds obligation	-	-	8,073,618	274,613
Overseas bonds	-	-	451,396,526	15,353,623
Subtotal	-	-	602,760,935	20,502,073
Less: Securities serving as deposits paid - bonds	-	-	(9,115,487)	(310,051)
Total	$-	$-	$593,645,448	$20,192,022

In response to the increase in the financial market fluctuation and downgrade of the sovereign rating in the recent days, the requirement for investment operating flexibility is increased and it leads to the relevant investment exposures need to be adjusted for a quick response to the market and credit outlook changes. Nevertheless, the investment intention for held-to-maturity financial assets has been changed. In accordance with the R.O.C SFAS No.34 "Financial Instruments: Recognition and Measurement," held-to-maturity financial assets NT$590,598,621 (US$20,020,292) thousands are reclassified to available–for-sale financial assets measured at fair value on December 31, 2011.

12. Structured notes

The financial asset investment portfolio belonging to structured notes amounted to NT$8,603,277 (US$291,637) thousands and NT$14,810,641 (US$503,763) thousands as of March 31, 2012 and 2011, respectively. The details of structured notes are listed below:

	March 31, 2012					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$207,326	$7,028	$64,333	$2,181	$271,659	$9,209
Available-for-sale financial assets	8,120,750	275,280	210,868	7,148	8,331,618	282,428
Total	$8,328,076	$282,308	$275,201	$9,329	$8,603,277	$291,637

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2011					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$252,272	$8,581	$45,192	$1,537	$297,464	$10,118
Available-for-sale financial assets	2,150,000	73,129	(1,749)	(59)	2,148,251	73,070
Held-to-maturity financial assets	11,031,659	375,226	61,008	2,075	11,092,667	377,301
Investments in debt securities with no active market	1,230,590	41,857	41,669	1,417	1,272,259	43,274
Total	$14,664,521	$498,793	$146,120	$4,970	$14,810,641	$503,763

13. Investments in real estate

	March 31, 2012									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Investments in real estate	$162,802,437	$5,518,727	$4,329	$147	(22,813,345)	$(773,334)	$(140,701)	$(4,770)	$139,852,720	$4,740,770
Construction	6,114,022	207,255	-	-	-	-	-	-	6,114,022	207,255
Prepayments for buildings and land	1,108,341	37,571	-	-	-	-	-	-	1,108,341	37,571
Total	$170,024,800	$5,763,553	$4,329	$147	(22,813,345)	$(773,334)	$(140,701)	$(4,770)	$147,075,083	$4,985,596

	March 31, 2011									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Investments in real estate	$144,183,487	$4,904,200	$4,329	$147	$(20,998,248)	$(714,226)	$(140,701)	$(4,786)	$123,048,867	$4,185,335
Construction	3,597,761	122,373	-	-	-	-	-	-	3,597,761	122,373
Prepayments for buildings and land	3,275,650	111,417	-	-	-	-	-	-	3,275,650	111,417
Total	$151,056,898	$5,137,990	$4,329	$147	$(20,998,248)	$(714,226)	$(140,701)	$(4,786)	$129,922,278	$4,419,125

(1) The real estate investments are held mainly for lease business.

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

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

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

(4) As of March 31, 2012 and 2011, no investments in real estate were pledged as collateral.

14. Loans

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Policy loans	$178,392,571	$6,047,206	$182,149,421	$6,195,559
Automatic premium loans	6,238,971	211,491	7,045,717	239,650
Secured loans	303,052,417	10,272,963	290,730,253	9,888,784
Total	$487,683,959	$16,531,660	$479,925,391	$16,323,993

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

(2) Policyholder may state on the application form or issue a written statement prior within grace period for premium payment to request the insurance enterprise to automatically deduct the due premiums and interest of the premium loan (as well as the principal and interest of the policy loan, if applicable) from the policyholder's policy value reserve after the second installment becomes overdue in order to remain the insurance policy to be constantly effective. Policyholder may also inform the enterprise in written to stop the automatic premium loan option prior to the next due date of premium payment.

(3) Secured loans

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Secured loans	$301,027,944	$10,204,337	$286,950,197	$9,760,211
Secured loans - related parties	3,530,394	119,674	3,963,480	134,812
Less: Allowance for bad debts	(1,744,059)	(59,120)	(713,012)	(24,252)
Subtotal	302,814,279	10,264,891	290,200,665	9,870,771
Overdue receivables	301,304	10,213	685,958	23,332
Less: Allowance for bad debts	(63,166)	(2,141)	(156,370)	(5,319)
Subtotal	238,138	8,072	529,588	18,013
Total	$303,052,417	$10,272,963	$290,730,253	$9,888,784

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

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

15. Property and equipment

	March 31, 2012									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Land	$5,811,432	$196,998	$620	$21	$-	$-	$(67,146)	$(2,276)	$5,744,906	$194,743
Buildings and construction	11,459,801	388,468	-	-	(4,535,667)	(153,751)	(73,266)	(2,484)	6,850,868	232,233
Computer equipment	2,233,251	75,703	-	-	(2,004,387)	(67,945)	-	-	228,864	7,758
Communication and transportation equipment	9,318	316	-	-	(9,318)	(316)	-	-	-	-
Other equipment	3,183,253	107,907	-	-	(2,773,906)	(94,031)	-	-	409,347	13,876
Subtotal	22,697,055	769,392	620	21	(9,323,278)	(316,043)	(140,412)	(4,760)	13,233,985	448,610
Construction in progress and prepayment for real estate equipment	51,251	1,737	-	-	-	-	-	-	51,251	1,737
Total	$22,748,306	$771,129	$620	$21	$(9,323,278)	$(316,043)	$(140,412)	$(4,760)	$13,285,236	$450,347

	March 31, 2011									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Land	$4,888,202	$166,265	$620	$21	$-	$-	$(67,146)	$(2,283)	$4,821,676	$164,003
Buildings and construction	10,922,622	371,518	-	-	(4,255,452)	(144,744)	(73,265)	(2,492)	6,593,905	224,282
Computer equipment	2,180,244	74,158	-	-	(1,853,152)	(63,032)	-	-	327,092	11,126
Communication and transportation equipment	9,658	329	-	-	(9,658)	(329)	-	-	-	-
Other equipment	3,109,216	105,755	-	-	(2,642,192)	(89,870)	-	-	467,024	15,885
Subtotal	21,109,942	718,025	620	21	(8,760,454)	(297,975)	(140,411)	(4,775)	12,209,697	451,296
Construction in progress and prepayment for real estate equipment	12,020	409	-	-	-	-	-	-	12,020	409
Total	$21,121,962	$718,434	$620	$21	$(8,760,454)	$(297,975)	$(140,411)	$(4,775)	$12,221,717	$415,705

No properties or equipment was pledged as collaterals as of March 31, 2012 and 2011.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

16. Computer software cost

	January 1, 2012		Increase		Decrease		March 31, 2012	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired Cost:								
Computer software	$1,438,151	$48,751	$2,883	$98	$-	$-	$1,441,034	$48,849
Amortized and impairment:								
Amortized	(1,170,764)	(39,687)	(20,351)	(690)	-	-	(1,191,115)	(40,377)
Book value	$267,387	$9,064	$(17,468)	$(592)	$-	$-	$249,919	$8,472

	January 1, 2011		Increase		Decrease		March 31, 2011	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired Cost:								
Computer software	$1,371,621	$46,654	$21,583	$734	$-	$-	$1,393,204	$47,388
Amortized and impairment:								
Amortized	(984,701)	(33,493)	(38,156)	(1,298)	-	-	(1,022,857)	(34,791)
Book value	$386,920	$13,161	$(16,573)	$(564)	$-	$-	$370,347	$12,597

17. Financial liabilities at fair value through profit or loss

	March 31,			
	2012		2011	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$194,159	$6,604
Add: Adjustment of valuation	5,925,636	$200,869	4,031,679	137,132
Total	$5,925,636	$200,869	$4,225,838	$143,736

18. Derivative financial liabilities for hedging

	March 31,			
	2012		2011	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$-	$-
Add: Adjustment of valuation	-	-	580	20
Total	$-	$-	$580	$20

19. Preferred stock liabilities

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

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

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

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

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

D. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

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

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

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

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

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

D. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

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

Primary terms and conditions of the privately offered Class C preferred stocks 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 NT$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.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

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

D. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

According to the SFAS No. 36 "Financial Instruments: Disclosure and Presentation", the above mentioned preferred stocks issued shall be categorized as a financial liability. Thus, the preferred stocks were reported as "preferred stock liabilities" under financial liabilities.

20. Insurance contract and Reserve for insurance contract with discretionary participation feature of financial instruments

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

(1) Reserve for life insurance liabilities：

	March 31, 2012 NT$			March 31, 2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,363,335,641	$44,621,530	$2,407,957,171	$2,113,769,008	$44,158,975	$2,157,927,983
Injury insurance	247,472	-	247,472	217,816	-	217,816
Health insurance	244,031,171	-	244,031,171	207,527,184	-	207,527,184
Annuity insurance	1,450,463	139,157,888	140,608,351	1,538,103	179,971,836	181,509,939
Investment-linked insurance	1,122,732	-	1,122,732	1,511,562	-	1,511,562
Recover from major incident reserve	15,823	-	15,823	-	-	-
Total	$2,610,203,302	$183,779,418	$2,793,982,720	$2,324,563,673	$224,130,811	$2,548,694,484

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2012 US$			March 31, 2011 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$80,113,073	$1,512,594	$81,625,667	$71,896,905	$1,502,006	$73,398,911
Injury insurance	8,389	-	8,389	7,408	-	7,408
Health insurance	8,272,243	-	8,272,243	7,058,748	-	7,058,748
Annuity insurance	49,168	4,717,217	4,766,385	52,317	6,121,491	6,173,808
Investment-linked insurance	38,059	-	38,059	51,414	-	51,414
Recover from major incident reserve	536	-	536	-	-	-
Total	$88,481,468	$6,229,811	$94,711,279	$79,066,792	$7,623,497	$86,690,289

Reserve for life insurance liabilities is summarized below:

	For the three months ended March 31, 2012 NT$			For the three months ended March 31, 2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,501,123,752	$193,632,148	$2,694,755,900	$2,254,981,751	$241,995,513	$2,496,977,264
Reserve	141,640,404	385,400	142,025,804	94,594,691	7,411,852	102,006,543
Recover	(29,950,651)	(10,226,585)	(40,177,236)	(25,474,951)	(25,416,531)	(50,891,482)
(Gains) losses on foreign exchange	(2,610,203)	(11,545)	(2,621,748)	462,182	139,977	602,159
Ending Balance	$2,610,203,302	$183,779,418	$2,793,982,720	$2,324,563,673	$224,130,811	$2,548,694,484

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	For the three months ended March 31, 2012			For the three months ended March 31, 2011		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$84,783,856	$6,563,802	$91,347,658	$76,700,060	$8,231,140	$84,931,200
Reserve	4,801,370	13,064	4,814,434	3,217,506	252,104	3,469,610
Recover	(1,015,276)	(346,664)	(1,361,940)	(866,495)	(864,508)	(1,731,003)
(Gains) losses on foreign exchange	(88,482)	(391)	(88,873)	15,721	4,761	20,482
Ending Balance	$88,481,468	$6,229,811	$94,711,279	$79,066,792	$7,623,497	$86,690,289

(2) Unearned premium reserve：

	March 31, 2012			March 31, 2011		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$220,882	$3	$220,885	$177,365	$2	$177,367
Individual injury insurance	4,279,095	-	4,279,095	4,126,172	-	4,126,172
Individual health insurance	5,410,143	-	5,410,143	5,067,680	-	5,067,680
Group insurance	1,224,233	-	1,224,233	1,477,866	-	1,477,866
Investment-linked insurance	120,828	-	120,828	119,439	-	119,439
Total	11,255,181	3	11,255,184	10,968,522	2	10,968,524
Less ceded unearned premium reserve:						
Individual life insurance	2,235,866	-	2,235,866	913,036	-	913,036
Individual injury insurance	4,607,690	-	4,607,690	4,581,855	-	4,581,855
Group insurance	331	-	331	(1,717)	-	(1,717)
Investment-linked insurance	1,154,448	-	1,154,448	1,215,983	-	1,215,983
Total	7,998,335	-	7,998,335	6,709,157	-	6,709,157
Net	$3,256,846	$3	$3,256,849	$4,259,365	$2	$4,259,367

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2012			March 31, 2011		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$7,488	$-	$7,488	$6,033	$-	$6,033
Individual injury insurance	145,054	-	145,054	140,346	-	140,346
Individual health insurance	183,395	-	183,395	172,370	-	172,370
Group insurance	41,499	-	41,499	50,268	-	50,268
Investment-linked insurance	4,096	-	4,096	4,062	-	4,062
Total	381,532	-	381,532	373,079	-	373,079
Less ceded unearned premium reserve:						
Individual life insurance	75,792	-	75,792	31,056	-	31,056
Individual injury insurance	156,193	-	156,193	155,845	-	155,845
Group insurance	11	-	11	(58)	-	(58)
Investment-linked insurance	39,134	-	39,134	41,360	-	41,360
Total	271,130	-	271,130	228,203	-	228,203
Net	$110,402	$-	$110,402	$144,876	$-	$144,876

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Unearned premium reserve is summarized below:

	For the three months ended March 31, 2012 NT$			For the three months ended March 31, 2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,017,977	$4	$12,017,981	$11,743,204	$2	$11,743,206
Reserve	11,255,181	3	11,255,184	10,968,522	2	10,968,524
Recover	(12,017,977)	(4)	(12,017,981)	(11,743,204)	(2)	(11,743,206)
Ending Balance	11,255,181	3	11,255,184	10,968,522	2	10,968,524
Less ceded unearned premium reserve:						
Beginning balance-Net	8,610,317	-	8,610,317	6,263,909	-	6,263,909
Increase	-	-	-	737,929	-	737,929
Decrease	(611,982)	-	(611,982)	(292,681)	-	(292,681)
Total	7,998,335	-	7,998,335	6,709,157	-	6,709,157
Ending Balance-Net	$3,256,846	$3	$3,256,849	$4,259,365	$2	$4,259,367

	For the three months ended March 31, 2012 US$			For the three months ended March 31, 2011 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$407,389	$-	$407,389	$399,429	$-	$399,429
Reserve	381,532	-	381,532	373,079	-	373,079
Recover	(407,389)	-	(407,389)	(399,429)	-	(399,429)
Ending Balance	381,532	-	381,532	373,079	-	373,079
Less ceded unearned premium reserve:						
Beginning balance-Net	291,875	-	291,875	213,058	-	213,058
Increase	-	-	-	25,100	-	25,100
Decrease	(20,745)	-	(20,745)	(9,955)	-	(9,955)
Total	271,130	-	271,130	228,203	-	228,203
Ending Balance-Net	$110,402	$-	$110,402	$144,876	$-	$144,876

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(3) Reserve for claims：

	March 31, 2012 NT$			March 31, 2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$137,537	$-	$137,537	$157,813	$506	$158,319
－Unreported claim	37,993	-	37,993	23,083	-	23,083
Individual injury insurance						
－Reported but not paid claim	165,889	-	165,889	199,172	-	199,172
－Unreported claim	846,443	-	846,443	612,857	-	612,857
Individual health insurance						
－Reported but not paid claim	154,837	-	154,837	138,939	-	138,939
－Unreported claim	1,367,588	-	1,367,588	1,160,980	-	1,160,980
Group insurance						
－Reported but not paid claim	44,519	-	44,519	19,808	-	19,808
－Unreported claim	1,244,079	-	1,244,079	1,192,047	-	1,192,047
Investment-linked insurance						
－Reported but not paid claim	18,482	-	18,482	27,440	-	27,440
Total	4,017,367	-	4,017,367	3,532,139	506	3,532,645
Less ceded reserve for claims:						
Individual injury insurance	612,541	-	612,541	544,235	-	544,235
Net	$3,404,826	$-	$3,404,826	$2,987,904	$506	$2,988,410

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2012			March 31, 2011		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$4,662	$-	$4,662	$5,368	$17	$5,385
－Unreported claim	1,288	-	1,288	785	-	785
Individual injury insurance						
－Reported but not paid claim	5,623	-	5,623	6,775	-	6,775
－Unreported claim	28,693	-	28,693	20,845	-	20,845
Individual health insurance						
－Reported but not paid claim	5,249	-	5,249	4,726	-	4,726
－Unreported claim	46,359	-	46,359	39,489	-	39,489
Group insurance						
－Reported but not paid claim	1,509	-	1,509	674	-	674
－Unreported claim	42,172	-	42,172	40,546	-	40,546
Investment-linked insurance						
－Reported but not paid claim	627	-	627	933	-	933
Total	136,182	-	136,182	120,141	17	120,158
Less ceded reserve for claims:						
Individual injury insurance	20,764	-	20,764	18,511	-	18,511
Net	$115,418	$-	$115,418	$101,630	$17	$101,647

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Reserve for claims is summarized below:

	For the three months ended March 31, 2012			For the three months ended March 31, 2011		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,875,488	$3,242	$3,878,730	$3,444,087	$211	$3,444,298
Reserve	4,017,367	-	4,017,367	3,532,139	506	3,532,645
Recover	(3,875,488)	(3,242)	(3,878,730)	(3,444,087)	(211)	(3,444,298)
Ending balance	4,017,367	-	4,017,367	3,532,139	506	3,532,645
Less ceded reserve for claims:						
Beginning balance-Net	549,591	-	549,591	497,707	-	497,707
Increase	62,950	-	62,950	46,528	-	46,528
Total	612,541	-	612,541	544,235	-	544,235
Net	$3,404,826	$-	$3,404,826	$2,987,904	$506	$2,988,410

	For the three months ended March 31, 2012			For the three months ended March 31, 2011		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$131,372	$110	$131,482	$117,146	$7	$117,153
Reserve	136,182	-	136,182	120,141	17	120,158
Recover	(131,372)	(110)	(131,482)	(117,146)	(7)	(117,153)
Ending balance	136,182	-	136,182	120,141	17	120,158
Less ceded reserve for claims::						
Beginning balance-Net	18,630	-	18,630	16,929	-	16,929
Increase	2,134	-	2,134	1,582	-	1,582
Total	20,764	-	20,764	18,511	-	18,511
Net	$115,418	-	$115,418	$101,630	$17	$101,647

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(4) Special reserve：

	March 31, 2012 NT$				March 31, 2011 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Statutory special reserve：								
Individual life insurance	$79,778	$-	$-	$79,778	$122,435	$-	$-	$122,435
Individual injury insurance	1,160,656	-	-	1,160,656	2,482,860	-	-	2,482,860
Individual health insurance	1,849,066	-	-	1,849,066	3,781,387	-	-	3,781,387
Group insurance	1,399,265	-	-	1,399,265	4,120,115	-	-	4,120,115
Participating policies dividends reserve	703	-	-	703	(829)	-	-	(829)
Dividends risk reserve	-	-	-	-	829	-	-	829
Total	$4,489,468	$-	$-	$4,489,468	$10,506,797	$-	$-	$10,506,797

	March 31, 2012 US$				March 31, 2011 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Statutory special reserve：								
Individual life insurance	$2,704	$-	$-	$2,704	$4,164	$-	$-	$4,164
Individual injury insurance	39,344	-	-	39,344	84,451	-	-	84,451
Individual health insurance	62,680	-	-	62,680	128,619	-	-	128,619
Group insurance	47,433	-	-	47,433	140,140	-	-	140,140
Participating policies dividends reserve	24	-	-	24	(28)	-	-	(28)
Dividends risk reserve	-	-	-	-	28	-	-	28
Total	$152,185	$-	$-	$152,185	$357,374	$-	$-	$357,374

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Special reserve is summarized below:

	For the three months ended March 31, 2012 NT$				For the three months ended March 31, 2011 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$9,023,039	$-	$-	$9,023,039	$10,556,945	$-	$-	$10,556,945
Reserves for major incidents over 15 years	(15,823)	-	-	(15,823)	(42,481)	-	-	(42,481)
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	(6,818)	-	-	(6,818)	(7,667)	-	-	(7,667)
Reserves for participating policies dividends reserve	476	-	-	476	60	-	-	60
Reserves for dividends risk reserve	-	-	-	-	(60)	-	-	(60)
Reclassify to foreign exchange volatility reserve	(4,511,406)	-	-	(4,511,406)	-	-	-	-
Ending balance	$4,489,468	$-	$-	$4,489,468	$10,506,797	$-	$-	$10,506,797

	For the three months ended March 31, 2012 US$				For the three months ended March 31, 2011 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$305,865	$-	$-	$305,865	$359,080	$-	$-	$359,080
Reserves for major incidents over 15 years	(536)	-	-	(536)	(1,445)	-	-	(1,445)
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	(231)	-	-	(231)	(261)	-	-	(261)
Reserves for participating policies dividends reserve	16	-	-	16	2	-	-	2
Reserves for dividends risk reserve	-	-	-	-	(2)	-	-	(2)
Reclassify to foreign exchange volatility reserve	(152,929)	-	-	(152,929)	-	-	-	-
Ending balance	$152,815	$-	$-	$152,815	$357,374	$-	$-	$357,374

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(5) Premium deficiency reserve：

	March 31, 2012 NT$			March 31, 2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$13,686,386	$-	$13,686,386	$10,630,560	$-	$10,630,560
Individual health insurance	671,567	-	671,567	628,985	-	628,985
Group insurance	48,536	-	48,536	57,913	-	57,913
Total	$14,406,489	$-	$14,406,489	$11,317,458	$-	$11,317,458

	March 31, 2012 US$			March 31, 2011 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$463,945	$-	$463,945	$361,583	$-	$361,583
Individual health insurance	22,765	-	22,765	21,394	-	21,394
Group insurance	1,645	-	1,645	1,970	-	1,970
Total	$488,355	$-	$488,355	$384,947	$-	$384,947

Premium deficiency reserve is summarized below:

	For the three months ended March 31, 2012 NT$			For the three months ended March 31, 2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$13,599,727	$-	$13,599,727	$10,064,101	$-	$10,064,101
Reserve	933,657	-	933,657	1,329,232	-	1,329,232
Recover	-	-	-	(88,320)	-	(88,320)
(Gains) losses on foreign exchange	(126,895)	-	(126,895)	12,445	-	12,445
Ending balance	$14,406,489	$-	$14,406,489	$11,317,458	$-	$11,317,458

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	For the three months ended March 31, 2012			For the three months ended March 31, 2011		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$461,008	$-	$461,008	$342,316	$-	$342,316
Reserve	31,649	-	31,649	45,212	-	45,212
Recover	-	-	-	(3,004)	-	(3,004)
(Gains) losses on foreign exchange	(4,302)	-	(4,302)	423	-	423
Ending balance	$488,355	$-	$488,355	$384,947	$-	$384,947

(6) Liability adequacy reserve

	March 31, 2012 (NT$)	March 31, 2012 (US$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$2,793,982,720	$94,711,279
Unearned premium reserve	11,255,184	381,532
Premium deficiency reserve	14,406,489	488,355
Total	$2,819,644,393	$95,581,166
Book value of insurance liabilities	$2,819,644,393	$95,581,166
Estimated present value of cash flows	$2,117,105,767	$71,766,297
Balance of liability adequacy reserve	$-	$-

	March 31, 2011 (NT$)	March 31, 2011 (US$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$2,548,694,484	$86,690,289
Unearned premium reserve	10,968,524	373,079
Premium deficiency reserve	11,317,458	384,947
Total	$2,570,980,466	$87,448,315
Book value of insurance liabilities	$2,570,980,466	$87,448,315
Estimated present value of cash flows	$2,125,193,488	$72,285,493
Balance of liability adequacy reserve	$-	$-

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

Note 2： Reserve for claims and special reserve are not included in liability adequacy test. Reserve for claim is determined based on claims incurred before valuation date (March 31, 2012) and therefore not included in the test.

Note 3： There are no instances of merge or transfer of insurance contract for the Company. 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 are listed as follows：

	March 31, 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies：Include insurance contracts and financial instruments with discretionary participation feature as of March 31, 2012. (2) Discount rate：Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2011, with neutral assumption for discount rates after 30 years.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2011
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies：Include insurance contracts and financial instruments with discretionary participation feature as of March 31, 2011. (2) Discount rate：Under assets allocation plan of 2010, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2009.

(7) Reserve for insurance contract with feature of financial instruments：

The Company issues non-investment-linked insurance contract without discretionary participation feature of financial instruments. As of March 31, 2012 and 2011, reserve for insurance contract with feature of financial instruments are summarized below:

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Life insurance	$60,028,409	$2,034,861	$61,832,638	$2,103,151

	For the three months ended March 31,2012 NT$	For the three months ended March 31,2011 NT$
Beginning balance	$60,624,750	$55,083,797
Premiums (returned) received	(4,118)	6,764,188
Insurance claim payments	(958,203)	(407,938)
Net provision of statutory reserve	365,980	392,591
Ending balance	$60,028,409	$61,832,638

	For the three months ended March 31,2012 US$	For the three months ended March 31,2011 US$
Beginning balance	$2,055,076	$1,873,599
Premiums (returned) received	(140)	230,074
Insurance claim payments	(32,481)	(13,875)
Net provision of statutory reserve	12,406	13,353
Ending balance	$2,034,861	$2,103,151

21. Common stock

On April 29, 2010, the Company's Board of Directors resolved to issue 37,911 thousand shares of common stock at par value of NT$10 as a stock dividend which was then approved by the Insurance bureau on May 24, 2010, and by Ministry of Economic affairs on June 14, 2010, respectively. The record date was set on June 7, 2010. As of March 31, 2012 and 2011, the total authorized thousand shares were 5,306,527 at par value of NT$10 each.

22. Retained earnings

(1) Legal reserve

Pursuant to the Insurance Act, 20% of the Company's after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. Prior to 2007, this legal reserve was appropriated by 10% of the Company's after-tax net income according to the R.O.C. Company Act.

On April 24, 2012, the Company's Board of Directors resolved to recognize the legal reserves NT$91,176 (US$3,091) thousands.

(2) Special reserve

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

For special reserves, the balance of the annual reserve net of tax needs to be recorded in special reserve under equity since January of 2011 according to SFAS No. 22.

In addition, the full amount of special reserves for fluctuation of risks in liability should be recognized and recorded in special reserve next year after approved by shareholders; it should not be used for other purposes and distributed if not been approved by the authority.

On April 24, 2012, the Company's Board of Directors resolve to use special reserve to offset the full amount of deficit to be offset amounting to NT$1,120,208 (US$37,973) thousands after recognizing special reserve NT$1,484,912 (US$50,336) thousands. The resolution was authorized by Financial Supervisory Commission on April 9, 2012.

(3) Undistributed retained earnings

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

B. According to the amended Income Tax Act ("Tax Act") in 1998, the Company has to pay an extra 10% income tax on all undistributed retained earnings generated during the year.

C. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized losses of financial instruments expect for the special reserve since 2007.

D. The employee bonus and remuneration of directors in the Company for the three months ended March 31, 2012 and 2011, amounting to NT$0 (US$0) thousands and NT$5,000 (US$170) thousands, respectively, was accrued based on the average of actual distribution in the past three years and recognized as operating costs or expenses. The difference between the actual distribution and the estimated amount will be adjusted in the following fiscal year.

E. The Company's distribution of 2011 retained earnings has been approved by the shareholders. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

F. Special reserves for major incidents and special reserve for fluctuation of risks should be recorded as special reserve under equity at the end of this year. As of March 31, 2012, the reserves amounted to NT$474,684 (US$16,091) thousands.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

23.Retained earned premium

	For the three months ended March 31,2012 NT$			For the three months ended March 31,2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$137,706,426	$3,107,005	$140,813,431	$92,680,276	$9,458,421	$102,138,697
Reinsurance premium income	46,349	-	46,349	52,156	-	52,156
Premiums income	137,752,775	3,107,005	140,859,780	92,732,432	9,458,421	102,190,853
Less：						
Reinsurance premiums ceded	(6,565,020)	-	(6,565,020)	(3,599,802)	-	(3,599,802)
Changes in unearned premium reserve	150,814	1	150,815	1,219,930	-	1,219,930
Subtotal	(6,414,206)	1	(6,414,205)	(2,379,872)	-	(2,379,872)
Retained earned premium	$131,338,569	$3,107,006	$134,445,575	$90,352,560	$9,458,421	$99,810,981

	For the three months ended March 31,2012 US$			For the three months ended March 31,2011 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$4,668,015	$105,322	$4,773,337	$3,152,390	$321,715	$3,474,105
Reinsurance premium income	1,571	-	1,571	1,774	-	1,774
Premiums income	4,669,586	105,322	4,774,908	3,154,164	321,715	3,475,879
Less：						
Reinsurance premiums ceded	(222,543)	-	(222,543)	(122,442)	-	(122,442)
Changes in unearned premium reserve	5,112	-	5,112	41,494	-	41,494
Subtotal	(217,431)	-	(217,431)	(80,948)	-	(80,948)
Retained earned premium	$4,452,155	$105,322	$4,557,477	$3,073,216	$321,715	$3,394,931

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

24.Retained claim payment

	For the three months ended March 31,2012 NT$			For the three months ended March 31,2011 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$40,521,326	$13,980,004	$54,501,330	$34,217,696	$28,133,072	$62,350,768
Reinsurance claim payments	36,745	-	36,745	26,432	-	26,432
Insurance claim payments	40,558,071	13,980,004	$54,538,075	34,244,128	28,133,072	62,377,200
Less：						
Claims recovered from reinsures	(2,536,261)	-	(2,536,261)	(1,146,017)	-	(1,146,017)
Retained claim payment	$38,021,810	$13,980,004	$52,001,814	$33,098,111	$28,133,072	$61,231,183

	For the three months ended March 31,2012 US$			For the three months ended March 31,2011 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$1,373,604	$473,898	$1,847,502	$1,163,867	$956,907	$2,120,774
Reinsurance claim payments	1,246	-	1,246	899	-	899
Insurance claim payments	1,374,850	473,898	1,848,748	1,164,766	956,907	2,121,673
Less：						
Claims recovered from reinsures	(85,975)	-	(85,975)	(38,980)	-	(38,980)
Retained claim payment	$1,288,875	$473,898	$1,762,773	$1,125,786	$956,907	$2,082,693

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

25. Personnel expense、depreciation and amortizations

Item	For the three months ended March 31, 2012 (NT$)			For the three months ended March 31, 2012 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$2,850,355	$621,084	$3,471,439	$96,622	$21,054	$117,676
Labor & health insurance expenses	399,331	73,042	472,373	13,537	2,476	16,013
Pension expenses	278,889	51,012	329,901	9,454	1,729	11,183
Other expenses	362,950	72,509	435,459	12,303	2,458	14,761
Depreciation	-	566,881	566,881	-	19,216	19,216
Amortizations	-	20,351	20,351	-	690	690

Item	For the three months ended March 31, 2011 (NT$)			For the three months ended March 31, 2011 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$3,576,839	$655,599	$4,232,438	$121,661	$22,299	$143,960
Labor & health insurance expenses	401,685	69,228	470,913	13,663	2,354	16,017
Pension expenses	255,721	44,072	299,793	8,698	1,499	10,197
Other expenses	314,866	64,451	379,317	10,710	2,192	12,902
Depreciation	-	582,764	582,764	-	19,822	19,822
Amortizations	-	38,156	38,156	-	1,298	1,298

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

26. Estimated income taxes

(1) Deferred income tax liabilities and assets are as follows:

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Total deferred tax assets	$16,176,611	$548,359	$17,686,541	$601,583
Total deferred tax liabilities	$(16,345)	$(554)	$(5,131,875)	$(174,554)
Allowance for deferred tax assets	$(14,027)	$(475)	$-	$-
Temporary differences:				
Pension expense	$1,434,837	$48,640	$1,306,718	$44,446
Unrealized foreign exchange losses	67,463,322	2,286,892	76,232,201	2,592,932
Gains from valuation on financial assets and liabilities	(96,148)	(3,259)	(30,187,500)	(1,026,786)
Impairment loss	1,302,936	44,167	1,302,936	44,318
Unrealized bad debt losses	455,551	15,442	455,551	15,495
Others	22,521	763	20,335	692
Total	$70,583,019	$2,392,645	$49,130,241	$1,671,097
Loss carryforwards	$4,841,985	$164,135	$4,785,290	$162,765
Tax effect under consolidated income tax system	$(702,065)	$(23,799)	$(645,370)	$(21,951)
Investment tax credits	$21,233	$720	$62,605	$2,129

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Deferred tax assets	$16,176,611	$548,359	$17,686,541	$601,583
Allowance for tax assets	(14,027)	(475)	-	-
Deferred tax assets-Net	16,162,584	547,884	17,686,541	601,583
Deferred tax liabilities	(16,345)	(554)	(5,131,875)	(174,554)
Net offset balance of deferred tax assets	$16,146,239	$547,330	$12,554,666	$427,029

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(2) Income tax benefit included the following:

	For the three months ended March 31			
	2012		2011	
	NT$	US$	NT$	US$
Tax expenses before adjusting temporary and other differences	$262,876	$8,911	$2,963,018	$100,783
Deferred income tax (benefit) expenses:				
Unrealized foreign exchange (gain) loss	(3,461,570)	(117,341)	1,826,367	62,121
Unrealized financial instruments valuation expense (gain)	2,336,854	79,216	(6,248,717)	(212,541)
Unrealized pension benefit	(10,119)	(343)	(3,861)	(131)
Others	9	-	10	-
Prior year adjustments	261,321	8,858	-	-
Withholding tax for overseas investments	-	-	14,303	486
Allowance for tax assets	14,027	475	-	-
Total income tax benefit	$(596,602)	$(20,224)	$(1,448,880)	$(49,282)

(3) The Company's income tax returns have been assessed by the Tax Authorities up to fiscal year 2006. Due to disagreements on premiums on bonds investment amortized to interest revenue, the Company has filed appeals for fiscal year of 2002 through 2006.

(4) Information related to imputation

	March 31,			
	2012		2011	
	NT$	US$	NT$	US$
Balance of imputation credit account	$4,376,601	$148,359	$2,949,872	$100,336

	March 31,	
	2012	2011
Imputation credit account ratio – estimate	-(Note)	-
Imputation credit account ratio – actal	-	-(Note)

Note：The imputation credit account ratio was inapplicable due to the Company's cumulative deficits of 2011 and 2010.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(5) Information related to undistributed earnings

	March 31,			
	2012		2011	
Year	NT$	US$	NT$	US$
After 1998	$(286,071)	$(9,697)	$(6,515,586)	$(221,618)

(6) Tax credits obtained in accordance with "Statute for Upgrading Industries" are as follows:

		Amount of deductible income tax		Remaining balance		
Regulation	Deductible items	NT$	US$	NT$	US$	Expiry Year
Statute for Upgrading Industries	Education and training	12,478	423	12,478	423	2012
Statute for Upgrading Industries	Education and training	8,755	297	8,755	297	2013
Total		$21,233	$720	$21,233	$720	

27. Earnings per share

	For the three months ended March 31, 2012			
	Before tax		After tax	
	NT$	US$	NT$	US$
Net loss (a)	$(2,302,955)	$(78,066)	$(1,706,353)	$(57,842)
Outstanding number of thousand shares at end of period (b)	5,306,527	5,306,527	5,306,527	5,306,527
Weighted average outstanding number of thousand shares (c)	5,306,527	5,306,527	5,306,527	5,306,527
Earnings per share (a) / (d) (dollars)				
Net loss	$(0.43)	$(0.01)	$(0.32)	$(0.01)

	For the three months ended March 31, 2011			
	Before tax		After tax	
	NT$	US$	NT$	US$
Net loss (a)	$(2,947,805)	$(100,266)	$(1,498,925)	$(50,984)
Outstanding number of thousand shares at end of period (b)	5,306,527	5,306,527	5,306,527	5,306,527
Weighted average outstanding number of thousand shares (c)	5,306,527	5,306,527	5,306,527	5,306,527
Earnings per share (a) / (c) (dollars)				
Net loss	$(0.56)	$(0.02)	$(0.28)	$(0.01)

28. Information of insurance contract

(1) Risk management objectives, policies, procedures and methods:

A. Framework for risk management, organization structure and responsibilities

a. Board of directors

(A) The board of directors should establish appropriate risk management function and culture, ratify appropriate risk management policy and allocate resources in the most effective manner.

(B) The board of directors and senior management should promote and execute risk management policies and standards. Furthermore, they should ensure the policies and standards are in line with the Company's operational objective and operational strategy.

(C) The board of directors should acknowledge the risk of operation, ensure the effectiveness of risk management and assume the ultimate responsibility for risk management.

(D) The board of directors should delegate authority to risk management department to deal with violation of risk quotas by other departments.

b. Risk management committee

(A) The committee should draft the risk management policies, framework and organizational function to establish quantitative and qualitative risk management standards. The committee is also responsible to report the execution results to the board periodically and make necessary improvement suggestions.

(B) The committee should execute the risk management decisions set by the board of directors and evaluate the development, implementation and results of execution of the risk management function.

(C) The committee should assist and monitor the risk management activities.

(D) The committee should adjust the risk category, risk quota allocation and risk taking according to the change of the big environment.

(E) The committee should enhance cross-department interaction and communication.

c. Risk management department

(A) The department is responsible for monitoring, measuring and evaluating daily risks. The department should execute its authority independently from the operating department.

(B) The department should perform following function based on activity categories:

① Assist drafting and execute the risk management policies set by the board of directors.
② Assist determines the risk quotas based on risk appetite.
③ Summarize the risk information provided by all departments. Facilitate and communicate the execution of the policies as well as the risk quotas with departments.
④ Periodically provide risk management related reports.
⑤ Periodically monitor all operating department’s risk quotas and manage the exceptions attributable to exceed the risk quotas granted.
⑥ Assist the pressure test. Execute back testing if necessary.
⑦ Other risk management issues.

d. Operating departments

(A) Managers of the operating departments：

① Responsible for the departments’ daily risk management report and respond to issues if necessary.
② Make sure to delivery risk management information periodically to the risk management department.

(B) Operating departments：

① Address and measure risks and report the pervasiveness of exposure.
② Periodically review the risk quotas. If exception happens, report the exceptions as well as the actions taken.
③ Assist to develop the risk model. Ensure the measurement of risk, the usage of the model and the assumptions made are reasonable and has been applied consistently.
④ Ensure internal control operates effectively to comply with related regulation and company's risk management policies.
⑤ Assist gathering risk management related data.

e. Audit department

The department is required to audit all departments to determine the execution status of the risk management policies complies with the related regulations and company's risk management policies.

B. Reporting risk or measuring the range and characteristics of the system

The Company set its risk management standards based on markets, credibility, sovereign, liquidity, operations, insurance, risks of matching between assets / liability positions and the capital adequacy. The company also periodically provides the risk management report for monitoring the Company's risks.

a. Market risk

The risk represents decrease in value of the company's financial asset due to the price fluctuation of the financial instrument market. The company applies the 95% and 99% confidence level as the benchmark to measure odd week market risk. The company also applies back testing periodically to the market risk to ensure accuracy of the model. Furthermore, the Company applies scenario analysis and stress test to evaluate the change in value of the asset groups due to significant domestic and international incidences.

b. Credit risk

This risk represents the Company's loss due to the default of debtors. The measurements that the Company uses include credit rating, concentration analysis and value at risk (VAR) under 95% confidence level. The Company also periodically applies back-testing to the credit risk to ensure accuracy of the model. Furthermore, the Company applies scenario analysis and stress test to evaluate the change in value of the asset groups due to significant domestic and international incidences.

c. Sovereign risk

This represents risks of the Company's investment positions caused by changes of the local government's politics or economy further causes price fluctuation or default that eventually results in a loss. The Company takes international credit ranking companies' ranking and other economy indexes into consideration to set the investment ceiling for specific countries. The Company review and adjust the ceiling periodically.

d. Liquidity risk

Liquidity risks include Funding liquidity risk and Market liquidity risk. Funding liquidity risk is the risk of insufficient funding to meet the Company's commitment when due. The Company uses current ratio to measure funding liquidity risk and manages to maintain the ratio below high risk. Operating departments have established funding communication system. The risk management department manages funding liquidity based on the information provided by the operating departments. Furthermore, operating departments have also built up their own cash flow analysis models and monitor the result of the analysis. They also set the annual assets allocation plan to better maintain the liquidity of funding. Market liquidity risk occurs when the market is under turmoil or lack of market depth further cause the drastic change of market price. All investment departments have evaluated the market liquidity risk based on the characteristics and intentions of current investment portfolio.

e. Operating risk

This risk occurs when there are errors caused by internal process, employee or system breakdown or external issues including legislative risks but strategic risk and reputation risks. The Company had set the standard operating procedure based all characteristics of operations meanwhile established losses reporting system to manage operating risk losses information.

f. Insurance risk

This risk occurs after collecting premium from the policy holder. The Company assumed the risk transferred from the policy holder and when the company pays the claim, due to unexpected change the Company assumed a loss. This generally happens because of the policy design, pricing risks, underwriting risks, reinsurance risks, catastrophe risks, claim risks and reserve related risks.

g. Asset and liability matching risk

The type of risks happens when the changes in value of assets and liability are not equal. The Company measures the risk by referencing capital costs, duration, cash flow management and scenario analysis.

h. Capital adequacy rate

Capital adequacy ratio is defined by Insurance Act and Regulations Governing Capital Adequacy of Insurance Companies. The Company applies capital adequacy rate as the index of capital adequacy.

C. Manage the process of assuming, measuring, monitoring and controlling risks to ensure proper risk classification, premium level and underwriting policies.

a. The process of assuming, measuring, monitoring and controlling risks：

(A) Promulgate the Company’s risk management standards including the definition and rage of risk, management structure, risk management indexes and other risk management measures.

(B) Establish methods to evaluate insurance risks

(C) Periodically provide the insurance risk management report to the risk management committee for supervising insurance risks and developing insurance risk management strategies.

(D) When a risk exceptional incidence occur, related departments should draft the possible solution and submit it to the risk management committee and Cathay Financial Holding's risk management committee.

b. Ensure proper risk classification and underwriting policies of premium level:

(A) Underwriters should ensure clients' financial underwriting, checking insurance notification for exceptions, considering the amount insured, types of insurance, age, family members, reason for insurance, employment, etc. to confirm client's appropriateness of the amount insured and the ability to meet premium deadlines.

(B) The Company has an underwriter team dealing with controversy events such as new type of contracts and change of security systems and clarifying related underwriting standards.

(C) The Company has a judging team for highly insured projects to enhance its risk management and prevent adverse selection and moral hazard.

D. Evaluation based on the enterprise taken as a whole and range of managing insurance risks

a. Evaluation of insurance risks include the following risks：

(A) Product design and pricing risks: This type of risk arises from improper design of products, inappropriate policies, inappropriate pricing, referencing the wrong source of information, inconsistency and unexpected changes.

(B) Underwriting risks: Unexpected losses arise from promoting business, underwriting activities and approval, other expenditure activities, etc.

(C) Reinsurance risks: This type of risk arises from failing to reinsure the excess risk or reinsurer fails to fulfill its responsibility that results in loss in premium, claims or non-reimbursed expenses.

(D) Catastrophe risks: This type of risk arises from accidents that cause a type or more than one type of insurance a loss which in aggregate might affect the Company's credit raking and solvency.

(E) Claim risks: This type of risk arises from inappropriate operation or mistakes while handling claim.

(F) Risks of insufficient reserve: This type of risk arises from insufficient reserve due to underestimate of liability. As a result, the Company fails to fulfill its anticipated responsibility.

b. Range of managing insurance risks

(A) Establish Company's insurance risk management standards as the guidance of performing risk management.

(B) Establish Company's insurance risk management standards including the definition and range of risks, management structure, risk management index and other risk management measures.

(C) Draft action plans for matching the Company's expanding strategy and response to the changes of financial environment worldwide.

(D) Establish measurement methods for insurance risks.

(E) Periodically provide insurance risks management report for monitoring insurance risk and drafting insurance managing strategy.

(F) Other issues related to insurance risks management.

E. Methods to limit or transfer insurance risk exposure and to prevent inappropriate concentration of risks

The method that the Company mainly uses to limit or transfer insurance risk exposure and to prevent inappropriate concentration of risks is the reinsurance managing plan. The company estimates the risk that the Company is able to assume including characteristics of the risk, regulation issues and development technique factors all together to determine the range of reinsurance. In order to maintain safety of risk transfer and control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

F. Methods for managing assets and liabilities

a. The Company has assets and liabilities managing committee to ensure full application of the managing policy, establish management structure, integrate human capital and resources, review the strategy and practice periodically and further reduce all types of risks.

b. Responsible departments will review the measurement of the matching risks of assets and liabilities periodically. The reports will be sent to the risk management committee. Furthermore, the reports should be delivered to the risk management committee of Cathay Financial Holding annually.

c. When exceptional situation occur, related departments should hold a meeting to find possible actions plan and deliver the report to assets and liabilities managing committee, risk management committee and the risk management committee of Cathay Financial Holding.

G. When special incidence happens, the managing, monitoring and controlling procedures relating to extra liability or commitment of contributing extra owner equity are as following:

To comply with laws and regulation, the Company is required to maintain its capital adequacy rate in a certain rage. In order to enhance the Company’s capital management and maintain its capital adequacy ratio, the Company has established a set of capital adequacy management standards as following:

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

a. Capital adequacy management

(A) Periodically provide capital adequacy management reports and analysis to the financial department of Cathay Financial Holding.

(B) Periodically provide the risk management committee the capital adequacy management analysis report.

(C) Practice scenario analysis for capital adequacy ratio focusing on the Company's usage of funding, changes of the financial environment including updates of laws and regulations.

(D) Periodically review the capital adequacy rate and related control standards to fulfill the management of capital adequacy.

b. Exception management process

When the Company's capital adequacy rate exceeds the risk management standard or other exceptions occur, the Company is required to notify the risk management department and financial department of Cathay Financial Holding enclosed with capital adequacy analysis report and related planned actions reports.

29. Information of insurance risk

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

	March 31, 2012 NT$		
	Change in supposition	Change in income before tax	Change in stockholders' equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 506,085	Decrease (increase) 420,051
Expense	×1.05 (×0.95)	Decrease (increase) 640,808	Decrease (increase) 531,871
Surrender rates	×1.05 (×0.95)	Increase (decrease) 77,436	Increase (decrease) 64,272
Investment return rate	+0.1%	Increase 734,655	Increase 609,764
Investment return rate	-0.1%	Decrease 734,838	Decrease 609,916

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2012 US$		
	Change in supposition	Change in income before tax	Change in stockholders' equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 17,155	Decrease (increase) 14,239
Expense	×1.05 (×0.95)	Decrease (increase) 21,722	Decrease (increase) 18,030
Surrender rates	×1.05 (×0.95)	Increase (decrease) 2,625	Increase (decrease) 2,179
Investment return rate	+0.1%	Increase 24,904	Increase 20,670
Investment return rate	-0.1%	Decrease 24,910	Decrease 20,675

	March 31, 2011 NT$		
	Change in supposition	Change in income before tax	Change in stockholders' equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 479,549	Decrease (increase) 398,026
Expense	×1.05 (×0.95)	Decrease (increase) 628,915	Decrease (increase) 521,999
Surrender rates	×1.05 (×0.95)	Increase (decrease) 82,730	Increase (decrease) 68,666
Investment return rate	+0.1%	Increase 676,445	Increase 561,450
Investment return rate	-0.1%	Decrease 676,614	Decrease 561,590

	March 31, 2011 US$		
	Change in supposition	Change in income before tax	Change in stockholders' equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 16,311	Decrease (increase) 13,538
Expense	×1.05 (×0.95)	Decrease (increase) 21,392	Decrease (increase) 17,755
Surrender rates	×1.05 (×0.95)	Increase (decrease) 2,814	Increase (decrease) 2,336
Investment return rate	+0.1%	Increase 23,008	Increase 19,097
Investment return rate	-0.1%	Decrease 23,014	Decrease 19,102

A. Changes in income before tax listed above refer to the effects of income before tax in the first quarter of 2012 and 2011 by the assumption. Change of the stockholders' equity is assumed 17% of income tax rate has been used.

B. Increase (decrease) 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and stockholders' equity. The result of the test shows adequacy. However, if the discount rate keeps decreasing to significant degree, income before tax and stockholders' equity will probably be affected.

C. Test of sensitivity

a. Life Table/Morbidity test is measured by mortality, morbidity and the occurrence rate of injury insurance multiply 1.05 (multiply 0.95), in opposition to the change in income before tax.

b. Expenses sensitivity is measured by all expenses listed on income statement (Note 1) multiply 1.05 (multiply 0.95), in opposition to the change in income before tax.

c. Surrender rate sensitivity test is measured by surrender rate multiply 1.05 (multiply 0.95), in opposition to the change in income before tax.

d. The rate of returns sensitivity test is measured by the rate of returns (Note 2) increases (decreases) 0.1%, in opposition to income before tax.

Note 1: Expenses includes brokerage expenses, commission expenses, other operating expenses under operating costs as well as business expenses, administration expenses and staffs training expenses under operating expenses.

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

(2) Interpretation of concentration on insurance risk

The Company's insurance business is mainly from Taiwan, Republic of China. All the insurance contracts which have been signed have the similar risk of exposure, for example, the exposure of the unanticipated changes in trend (ex: mortality, morbidity, and lapse rate), the exposure of multiple insurance contracts caused by a specific event (ex: the simultaneous exposure of life insurance, health insurance, and accidental insurance caused by one earthquake). The Company reduces the risk of exposure not only by monitoring the status of the risk continuously, but also buying reinsurance contracts.

The Company reviews the profits and losses on compensation as a whole and the capability of assuming the risk periodically. Depending upon the feature of each risk, the company assesses the amount of coverage a company retains on that risk, also called "net line," as well as reviewed and approved by each competent authority. For the excess of net line, the company reinsures this portion of amount. At the same time, the company takes the possibility of suddenness of human and nature disasters into account periodically and estimates the reasonable maximum amount of compensation on retained risks. Depending upon the dollar amount of losses and the capability of assuming risks, the company makes the decision on whether it is necessary to adjust the insurance limits or reinsurance on disasters. Hence, the insurance risk to some extent has been spread out to reduce the potential impact on unanticipated losses.

Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.", the annual increase after-tax amount of special reserve for major accidents and special reserve for fluctuation of risks which is based upon the loss ratio of each type of insurance and used for the abnormal movement of compensation needs to be recognized and recorded in appropriated retained earnings of equity in accordance with the Statements of Financial Accounting Standards No. 22 since the beginning of 2011.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(3) Trend of the development on compensation

A. Direct business trend of development

Accident year	Development period (years) NT$							Expected future payment
	1	2	3	4	5	6	7	
2005Q2~2006Q1	10,997,552	12,820,869	12,945,105	12,980,910	13,000,377	13,007,522	13,013,824	-
2006Q2~2007Q1	11,878,552	14,013,520	14,137,529	14,172,928	14,207,949	14,226,676	14,233,182	6,506
2007Q2~2008Q1	12,487,783	14,726,326	14,896,224	14,956,935	15,042,774	15,057,292	15,063,783	21,009
2008Q2~2009Q1	13,384,763	15,820,692	16,011,049	16,085,163	16,134,348	16,149,326	16,156,395	71,232
2009Q2~2010Q1	14,445,550	17,287,961	17,551,424	17,611,663	17,665,958	17,682,705	17,690,319	138,895
2010Q2~2011Q1	14,307,274	17,419,063	17,611,104	17,670,741	17,723,811	17,740,607	17,748,153	329,090
2011Q2~2012Q1	14,912,513	17,665,831	17,858,041	17,917,095	17,968,349	17,985,128	17,992,856	3,080,343

Expected future payment	$3,647,075
Less：expected reported but not paid claim	184,390
Add: assumed reserve for incurred but not reported claim	33,418
Reserve for unreported claim	3,496,103
Add：reported but not paid claim	521,264
Reserve claim balance	$4,017,367

Accident year	Development period (years) US$							Expected future payment
	1	2	3	4	5	6	7	
2005Q2~2006Q1	372,798	434,606	438,817	440,031	440,691	440,933	441,147	-
2006Q2~2007Q1	402,663	475,035	479,238	480,438	481,625	482,260	482,481	221
2007Q2~2008Q1	423,315	499,197	504,957	507,015	509,925	510,417	510,637	712
2008Q2~2009Q1	453,721	536,295	542,747	545,259	546,927	547,435	547,674	2,415
2009Q2~2010Q1	489,680	586,033	594,964	597,006	598,846	599,414	599,672	4,708
2010Q2~2011Q1	484,992	590,476	596,987	599,008	600,807	601,377	601,632	11,156
2011Q2~2012Q1	505,509	598,842	605,357	607,359	609,097	609,665	609,927	104,418

Expected future payment	$123,630
Less：expected reported but not paid claim	6,251
Add: assumed reserve for incurred but not reported claim	1,133
Reserve for unreported claim	118,512
Add：reported but not paid claim	17,670
Reserve claim balance	$136,182

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

B. Retained business trend of development

Accident year	Development period (years) NT$ 1	2	3	4	5	6	7	Expected future payment
2005Q2~2006Q1	11,086,339	12,908,176	13,023,606	13,068,883	13,096,101	13,104,824	13,111,572	-
2006Q2~2007Q1	11,965,114	14,107,519	14,241,493	14,284,091	14,321,037	14,340,289	14,346,892	6,603
2007Q2~2008Q1	12,557,191	14,819,422	14,997,598	15,060,233	15,147,981	15,162,635	15,169,220	21,239
2008Q2~2009Q1	13,453,933	15,858,471	16,049,632	16,122,415	16,172,023	16,186,856	16,193,909	71,494
2009Q2~2010Q1	13,110,104	15,406,063	15,596,505	15,645,201	15,691,989	15,702,974	15,708,793	112,288
2010Q2~2011Q1	12,494,337	14,953,506	15,100,538	15,146,346	15,189,777	15,199,824	15,205,311	251,805
2011Q2~2012Q1	13,026,617	15,373,699	15,525,811	15,572,299	15,614,644	15,625,243	15,631,140	2,604,523

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

Expected future payment	$3,067,952
Less：expected reported but not paid claim	184,390
Add：reported but not paid claim	521,264
Retained reserve claim balance	$3,404,826

Accident year	Development period (years) US$ 1	2	3	4	5	6	7	Expected future payment
2005Q2~2006Q1	375,808	437,565	441,478	443,013	443,936	444,231	444,460	-
2006Q2~2007Q1	405,597	478,221	482,762	484,206	485,459	486,111	486,335	224
2007Q2~2008Q1	425,667	502,353	508,393	510,516	513,490	513,988	514,211	721
2008Q2~2009Q1	456,066	537,575	544,055	546,523	548,204	548,707	548,946	2,423
2009Q2~2010Q1	444,410	522,239	528,695	530,346	531,932	532,304	532,501	3,806
2010Q2~2011Q1	423,537	506,898	511,883	513,435	514,908	515,248	515,434	8,536
2011Q2~2012Q1	441,580	521,142	526,299	527,875	529,310	529,669	529,869	88,289

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

Expected future payment	$103,999
Less：expected reported but not paid claim	6,251
Add：reported but not paid claim	17,670
Retained reserve claim balance	$115,418

The company records and recognizes reserve for claim for anticipated payment of reported and unreported compensations. Due to the factors of uncertainty, estimation, and judgment involved in recording and recognition, there is a high degree of complexity of reserve for claim. Any change of the estimation or judgment is treated as the change of the accounting principle and recorded and recognized as profit and loss in current year. Some claims of compensation are delayed notification. Also, the estimated unreported cases probably need to be settled by compensation. All these are involved in heavy judgment and estimation. Thus, it exists uncertainty that the estimated reserve for claim in balance sheet date will be not equal to the final settled amount of compensation. The reserve for claim recorded on the book is estimated based upon the current information obtained. However, the settled amount probably will be deviated from the original estimated amount because of the follow-up events.

The chart above has shown the development trend of the compensation. The accident year is the actual year for the occurrence of the claimed accident; The cross axle is the year of the development for the settlement cases; the dollar amount showing above the diagonal line represents the settlement cases in that specific accident year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount showed below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each accident year. It is possible that the circumstances and trends affecting dollar amount of recording and recognition to the reserve for claim in current year will be different from that in the future. Thus, the anticipated dollar amounts need to be paid for the settlement cases cannot be made the decision to be made from this chart.

30. Credit risk, Liquidity risk, and Market risk for insurance contracts

(1) Credit risk

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

Due to the limitation of the features for reinsurance market and the qualification of reinsurer under the related regulation, the insurance company in Taiwan sustains certain degree of concentration of credit risk in reinsurer. To reduce this risk, the Company chooses trading entity carefully and also reviews its credit rating periodically. Also, the Company monitors and controls the risk of reinsurance transactions properly in accordance with the Company’s “Reinsurance Risk Management Plan” and “Reinsurance Entity Assessment Procedures.”

The credit rating to the trading entities of reinsurance in the company is good and above certain level, complying with the Company’s related rules and the regulations in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company; therefore, no significant credit risks exist.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(2) Liquidity risk

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

Unit : Billion

March 31, 2012 NT$	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	(15.5)	189.2	8,710.1

March 31, 2012 US$	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	(0.53)	6.41	295.26

Note: Separate account products are not included in.

(3) Market risk

When the company measures insurance liabilities, the discounted rate approved by the competent authority is applied. The competent authority reviews periodically the discount rate assumption which has been used for reserves. However, the discount rate assumption is not necessarily the same of the time, dollar amount, and direction with those variables (ex: yield rate) in market risk. Thus, those possible variables in market risk to the company’s valid insurance contacts have slight impact on profit and loss or equity. When the competent authority changes the discount rate assumption possibly and reasonably, this change will have the impact of different range on profit and loss or equity depending upon the level of change it has been made and the overall company product portfolio. Furthermore, the reasonable possibly change on the market risk probably will have impact on the insurance contracts which are estimated on balance sheet date based upon the current obtained information and the future cash flows of financial instruments with discretionary participation features, used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonable possibly changes on current market risk, it has no or little impact on the adequacy of current recognized insurance liabilities.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

31. Assets and liabilities are distinguished based on expectations regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date:

	March 31, 2012 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$422,707,116	$-	$422,707,116
Receivables	86,133,483	203,847	86,337,330
Investments	637,171,412	1,938,434,713	2,575,606,125
Reinsurance reserve assets - Net	-	8,610,876	8,610,876
Property and equipment - Net	-	13,285,236	13,285,236
Intangible assets	-	249,919	249,919
Other assets	1,233,809	32,147,957	33,381,766
Separate account product assets	681,289	299,028,112	299,709,401
Total assets			$3,439,887,769

	March 31, 2012 NT$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Payables	$69,139,134	$-	$69,139,134
Financial liabilities	5,925,636	30,000,000	35,925,636
Reserve for liabilities	-	2,892,843,371	2,892,843,371
Other liabilities	-	9,924,624	9,924,624
Separate account product liabilities	2,435,623	297,273,778	299,709,401
Total liabilities			$3,307,542,166

English Translation of Financial Statements Originally Issued in Chinese
Cathay Life Insurance Co., Ltd.
Note to unaudited financial statements-continued
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
For the three-month periods ended March 31, 2012 and 2011

	March 31, 2012 US$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$14,329,055	$-	$14,329,055
Receivables	2,919,779	6,910	2,926,689
Investments	21,599,031	65,709,651	87,308,682
Reinsurance reserve assets - Net	-	291,894	291,894
Property and equipment - Net	-	450,347	450,347
Intangible assets	-	8,472	8,472
Other assets	41,824	1,089,761	1,131,585
Separate account product assets	23,095	10,136,546	10,159,641
Total assets			$116,606,365

	March 31, 2012 US$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Payables	$2,343,699	$-	$2,343,699
Financial liabilities	200,869	1,016,949	1,217,818
Reserve for liabilities	-	98,062,847	98,062,487
Other liabilities	-	336,428	336,428
Separate account product liabilities	82,564	10,077,077	10,159,641
Total liabilities			$112,120,073

	March 31, 2011 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$379,776,244	$-	$379,776,244
Receivables	69,398,795	171,829	69,570,624
Investments	387,176,279	1,970,724,735	2,357,901,014
Reinsurance reserve assets - Net	-	7,253,392	7,253,392
Property and equipment - Net	-	12,221,717	12,221,717
Intangible assets	-	370,347	370,347
Other assets	11,756,565	12,891,805	24,648,370
Separate account product assets	17,657,458	277,999,230	295,656,688
Total assets			$3,147,398,396

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2011 NT$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Payables	$50,417,817	$-	$50,417,817
Financial liabilities	-	29,226,418	29,226,418
Reserve for liabilities	-	2,646,852,546	2,646,852,546
Other liabilities	-	20,077,278	20,077,278
Separate account product liabilities	1,006,657	294,650,031	295,656,688
Total liabilities			$3,042,230,747

	March 31, 2011 US$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$12,917,559	$-	$12,917,559
Receivables	2,360,503	5,845	2,366,348
Investments	13,169,261	67,031,454	80,200,715
Reinsurance reserve assets - Net	-	246,714	246,714
Property and equipment - Net	-	415,705	415,705
Intangible assets	-	12,597	12,597
Other assets	399,883	438,497	838,379
Separate account product assets	600,594	9,455,756	10,056,350
Total assets			$107,054,367

	March 31, 2011 US$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Payables	$1,714,892	$-	$1,714,892
Financial liabilities	-	994,096	994,096
Reserve for liabilities	-	90,028,998	90,028,998
Other liabilities	-	682,900	682,900
Separate account product liabilities	34,240	10,022,110	10,056,350
Total liabilities			$103,477,236

32. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent company
Cathay United Bank	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Century Insurance Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Securities Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Venture Inc.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Securities Investment Trust Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Life Insurance Ltd. (China)	Subsidiary of the Company
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary of the Company
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiary of the Company
Symphox Information Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Consulting Co., Ltd.	Subsidiary of the Company
Indovina Bank Limited	Subsidiary of Cathay United Bank
Seaward Card Co., Ltd.	Subsidiary of Cathay United Bank
Cathay Futures Co., Ltd.	Subsidiary of Cathay Securities Co., Ltd.
Cathay Insurance Company Limited. (Vietnam)	Subsidiary of Cathay Century Insurance Co., Ltd.
Cathay Insurance Company Limited. (China).	An equity-method investee
Cathay General Hospital	Related party disclosed according to SFAS No. 6
Cathay Real Estate Development Co., Ltd.	Related party disclosed according to SFAS No. 6
Lin Yuan Property Management Co., Ltd.	Related party disclosed according to SFAS No. 6
Seaward Leasing Co., Ltd.	Related party disclosed according to SFAS No. 6 (Merged into Cathay Real Estate Development Co., Ltd. On July 28, 2011)
San Ching Engineering Co., Ltd.	Related party disclosed according to SFAS No. 6
Other related parties	The directors, supervisors, mangers, and their spouses, as well as their second immediate families

(2) Significant transactions with related parties

A. Property transactions

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

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

a. Significant transactions with related parties for the three months ended March 31, 2012 and 2011 are listed below:

	For the three months ended March 31, 2012		
Name	Item	NT$	US$
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	$464,744	$15,754
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	14,195	481
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	4,327	147
		$483,266	$16,382

	For the three months ended March 31, 2011		
Name	Item	NT$	US$
Lin Yuan Property Management Co., Ltd.	International Building, etc.	$4,869	$166

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

	Rental income			
	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$6,763	$229	$6,697	$228
Cathay Real Estate Development Co., Ltd.	4,322	147	5,016	171
Cathay United Bank	107,304	3,637	98,602	3,354
Cathay Century Insurance Co., Ltd.	23,543	798	22,691	772
Cathay General Hospital	43,676	1,481	44,727	1,521
Symphox Information Co., Ltd.	4,077	138	4,100	139
Cathay Securities Investment Trust Co., Ltd.	9,745	330	6,801	231
Cathay Securities Co., Ltd.	5,620	191	5,231	178
Total	$205,050	6,951	$193,865	$6,594

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	Guarantee deposits received			
	March 31, 2012		March 31, 2011	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$4,028	$137	$4,886	$166
Cathay United Bank	71,897	2,437	71,606	2,436
Cathay Century Insurance Co., Ltd.	22,420	760	22,533	766
Cathay General Hospital	10,166	345	11,984	408
Cathay Securities Investment Trust Co., Ltd.	8,903	302	6,210	211
Cathay Securities Co., Ltd.	4,972	168	4,710	160
Cathay Financial Holding Co., Ltd.	5,816	197	5,816	198
Symphox Information Co., Ltd.	3,836	130	3,836	131
Total	$132,038	$4,476	$131,581	$4,476

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

c. Real-estate rental expense (to related parties):

	Rental expense			
	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$1,963	$66	$7,393	$252
Cathay United Bank	9,320	316	8,823	300
Total	$11,283	$382	$16,216	$552

	Guarantee deposits paid			
	March 31, 2012		March 31, 2011	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$1,780	$60	$8,675	$295
Cathay United Bank	8,921	303	8,438	287
Total	$10,701	$363	$17,113	$582

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

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

B. Cash in banks

		For the three months ended March 31, 2012		
Name	Item	Interest income NT$	Rate	Ending balance NT$
Cathay United Bank	Time deposit	$109,157	0.17%~1.40%	$56,303,898
	Cash in bank	4,161	0.02%~1.05%	9,174,000
Total		$113,318		$65,477,898

		For the three months ended March 31, 2012		
Name	Item	Interest income US$	Rate	Ending balance US$
Cathay United Bank	Time deposit	$3,700	0.17%~1.40%	$1,908,607
	Cash in bank	141	0.02%~1.05%	310,983
Total		$3,841		$2,219,590

		For the three months ended March 31, 2011		
Name	Item	Interest income NT$	Rate	Ending balance NT$
Cathay United Bank	Time deposit	$11,162	0.10%~1.23%	$20,439,222
	Cash in bank	1,495	0.02%~1.10%	5,736,219
Total		$12,657		$26,175,441

		For the three months ended March 31, 2011		
Name	Item	Interest income US$	Rate	Ending balance US$
Cathay United Bank	Time deposit	$380	0.10%~1.23%	$695,212
	Cash in bank	51	0.02%~1.10%	195,109
Total		$431		$890,321

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

C. Secured loans

	For the three months ended March 31, 2012			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Cathay General Hospital	$3,485,571	$21,458	2.43%~2.55%	$3,417,448
Other related parties	127,338	574	1.525%~3.78%	112,946
Total		$22,032		$3,530,394

	For the three months ended March 31, 2012			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Cathay General Hospital	$118,155	$727	2.43%~2.55%	$115,846
Other related parties	4,317	20	1.525%~3.78%	3,828
Total		$747		$119,674

	For the three months ended March 31, 2011			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Cathay General Hospital	$3,756,320	$20,672	2.09%~2.33%	$3,688,730
Other related parties	281,489	1,271	1.305%~3.65%	274,750
Total		$21,943		$3,963,480

	For the three months ended March 31, 2011			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Cathay General Hospital	$127,766	$703	2.09%~2.33%	$125,467
Other related parties	9,574	43	1.305%~3.65%	9,345
Total		$746		$134,812

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

D. Financial assets at fair value through profit or loss (Beneficiary certificates)

		March 31,			
		2012		2011	
Name		NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd managed funds	Market value	$1,643,969	$55,728	$2,256,600	$76,755
	Cost	$1,523,992	$51,661	$2,169,929	$73,807

E. Other receivables

	March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd. (Note 1)	$2,936,991	$99,559	$2,264,308	$77,017
Cathay Life Insurance Ltd. (China) (Note 2)	204,097	6,919	204,097	6,942
Cathay Century Insurance Co., Ltd.	152,937	5,184	146,359	4,978
Cathay Insurance (Bermuda) Co., Ltd.	1,035	35	15,723	535
Cathay General Hospital	32,766	1,111	32,130	1,093
Cathay Securities Investment Trust Co., Ltd.	22,457	761	-	-

Note 1： Receivables are refundable tax under the consolidated income tax system.

Note 2： Receivables are consisted of other receivables for out-of-pocket IT system expenses.

F. Guarantee deposits paid

	March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$264,815	$8,977	$177,554	$6,039

As of March 31, 2012 and 2011, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were NT$113 (US$4) thousands and NT$37 (US$1) thousands, respectively.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

G. Guarantee deposits received

	March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Lin Yuan Property Management Co., Ltd.	$5,000	$169	$-	$-

The guarantee deposits received from Lin Yuan Property Management Co., Ltd. are due to the construction contract.

H. Other payable

	March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$17,823	$604	$21,574	$734
Lin Yuan Property Management Co., Ltd.	41,008	1,390	37,733	1,283
San Ching Engineering Co., Ltd.	3,696	125	19,608	667
Cathay Financial Holding Co., Ltd. (Note)	1,868,754	63,348	1,015,959	34,556
Cathay Century Insurance Co., Ltd.	5,769	196	8,719	297

Note: The payables consist of interest expense accrued from preferred stock and tax payable under integrated corporate income tax system.

I. Preferred stock liability

	March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$30,000,000	$1,016,949	$25,000,000	$850,340

J. Premiums income

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay United Bank	$160,037	$5,425	$151,822	$5,164
Cathay General Hospital	10,088	342	11,554	393
Cathay Century Insurance Co., Ltd.	2,444	83	3,070	105
Other related parties	28,114	953	39,229	1,334
Total	$200,683	$6,803	$205,675	$6,996

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

K. Insurance expense

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$81,694	$2,769	$82,304	$2,799

The insurance expenses were related to insurance for fixed assets, cash, public accident, etc. Amounts of NT$2,838 (US$96) thousands and NT$2,825 (US$96) thousands paid by the Company on behalf of its employees for fidelity bond insurance were included in above insurance expenses for the three months ended March 31, 2012 and 2011, respectively.

L. Reinsurance income

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Insurance (Bermuda) Co., Ltd.	$34,471	$1,169	$36,272	$1,234

Since April 1, 2000, Cathay Insurance (Bermuda) Co., Ltd. has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation’s accidental insurance. For the three months ended March 31, 2012 and 2011, the Company assumed 90% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd..

M. Reinsurance service expenses

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Insurance (Bermuda) Co., Ltd.	$4,110	$139	$2,070	$70

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

N. Reinsurance claims payment

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Insurance (Bermuda) Co., Ltd.	$33,399	$1,132	$17,614	$599

O. Miscellaneous income

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$287,546	$9,747	$314,404	$10,694
Cathay United Bank	20,508	695	24,522	834
Cathay Securities Investment Trust Co., Ltd.	25,868	877	29,426	1,001
Total	$333,922	$11,319	$368,352	$12,529

Miscellaneous income is mainly generated from the Company's integrated marketing activities.

P. Operating expenses

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$56,028	$1,899	$62,265	$2,118
Lin Yuan Property Management Co., Ltd.	151,372	5,131	141,659	4,818
Cathay Securities Investment Consulting Co., Ltd.	3,294	112	5,670	193
Seaward Card Co., Ltd.	19,347	656	14,627	498
Seaward Leasing Co., Ltd.	-	-	3,873	132
Cathay United Bank	538,300	18,248	331,698	11,282
Cathay Venture Inc.	7,466	253	10,000	340
Cathay General Hospital	183	6	3,372	114
Cathay Real Estate Development Co., Ltd.	3,330	113	318	11
Total	$779,320	$26,418	$573,482	$19,506

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Q. Non-operating expenses and losses

	For the three months ended March 31,			
	2012		2011	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$225,760	$7,653	$200,959	$6,835

Non-operating expenses and losses are interest expenses accrued from preferred stock liability.

R. Other

As of March 31, 2012 and 2011, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

	March 31,	
Item	2012	2011
Forward foreign exchange contracts	USD -	USD 896,084
CS contracts	USD 1,867,000	USD 2,052,691

33. Pledged assets

As of March 31, 2012 and 2011, the Company provided cash and time deposits to its lessees as guarantees for the guarantee deposits paid and bonds pledged with courts in legal as guarantee of litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited its government bonds with the Central Bank as the "Guaranteed Depository Insurance".

	March 31,			
	2012		2011	
Item	NT$	US$	NT$	US$
Guarantee deposits paid				
- Government bonds	$10,597,453	$359,236	$9,115,487	$310,051
Guarantee deposits paid - Time deposits	112,498	3,813	128,698	4,377
Guarantee deposits paid - Others	10,167	345	12,286	418
Total	$10,720,118	$363,394	$9,256,471	$314,846

Pledged assets are summarized based on the net carrying amounts.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

34. Other important commitment and contingent liabilities

None.

35. Serious disaster damages

None.

36. Significant subsequent events

None.

37. Others matters

(1) Pension related information

According to the R.O.C. SFAS No.23 “Interim Financial Reporting and Disclosure”, the interim financial statements are not required to follow the principles outlined in the R.O.C. SFAS No.18 “Accounting for pensions”.

(2) Separate account insurance products related information

A. Separate account insurance products – assets and liabilities

Assets			Liabilities		
	March 31, 2012			March 31, 2012	
Item	NT$	US$	Item	NT$	US$
Cash in bank	$675,811	$22,909	Other payable	$2,435,624	$82,563
Financial assets at fair value through profit or loss	292,897,094	9,928,715	Reserve for separate account - Insurance contract	278,557,335	9,442,622
Interest Receivable	5,478	186	Reserve for separate account – Investment contract	18,716,442	634,456
Other receivable	6,131,018	207,831			
Total	$299,709,401	$10,159,641	Total	$299,709,401	$10,159,641

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Assets			Liabilities		
	March 31, 2011			March 31, 2011	
Item	NT$	US$	Item	NT$	US$
Cash in bank	$142,767	$4,856	Other payable	$1,006,657	$34,240
Financial assets at fair value through profit or loss	277,999,229	9,455,756	Reserve for separate account - Investment contract	279,151,903	9,494,963
Interest Receivable	2,163	74	Reserve for separate account – Investment contract	15,498,128	527,147
Other receivable	17,512,529	595,664			
Total	$295,656,688	$10,056,350	Total	$295,656,688	$10,056,350

B. Separate account insurance products - revenues and expenses

Expenses			Revenues		
Item	January 1-March 31, 2012		Item	January 1-March 31, 2012	
	NT$	US$		NT$	US$
Insurance claims payment	$1,599,166	54,209	Premiums income	$7,832,677	$265,514
Cash surrender value	13,084,010	443,526	Interest income	572	19
Dividends	339	11	Gain from valuation on financial assets	14,299,033	484,713
Provision for separate account reserve	6,012,921	203,828	Gains on disposal of investment	1,147,007	38,882
Administrative expenses	935,574	31,714	Losses on foreign exchange	(1,657,083)	(56,172)
			Miscellaneous income	9,804	332
Total	$21,632,010	$733,288	Total	$21,632,010	$733,288

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Expenses			Revenues		
Item	January 1-March 31, 2011		Item	January 1-March 31, 2011	
	NT$	US$		NT$	US$
Insurance claims payment	$873,706	$29,718	Premiums income	$33,645,691	$1,144,411
Cash surrender value	15,855,733	539,311	Interest income	2,747	93
Dividends	176	6	Gain from valuation on		
Provision for separate			financial assets	1,490,207	50,687
account reserve	23,260,266	791,165	Gains on disposal of		
Administrative expenses	987,021	33,572	investment	1,699,371	57,802
			Gains on foreign		
			exchange	4,136,216	140,688
			Miscellaneous income	2,670	91
Total	$40,976,902	$1,393,772	Total	$40,976,902	$1,393,772

C. The commission earned for the sales of separate account insurance products from counterparties for the three months ended March 31, 2012 and 2011 were NT$249,195 (US$8,447) thousands and NT$156,266 (US$5,315) thousands, respectively.

(3) Discretionary account management

	March 31, 2012			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$101,370,089	$3,436,274	$101,370,089	$3,436,274
Overseas stocks	36,091,563	1,223,443	36,091,563	1,223,443
Resale bonds and notes	2,887,674	97,887	2,887,674	97,887
Beneficiary certificate	30,612,778	1,037,721	30,612,778	1,037,721
Cash in banks	56,088,117	1,901,292	56,088,117	1,901,292
Futures and options	1,416,878	48,030	1,416,878	48,030
Total	$228,467,099	$7,744,647	$228,467,099	$7,744,647

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2011			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$4,822,700	$164,037	$4,822,700	$164,037
Resale bonds	4,379,714	148,970	4,379,714	148,970
Beneficiary certificates	81,414	2,769	81,414	2,769
Cash in banks	420,977	14,319	420,977	14,319
Total	$9,704,805	$330,095	$9,704,805	$330,095

As of March 31, 2012, the Company entered into discretionary account management contracts in the amounts of NT$139,500,000 (US$4,728,814) thousands, US$2,340,000 thousands, and HK$6,350,000 (US$817,888) thousands. As of March 31, 2012, the amounet is NT$7,300,000 (US$248,299) thousands.

(4) Revenues and expenses arising from business transactions, promotion activities and information sharing between parent company and other subsidiaries are allocated to the Company and its affiliates based on the attribution of the transactions.

(5) Financial risk management objectives and policies

The Company's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, government bonds, corporate bonds, repurchase bonds, structured notes, mortgage-backed securities, mutual funds, project investments, short-term notes, cash and cash equivalents.

The Company also enters into derivative transactions such as stock index options, index futures, interest rate futures, interest rate swaps, currency forwards, cross currency swaps and credit default swaps to protect against the price risk of stock value, interest rate risk, foreign currency risk and credit risk from investment activities. The Company does not enter into derivative transactions for increasing investment income; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

The primary risks involved in financial instruments are market risk, credit risk, operational risk, liquidity risk and sovereign risk. In addition to compliance with the risk management policies and guidance from the parent company Cathay Financial Holding Co., Ltd., the Company has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection, and the concentration management systems to monitor and manage the Company's risks. The risk management policies are summarized as follows:

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, price risk and foreign currency risk, etc. The Company conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with scenario analysis, stress testing, back testing, position limit, VaR limit and loss limit are used to effectively manage the market risk of the Company's financial instruments.

Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. In order to minimize the Company's exposure to the credit risk, following evaluations and controls are performed:

The Company has taken the credit concentration index of each conglomerate into consideration when establishing Lending Policy to prevent from over-exposure. Strict credit evaluations are carried out by the Company before committing to business lending, mortgage lending, policy loan, and securities investments. All business loans are secured by land, property, plant and equipment or financial guarantees.

Assessments on the mortgage repayment ability and personal credits are conducted before the mortgages are granted. The total mortgage amounts granted are based on a different percentage of the carrying value which varies according to regions where the secured buildings locate.

For policy loans, the credit risk level is assessed at low as the policy loan amounts are limited to their net realizable value of the insurance policy and hence are deemed as fully secured investments.

An internal credit risk evaluation model for investments in financial instruments has been created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counter-parties by evaluating the credit concentration of the investments or counter-parties.

Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, the Company has adopted and implemented the internal control regulations and procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The Company has primarily sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions, short-term notes (includes repurchase agreement) and domestic bond funds. In pursuit of these goals, the Company also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

Sovereign Risk

Sovereign risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the country where investments are located. The Company categorizes and manages the investment risk based on each country or region, as well as regularly monitors the concentration of foreign countries to minimize its country risk.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(6) Financial instruments related information

A. Fair value

	March 31, 2012			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Assets – non-derivative				
Cash and cash equivalents	$422,707,116	$422,707,116	$14,329,055	$14,329,055
Receivables	86,337,330	86,337,330	2,926,689	2,926,689
Financial assets at fair value through profit or loss	77,068,704	77,068,704	2,612,498	2,612,498
Available-for-sale financial assets	1,259,237,175	1,259,237,175	42,686,006	42,686,006
Financial assets carried at cost	9,316,982	(Note)	315,830	(Note)
Investments under the equity method-Net	4,074,432	4,074,432	138,116	138,116
Investments in debt securities with no active market	563,256,275	571,796,475	19,093,433	19,382,931
Other financial assets	20,000,000	20,000,000	677,966	677,966
Guarantee deposits paid	13,716,491	13,716,491	464,966	464,966
Liabilities – non-derivative				
Payables	69,139,134	69,139,134	2,343,699	2,343,699
Preferred stock liability	30,000,000	30,846,640	1,016,949	1,045,649
Guarantee deposits received	1,977,320	1,977,320	67,028	67,028
Assets – derivative				
Financial assets at fair value through profit or loss				
Option	10,819	10,819	367	367
Forward, CS and CCS	6,009,789	6,009,789	203,722	203,722
IRS and CDS	216,058	216,058	7,324	7,324
Derivative financial assets for hedging				
IRS and CDS	1,656,849	1,656,849	56,164	56,164
Liabilities – derivative				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	5,695,488	5,695,488	193,067	193,067
IRS and CDS	230,148	230,148	7,802	7,802

Note: In reality, the fair value of the specified items can't be accountably measured.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Item	March 31, 2011			
	NT$		US$	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets – non-derivative				
Cash and cash equivalents	$379,776,244	$379,776,244	$12,917,559	$12,917,559
Receivables	69,570,624	69,570,624	2,366,348	2,366,348
Financial assets at fair value through profit or loss	29,493,367	29,493,367	1,003,176	1,003,176
Available-for-sale financial assets	598,161,915	598,161,915	20,345,643	20,345,643
Financial assets carried at cost	8,940,033	(Note)	304,083	(Note)
Investments under the equity method	4,923,495	4,923,495	167,466	167,466
Investments in debt securities with no active market	436,394,671	428,551,416	14,845,356	14,576,579
Held-to-maturity financial assets	593,645,448	600,522,977	20,192,022	20,425,952
Other financial assets	40,600,000	40,600,000	1,380,952	1,380,952
Guarantee deposits paid	10,719,923	10,719,923	364,623	364,623
Liabilities – non-derivative				
Payables	$50,417,817	$50,417,817	$1,714,892	$1,714,892
Preferred stock liability	25,000,000	27,146,879	850,340	923,363
Guarantee deposits received	1,678,136	1,678,136	57,079	57,079
Assets – derivative				
Financial assets at fair value through profit or loss				
Forward, CS and CCS	34,046,581	34,046,581	1,158,047	1,158,047
IRS and CDS	9,255	9,255	315	315
Derivative financial assets for hedging				
IRS and CDS	1,838,580	1,838,580	62,537	62,537
Liabilities – derivative				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	3,832,783	3,832,783	130,367	130,367
IRS and CDS	393,055	393,055	13,369	13,369
Derivative financial liabilities for hedging				
IRS and CDS	580	580	20	20

Note: In reality, the fair value of the specified items can't be accountably measured.

The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

a. The fair value of the Company's cash, cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.

b. The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as the Company predicts the future cash inflow or outflow will be of similar amount to the carrying value.

c. Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for the Company's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to the Company. The Company uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

d. The fair value of the Company's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.

e. If no quoted market prices exist for the Company's investments under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.

f. As of March 31, 2012 and 2011, the fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2012			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets – non-derivative				
Cash and cash equivalents	$397,729,444	$13,482,354	$24,977,672	$846,701
Receivables	-	-	86,337,330	2,926,689
Financial assets at fair value through profit or loss	76,797,045	2,603,289	271,659	9,209
Available-for-sale financial assets	397,651,126	13,479,699	861,586,049	29,206,307
Investments under the equity method	-	-	4,074,432	138,116
Investment in debt securities with no active market	48,300,100	1,637,291	523,496,375	17,745,640
Other financial assets	-	-	20,000,000	677,966
Liabilities – non-derivative				
Payables	-	-	69,139,134	2,343,699
Preferred stock liability	-	-	30,846,640	1,045,649
Assets – derivative				
Financial assets at fair value through profit or loss				
Option	10,819	367	-	-
Forward, CS and CCS	-	-	6,009,789	203,722
IRS and CDS	-	-	216,058	7,324
Derivative financial assets for hedging				
IRS and CDS	-	-	1,656,849	56,164
Liabilities – derivative				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	-	-	5,695,488	193,067
IRS and CDS	-	-	230,148	7,802

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	March 31, 2011			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets – non-derivative				
Cash and cash equivalents	$335,087,675	$11,397,540	$44,688,569	$1,520,019
Receivables	-	-	69,570,624	2,366,348
Financial assets at fair value through profit or loss	29,195,903	993,058	297,464	10,118
Available-for-sale financial assets	574,366,865	19,536,288	23,795,050	809,355
Investments under the equity method	-	-	4,923,495	167,466
Investment in debt securities with no active market	-	-	428,551,416	14,576,579
Held-to-maturity financial assets	41,300,547	1,404,781	559,222,430	19,021,171
Other financial assets	-	-	40,600,000	1,380,952
Liabilities – non-derivative				
Payables	-	-	$50,417,817	$1,714,892
Preferred stock liability	-	-	27,146,879	923,363
Assets – derivative				
Financial assets at fair value through profit or loss				
Forward, CS and CCS	-	-	34,046,581	1,158,047
IRS and CDS	-	-	9,255	315
Derivative financial assets for hedging				
IRS and CDS	-	-	1,838,580	62,537
Liabilities – derivative				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	-	-	3,832,783	130,367
IRS and CDS	-	-	393,055	13,369
Derivative financial liabilities for hedging				
IRS and CDS	-	-	580	20

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

B. Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at March 31, 2012 and 2011:

a. March 31, 2012

Non-derivative financial instruments of fixed interest rate

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$2,902,272	$98,382	$668,701	$22,668	$111,416	$3,777	$1,454,176	$49,294
Available-for-sale financial assets	44,466,846	1,507,351	33,190,408	1,125,098	35,697,476	1,210,084	50,069,086	1,697,257
Investments in debt securities with no active market	10,540,973	357,321	9,799,195	332,176	22,124,081	749,969	5,130,414	173,913
Preferred stock liability	-	-	-	-	-	-	15,000,000	508,475

	Due in 4~5 years		Over 5 years		Total	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$8,835,673	$299,514	$-	$-	$13,972,238	$473,635
Available-for-sale financial assets	41,499,291	1,406,756	536,736,351	18,194,453	741,659,458	25,140,999
Investments in debt securities with no active market	9,507,850	322,300	476,298,598	16,145,715	533,401,111	18,081,394
Preferred stock liability	10,000,000	338,983	5,000,000	169,491	30,000,000	1,016,949

Non-derivative financial instruments of float interest rate

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$268	$9	$20,903	$709	$186	$6	$2	$-
Available-for-sale financial assets	143,593,454	4,867,575	690,222	23,397	-	-	-	-
Investments in debt securities with no active market	6,428,623	217,919	-	-	344,910	11,692	-	-

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	Due in 4~5 years		Over 5 years		Total	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$8	$-	$2	$-	$21,369	$724
Available-for-sale financial assets	1,663,026	56,374	23,677,633	802,631	169,624,335	5,749,977
Investments in debt securities with no active market	-	-	23,081,631	782,428	29,855,164	1,012,039

Derivative financial instruments

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$-	$-	$6,122	$208	$-	$-	$38,386	$1,301
Derivative financial assets for hedging	47,747	1,618	385,511	13,068	970,806	32,909	25,063	850
Financial liabilities at fair value through profit or loss	-	-	-	-	133,800	4,535	53,659	1,819

	Due in 4~5 years		Over 5 years		Total	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$-	$-	$116,655	$3,954	$161,163	$5,463
Derivative financial assets for hedging	142,703	4,837	85,019	2,882	1,656,849	56,164
Financial liabilities at fair value through profit or loss	17,012	577	-	-	204,471	6,931

b. March 31, 2011

Non-derivative financial instruments of fixed interest rate

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$1,418,773	$48,258	$1,549,464	$52,703	$893,961	$30,407	$207,522	$7,058
Available-for-sale financial assets	18,033,704	613,391	24,587,766	836,318	12,035,362	409,366	14,028,675	477,166
Held-to-maturity financial assets	16,077,485	546,853	21,006,240	714,498	25,383,752	863,393	24,875,468	846,104
Investments in debt securities with no active market	10,156,854	345,471	7,868,202	267,626	7,103,492	241,615	19,494,345	663,073
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years NT$	Due in 4~5 years US$	Over 5 years NT$	Over 5 years US$	Total NT$	Total US$
Financial assets at fair value through profit or loss	$385,559	$13,114	$4	$-	$4,455,283	$151,540
Available-for-sale financial assets	34,544,728	1,174,991	99,506,357	3,384,570	202,736,592	6,895,802
Held-to-maturity financial assets	19,627,705	667,609	463,741,790	15,773,530	570,712,440	19,411,987
Investments in debt securities with no active market	4,641,601	157,878	362,997,761	12,346,863	412,262,255	14,022,526
Preferred stock liability	15,000,000	510,204	10,000,000	340,136	25,000,000	850,340

Non-derivative financial instruments of float interest rate

Item	Less than one year NT$	Less than one year US$	Due in 1~2 years NT$	Due in 1~2 years US$	Due in 2~3 years NT$	Due in 2~3 years US$	Due in 3~4 years NT$	Due in 3~4 years US$
Financial assets at fair value through profit or loss	$72,343	$2,461	$-	$-	$-	$-	$-	$-
Available-for-sale financial assets	128,575,095	4,373,303	-	-	-	-	-	-
Held-to-maturity financial assets	22,933,013	780,034	-	-	-	-	-	-
Investments in debt securities with no active market	24,132,416	820,830	-	-	-	-	-	-

Item	Due in 4~5 years NT$	Due in 4~5 years US$	Over 5 years NT$	Over 5 years US$	Total NT$	Total US$
Financial assets at fair value through profit or loss	$-	$-	$-	$-	$72,343	$2,461
Available-for-sale financial assets	-	-	-	-	128,575,095	4,373,303
Held-to-maturity financial assets	-	-	-	-	22,933,013	780,034
Investments in debt securities with no active market	-	-	-	-	24,132,416	820,830

Derivative financial instruments

Item	Less than one year NT$	Less than one year US$	Due in 1~2 years NT$	Due in 1~2 years US$	Due in 2~3 years NT$	Due in 2~3 years US$	Due in 3~4 years NT$	Due in 3~4 years US$
Financial assets at fair value through profit or loss	$-	$-	$-	$-	$2,147	$73	$-	$-
Derivative financial assets for hedging	6,269	213	105,873	3,601	547,845	18,634	1,071,306	36,439
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	182,114	6,194
Derivative financial liabilities for hedging	-	-	-	-	-	-	-	-

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

	Due in 4~5 years		Over 5 years		Total	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$1,236	$42	$-	$-	$3,383	$115
Derivative financial assets for hedging	11,532	392	95,755	3,257	1,838,580	62,536
Financial liabilities at fair value through profit or loss	58,451	1,988	-	-	240,565	8,182
Derivative financial liabilities for hedging	-	-	580	20	580	20

C. Credit risk

The Company doesn't expose to concentrations of credit risk.

D. Hedged accounting disclosures

Cash flow hedges

The following table summarizes the terms of the Company's interest rate swap for bonds used as hedging instruments at March 31, 2012 and 2011:

a. March 31, 2012

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$1,000,000	$33,898	90DCP	Each quarter	2012.6.26
2,000,000	67,797	90DCP	Each quarter	2012.9.9
2,000,000	67,797	90DCP	Each quarter	2012.10.11
700,000	23,729	90DCP	Each quarter	2012.11.24
2,000,000	67,797	90DCP	Yearly	2013.3.26
2,425,000	82,203	90DCP	Each quarter	2013.4.24
3,600,000	122,034	90DCP	Each quarter	2013.6.8
2,700,000	91,525	90DCP+25bps	Each quarter	2013.8.24

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$3,000,000	$101,695	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	67,797	90DCP	Yearly	2013.11.3
1,000,000	33,898	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,949	90DCP+23bps	Yearly	2013.12.14
1,500,000	50,847	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,898	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,508	90DCP	Yearly	2014.3.12
1,000,000	33,898	90DCP	Yearly	2014.6.12
3,000,000	101,695	90DCP	Each quarter	2014.6.25
1,810,000	61,356	90DCP	Each quarter	2014.6.26
2,000,000	67,797	90DCP	Yearly	2014.6.29
5,000,000	169,492	90DCP	Yearly	2014.8.23
1,000,000	33,898	90DCP	Yearly	2014.9.20
3,200,000	108,475	90DCP	Yearly	2014.9.27
2,000,000	67,797	90DCP	Each quarter	2014.9.28
1,500,000	50,847	90DCP	Yearly	2014.9.29
2,500,000	84,746	90DCP	Yearly	2014.12.20
2,000,000	67,797	90DCP	Yearly	2014.12.24
2,300,000	77,966	90DCP	Each quarter	2015.3.25
1,500,000	50,847	90DCP	Each quarter	2015.5.9
2,543,500	86,220	90DCP	Each quarter	2016.10.23
900,000	30,508	90DCP	Each quarter	2016.10.24
1,200,000	40,678	90DCP	Each quarter	2017.10.25
1,400,000	47,458	90DCP	Each quarter	2017.12.9
600,000	20,339	90DCP	Each quarter	2020.9.23

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

b.March 31, 2011

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$500,000	$17,007	If 6ml<1.1%,6ml If 1.1%≦6ml≦2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	68,027	90DCP	Each quarter	2011.9.9
1,000,000	34,014	90DCP	Each quarter	2012.6.26
2,000,000	68,027	90DCP	Each quarter	2012.9.9
2,000,000	68,027	90DCP	Each quarter	2012.10.11
700,000	23,810	90DCP	Each quarter	2012.11.24
2,000,000	68,027	90DCP	Yearly	2013.3.26
2,425,000	82,483	90DCP	Each quarter	2013.4.24
3,600,000	122,449	90DCP	Each quarter	2013.6.8
2,700,000	91,837	90DCP+25bps	Each quarter	2013.8.24
3,000,000	102,041	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	68,027	90DCP	Yearly	2013.11.3
1,000,000	34,014	90DCP+26.5bps	Yearly	2013.12.14
500,000	17,007	90DCP+23bps	Yearly	2013.12.14
1,500,000	51,020	90DCP+23bps	Yearly	2013.12.16
1,000,000	34,014	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,612	90DCP	Yearly	2014.3.12
1,000,000	34,014	90DCP	Yearly	2014.6.12
1,810,000	61,565	90DCP	Each quarter	2014.6.26
2,000,000	68,027	90DCP	Yearly	2014.6.29
5,000,000	170,068	90DCP	Yearly	2014.8.23
1,000,000	34,014	90DCP	Yearly	2014.9.20
3,200,000	108,844	90DCP	Yearly	2014.9.27
2,000,000	68,027	90DCP	Each quarter	2014.9.28
1,500,000	51,020	90DCP	Yearly	2014.9.29
2,500,000	85,034	90DCP	Yearly	2014.12.20
2,000,000	68,027	90DCP	Yearly	2014.12.24

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$500,000	$17,007	90DCP	Each quarter	2015.3.25
1,500,000	51,020	90DCP	Each quarter	2015.5.9
2,543,500	86,514	90DCP	Each quarter	2016.10.23
900,000	30,612	90DCP	Each quarter	2016.10.24
1,200,000	40,816	90DCP	Each quarter	2017.10.25
1,400,000	47,619	90DCP	Each quarter	2017.12.9

The terms of interest rate swap agreements are established based on the terms of the bonds being hedged.

The Company's interest rate swap agreements are considered to be highly effective cash flow hedges. As of March 31, 2012 and 2011, unrealized gains on these financial instruments recognized in equity were NT$1,658,855 (US$56,232) thousands and NT$1,850,585 (US$62,945) thousands, respectively.

Fair value hedges

a. The following table summarizes the terms of the Company's credit default swap for bonds used as hedging instruments at March 31, 2012 and 2011:

(A) March 31, 2012: None.

(B) March 31, 2011: None.

b. The following table summarizes the terms of the Company's interest rate swap for bonds used as hedging instruments at March 31, 2012 and 2011:

(A) March 31, 2012: None.

(B) March 31, 2011: None.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

38. Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	2012.03.31			2011.03.31		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	34,334,150	29.53000	1,013,887,455	32,294,265	29.41800	950,032,679
AUD	1,146,311	30.71860	35,213,035	1,721,037	30.39909	52,317,948
EUR	572,502	39.43290	22,575,423	275,284	41.73679	11,489,466
GBP	369,959	47.27610	17,490,189	250,311	47.47624	11,883,809
CNH	2,963,562	4.67930	13,867,336	-	-	-
Non-Monetary Items						
USD	2,579,905	29.53000	76,290,404	1,861,834	29.41800	54,882,639
HKD	7,995,929	3.80350	30,412,719	3,754,546	3.77895	14,188,246
Investments Under The Equity Method						
CNY	327,220	4.68880	1,534,267	396,944	4.49230	1,783,193
VND	990,723,125	0.00137	1,357,291	1,058,076,279	0.00136	1,438,984
USD	4,050	29.53000	119,606	3,891	29.41800	114,453

39. Foreign exchange volatility reserve

(1) The hedge strategy and risk exposure:

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

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

(2) Adjustment in foreign exchange volatility reserve:

	March 31, 2012	
	NT$	US$
Beginning balance (The first money)	$4,511,406	$152,929
Reserve:		
Compulsory reserve	149,631	5,072
Extra reserve	2,697	92
Subtotal	152,328	5,164
Recover	-	-
Total	$4,663,734	$158,093

(3) Effects due to foreign exchange volatility reserve:

	Inapplicable amount (1)		Applicable amount (2)		Effects (2) - (1)	
Item	NT$	US$	NT$	US$	NT$	US$
Net loss	$(1,579,921)	$(53,556)	$(1,706,353)	$(57,842)	$(126,432)	$(4,286)
Earnings per share	(0.30)	(0.01)	(0.32)	(0.01)	(0.02)	-
Foreign exchange volatility reserve	-	-	4,663,734	158,093	4,663,734	158,093
Stockholders' equity	132,472,035	4,490,578	132,345,603	4,486,292	(126,432)	(4,286)

40. Pre-disclosure for adoption of international financial reporting standards

(1) The Financial Supervisory Commission ("FSC") requires insurance enterprises to prepare their financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations ("IFRSs") approved and promulgated by the FSC, starting 2013.

Under Rule No. 0990004943 issued by the FSC, the main contents of the plan which the Company required to be disclosed were as follows:

Contents of Plan	Responsible Department or Personnel	Status of Execution
1. Assess stage: 2010/1/1~2011/12/31		
◎ Make a plan to adopt IFRSs and establish a project team	Accounting department and other authorized departments	Finished
◎Proceed initial internal training	Accounting department and other authorized departments	Finished
◎Identify differences between the existing accounting policies and IFRSs	Accounting department and other authorized departments	Finished
◎Identify the adjustment required for existing accounting policies	Accounting department and other authorized departments	Finished
◎Select voluntary exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards" and assess the impact of these exemptions	Accounting department and other authorized departments	Finished
◎Identify the adjustments required for IT system and internal controls	Accounting department , IT department and Audit department	Finished
2. Prepare stage: 2011/1/1~2012/12/31		
◎Finalize the accounting policies under IFRSs	Accounting department and other authorized departments	Finished
◎Finalize the selection of voluntary exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Accounting department and other authorized departments	Finished
◎Finalize adjustments to the IT system and internal control.	Accounting department, IT department and Audit department	In process
◎Proceed advanced internal training	Accounting department and other authorized departments	In process

Contents of Plan	Responsible Department or Personnel	Status of Execution
3. Practice stage: 2012/1/1~2013/12/31		
◎Test the operation of IT system	Accounting department, IT department and other authorized departments	In process
◎Prepare opening IFRSs balance sheet and comparative financial statements	Accounting department	Finished
◎Prepare IFRSs financial statements	Accounting department	In process

The Company assesses the material differences in accounting policies based on the IFRSs as recognized by the FSC and the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise expected to become effective in 2013. However, these assessments may be changed as the FSC may recognize different versions of IFRSs or amend the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise in the future. Furthermore, the Company has decided the accounting policies to be adopted under IFRSs based on the current circumstances, if circumstances change in the future, the accounting policies to be adopted may change accordingly. The material differences in accounting policies described in the table below may not result in any adjustment on the date of transition to IFRSs, due to the voluntary exemptions selected under IFRS 1 "First-time Adoption of International Financial Reporting Standards."

Material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises are described in the table below:

Financial Instruments	Under the requirements of the existing Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, equity investments in unlisted entities or entities traded on emerging stock market should be measured at cost. However under the requirements of IFRSs, the fair value of investments in equity instruments that do not have a quoted market price in an active market is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that instrument or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Investment Property	For the Company first-time adopted IFRSs, it is eligible to exempt from the regulation of IFRS 1. The cost of certain investment property can be recognized at fair value. And the rest should apply retrospective application of IAS 40 in accordance with the materiality principle.
Property, Plant and Equipment	For the Company first-time adopted IFRSs, it should apply retrospective application of IAS 16 in accordance with the materiality principle.
Leases	Leases of the Company's properties are currently classified as operating leases as they are not qualified as capital leases under R.O.C. GAAP. However under the requirements of IFRSs, a lease is classified as a finance lease, if substantially all the risks and rewards of a leased asset lie with the lessee under the lease agreement.
Income taxes	Under the requirements of R.O.C. GAAP, deferred tax assets are recognized in full, however, if there is over 50% possibility that the economic benefits of a deferred tax asset become unrealizable, a valuation allowance account should be established to reduce the carrying amount of the deferred tax asset. However under the requirements of IFRSs, a deferred tax asset shall be recognized to the extent that it is probable that would be utilized.
Employee Benefits	The Company has selected a rate of return on relatively high-safety fixed-income investment as the discount rate under R.O.C. GAAP. However under the requirements of IFRSs, the rate used to discount post-employment benefits obligations shall be determined by reference to market yields on high quality corporate bonds. In countries where there is no active market in such bonds, the market yields on government bonds shall be used.
	Under the requirements of R.O.C. GAAP, minimum pension liability is to be recognized for the excess of the accumulated benefit obligation over the pension plan assets. There is no such requirement under IAS 19.
	Under the requirements of R.O.C. GAAP, the unrecognized transitional net assets (or net benefit obligation) should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. There is no such requirement under IAS 19.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Special Reserve	Special reserve is recently listed under the liabilities in accordance with the requirement of the "Regulations Governing the Setting Aside of Various Reserve by Insurance Enterprise." However, based upon IFRSs requirement, the special reserve should not be listed under liabilities. In response to trends in international accounting practices and the planned implementation of the Statement of Financial Accounting Standards No. 40 in 2011, the FSC recently revised the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" to switch the special reserves from the liabilities to owners' equity.

(2) The preliminary assessment on the monetary impacts of the material differences and effects between the existing accounting policies and the accounting policies to be adopted under IFRSs is as follows：

Reconciliation of the balance sheet as of January 1, 2012:

Unit：NT thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Cash and cash equivalents	$374,353,961	$-	$374,353,961	
Receivables	45,684,727	362,935	46,047,662	1
Investments	2,509,415,150	3,507,954	2,512,923,104	2,3
Reinsurance reserve assets - Net	9,159,908	-	9,159,908	
Property and equipment - Net	13,029,771	8,445,024	21,474,795	3,4
Intangible assets	267,387	-	267,387	
Other assets	31,902,842	(6,794,684)	25,108,158	7,9
Separate account product assets	293,555,522	-	293,555,522	
Total assets	3,277,369,268	5,521,229	3,282,890,497	
Payables	22,003,803	61,699	22,065,502	1
Financial liabilities	47,468,901	-	47,468,901	
Insurance liabilities	2,793,900,127	(3,760,504)	2,790,139,623	5,6
Provision	-	346,155	346,155	7
Other liabilities	8,016,341	4,362,473	12,378,814	8,9
Separate account product liabilities	293,555,522	-	293,555,522	
Total liabilities	3,164,944,694	1,009,823	3,165,954,517	
Common stock	53,065,274	-	53,065,274	

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.

Note to unaudited financial statements-continued

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

For the three-month periods ended March 31, 2012 and 2011

Unit：NT thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Capital surplus	13,009,649	-	13,009,649	
Legal reserve	9,150,054	-	9,150,054	
Special reserve	27,624,972	4,511,406	32,136,378	5
Unappropriated retained earnings	(286,071)	2,994,565	2,708,494	1～9
Equity adjustments	9,860,696	(2,994,565)	6,866,131	2,4,8,9
Total stockholders' equity	112,424,574	4,511,406	116,935,980	

Unit：US thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Cash and cash equivalents	$12,367,161	$-	$12,367,161	
Receivables	1,509,241	11,990	1,521,231	1
Investments	82,901,062	115,889	83,016,951	2,3
Reinsurance reserve assets - Net	302,607	-	302,607	
Property and equipment - Net	430,452	278,990	709,442	3,4
Intangible assets	8,833	-	8,833	
Other assets	1,053,942	(224,469)	829,473	7,9
Separate account product assets	9,697,903	-	9,697,903	
Total assets	108,271,201	182,400	108,453,601	
Payables	726,918	2,038	728,956	1
Financial liabilities	1,568,183	-	1,568,183	
Reserve for liabilities	92,299,310	(124,232)	92,175,078	5,6
Provision	-	11,436	11,436	7
Other liabilities	264,828	144,119	408,947	8,9
Separate account product liabilities	9,697,903	-	9,697,903	
Total liabilities	104,557,142	33,361	104,590,503	
Common stock	1,753,065	-	1,753,065	
Capital surplus	429,787	-	429,787	
Legal reserve	302,281	-	302,281	
Special reserve	912,619	149,039	1,061,658	5
Unappropriated retained earnings	(9,451)	98,928	89,477	1～9
Equity adjustments	325,758	(98,928)	226,830	2,4,8,9
Total stockholders' equity	3,714,059	149,039	3,863,098	

Note：The exchange rate provided by the Federal Reserve Bank of New York on January 1, 2012 was NT$ 30.27 to US$ 1.00.

Reconciliation items are as follows：

1. The Company adopted IAS 17 to recognize rent revenue under the straight-line method during the lease term. As of January 1, 2012, the IFRSs adjustment resulted in increases of other receivables by NT$362,935 (US$11,990) thousands, tax payables by NT$61,699 (US$2,038) thousands and an increase of retained earnings by NT$301,236(US$9,952).

2. According to the IAS 39, the Company reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value. As of January 1, 2012, the reclassification adjustment resulted in increases of available-for-sale financial assets by NT$10,615,151 (US$350,682) thousands and unrealized gains on financial instruments by NT$426,603 (US$14,093) thousands. The adjustment also made decreases of financial assets carried at cost by NT$10,191,832 (US$336,697) thousands and retained earnings by NT$37,960 (US$1,254) thousands.

3. According to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRS 1, the Company identified deemed cost of some properties in accordance with the definition of investment property as optional exemptions. The others were retrospectively applied to the IAS 40. The Company assessed the net increase in fair value of investment property was NT$18,243,350 (US$602,687) thousands as of January 1, 2012, and reviewed each significant components resulted in retrospectively recognizing accumulated depreciation by NT$2,664,823 (US$88,035) thousands and the increase in retained earnings by NT$13,850,603 (US$457,568) thousands. In addition, the Company reclassified investment property to property and equipment by NT$12,493,892 (US$412,748) thousands.

4. The Company determined revalued amount of some properties as deemed cost according to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and retrospectively adopted IAS 16. The Company assessed that significant components of property and equipment resulted in retrospectively recognizing accumulated depreciation by NT$4,048,868 (US$133,758) thousands, decreases of retained earnings and unrealized revaluation increments by NT$3,359,099 (US$110,971) thousands and NT$1,462 (US$48) thousands respectively on January 1, 2012.

5. In accordance with the IFRS 4, provisions for possible claims under contracts that are not in existence at the reporting date are prohibited. Based on the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the reserves under liability recorded before December 31, 2012 should be reclassified to special reserve considering of balance after tax according to the IAS 12 under stockholders’ equity on January 1, 2013. In addition, in order to maintain the consistency and sustainability, the amount should be adjusted retrospectively to January 1, 2012. As of January 1, 2012, the “Special Reserves for Major Incidents” and “Special Reserve for Fluctuation of Risks” are amounted to NT$9,022,812 (US$298,078) thousands. The half of this amount was set aside to be reclassified as the opening balance of foreign exchange volatility reserve on March 1, 2012, and the rest of it NT$4,511,406 (US$149,039) was diverted to special reserve under equity since January 1, 2012. In addition, retained earnings was deducted by NT$766,939 (US$25,337) thousands due to the effect of deferred income tax.

6. According to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, if there are increments after estimating property in fair value, in addition to offsetting adverse effects of other accountings first-time adopted to IFRSs, the exceeds should be recognized as special reserve under insurance liabilities by full amount at the date of transition. The transition resulted in recognizing special reserve by NT$750,902 (US$24,807) thousands and a corresponding decrease of retained earnings.

7. The Company adopted IAS 37 to assess the provisions due to taxation administrative remedy. After assessment, the Company should increase provisions by NT$346,155 (US$11,436) thousands, decrease other assets and retained earnings by NT$60,483 (US$1,998) thousands and NT$406,638 (US$13,434) thousands respectively on January 1, 2012.

8. The Company adopted IAS 19 to measure pension liability, and recognize all cumulative actuarial gains and losses according to the IFRS 1. As of January 1, 2012, the IFRSs adjustment resulted in an increase of accrual pension liability by NT$1,414,590 (US$46,732) thousands, decreases of retained earnings and net loss not recognized as pension cost by NT$1,597,139 (US$52,763) thousands and NT$509,674 (US$16,838) thousands, respectively.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

9. According to the IAS 12, the Company reviewed income tax effects resulted from adjustment items above, the adjustment totally recognized deferred tax assets and deferred tax liabilities by NT$1,433,777 (US$47,366) thousands and NT$2,947,883 (US$97,387) thousands, respectively. In addition, assessing income tax effects directly recognized in other comprehensive incomes or equity items, the Company should decrease in recognition of deferred tax assets and unrealized gains or losses on financial instruments by NT$3,929,380 (US$129,811) thousands. In addition, the Company assessed that unused tax loss carryforward would not probably realize and decreased in recognition of deferred tax assets and the amount of retained earnings by NT$4,238,597 (US$140,026) thousands and a corresponding decrease of retained earnings.

Reconciliation of the balance sheet as of March 31, 2012:

Unit：NT thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Cash and cash equivalents	$422,707,116	$-	$422,707,116	
Receivables	86,337,330	614,865	86,952,195	1,7
Investments	2,575,606,125	4,056,795	2,579,662,920	2,3
Reinsurance reserve assets – Net	8,610,876	-	8,610,876	
Property and equipment – Net	13,285,236	8,107,199	21,392,435	3,4
Intangible assets	249,919	-	249,919	
Other assets	33,381,766	(7,525,006)	25,856,760	9
Separate account product assets	299,709,401	-	299,709,401	
Total assets	3,439,887,769	5,253,853	3,445,141,622	
Payables	69,139,134	70,407	69,209,541	1
Financial liabilities	35,925,636	-	35,925,636	
Insurance liabilities	2,892,843,371	(3,737,863)	2,889,105,508	5,6
Provision	-	346,155	346,155	7
Other liabilities	9,924,624	4,350,823	14,275,447	8,9
Separate account product liabilities	299,709,401	-	299,709,401	
Total liabilities	3,307,542,166	1,029,522	3,308,571,688	
Common stock	53,065,274	-	53,065,274	
Capital surplus	13,009,649	-	13,009,649	
Legal reserve	9,150,054	-	9,150,054	
Special reserve	27,624,972	4,511,406	32,136,378	5
Unappropriated retained earnings	(1,992,424)	3,264,055	1,271,631	1～9
Equity adjustments	31,488,078	(3,551,130)	27,936,948	2,4,8,9
Total stockholders' equity	132,345,603	4,224,331	136,569,934	

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Unit：US thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Cash and cash equivalents	$14,329,055	$-	$14,329,055	
Receivables	2,926,689	20,843	2,947,532	1,7
Investments	87,308,682	137,518	87,446,200	2,3
Reinsurance reserve assets – Net	291,894	-	291,894	
Property and equipment – Net	450,347	274,820	725,167	3,4
Intangible assets	8,472	-	8,472	
Other assets	1,131,585	(255,085)	876,500	9
Separate account product assets	10,159,641	-	10,159,641	
Total assets	116,606,365	178,096	116,784,461	
Payables	2,343,699	2,387	2,346,086	1
Financial liabilities	1,217,818	-	1,217,818	
Reserve for liabilities	98,062,487	(126,708)	97,935,779	5,6
Provision	-	11,734	11,734	7
Other liabilities	336,428	147,485	483,913	8,9
Separate account product liabilities	10,159,641	-	10,159,641	
Total liabilities	112,120,073	34,898	112,154,971	
Common stock	1,798,823	-	1,798,823	
Capital surplus	441,005	-	441,005	
Legal reserve	310,171	-	310,171	
Special reserve	936,440	152,929	1,089,369	5
Unappropriated retained earnings	(67,540)	110,647	43,107	1～9
Equity adjustments	1,067,393	(120,378)	947,015	2,4,8,9
Total stockholders' equity	4,486,292	143,198	4,629,490	

Reconciliation items are as follows：

1. The Company adopted IAS 17 to recognize rent revenue under the straight-line method during the lease term. The IFRSs adjustment resulted in increases of other receivables by NT$414,156 (US$14,039) thousands, tax payables by NT$70,407 (US$2,387) thousands, retained earnings by NT$301,236 (US$10,211) thousands, rent revenue by NT$51,221 (US$1,736) thousands and a decrease of income tax benefit by NT$8,708(US$295).

2. According to the IAS 39, the Company reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value. As of March 31, 2012, the reclassification adjustment resulted in increases of available-for-sale financial assets by NT$9,993,812 (US$338,773) thousands, unrealized gains on financial instruments by NT$705,526 (US$23,916) thousands. The adjustment also made decreases of financial assets carried at cost by NT$9,316,982 (US$315,830) thousands and retained earnings by NT$37,960 (US$1,287) thousands.

3. According to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRS 1, the Company identified deemed cost of some properties in accordance with the definition of investment property as optional exemptions. The others were retrospectively applied to the IAS 40. The Company assessed the net increase in fair value of investment property was NT$18,243,350 (US$618,418) thousands as of March 31, 2012, and reviewed each significant components resulted in retrospectively recognizing accumulated depreciation by NT$2,691,823 (US$91,248) thousand and the increases in retained earnings by NT$13,850,603 (US$469,512) thousands, depreciation expense by NT$27,000(US$915) thousands and income tax benefit by NT$4,590(US$156). In addition, the Company reclassified investment property to property and equipment by NT$12,171,562 (US$412,595) thousands.

4. The Company determined revalued amount of some properties as deemed cost according to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and retrospectively adopted IAS 16. The Company assessed that significant components of property and equipment resulted in retrospectively recognizing accumulated depreciation by NT$4,064,363(US$137,775) thousands, decreases of retained earnings and unrealized revaluation increments by NT$3,359,099 (US$113,868) thousands and NT$1,462 (US$50) thousands, respectively. In addition, the adjustment resulted in increases of depreciation expense and income tax benefit by NT$15,495 (US$525) thousands and NT$2,634 (US$89) thousands, respectively.

5. In accordance with the IFRS 4, provisions for possible claims under contracts that are not in existence at the reporting date are prohibited. Based on the "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", the reserves under liability recorded before December 31, 2012 should be reclassified to special reserve considering of balance after tax according to the IAS 12 under stockholders' equity on January 1, 2013. In addition, in order to maintain the consistency and sustainability, the amount should be adjusted retrospectively to January 1, 2012. The adjustment resulted in a decrease of "Special Reserves for Major Incidents" and "Special Reserve for Fluctuation of Risks" by NT$4,485,765 (US$152,162) thousands, a decrease of changes in provision for special reserves by NT$22,641 (US$767) thousands and an increase of special reserve under equity by NT$4,511,406 (US$152,929) thousands. In addition, retained earnings will be deducted by NT$766,939 (US$25,998) thousands due to the effect of deferred income tax.

6. According to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, if there are increments after estimating property in fair value, in addition to offsetting adverse effects of other accountings first-time adopted to IFRSs, the exceeds should be recognized as special reserve under insurance liabilities by full amount at the date of transition. The transition resulted in recognizing special reserve by NT$750,902 (US$25,454) thousands and a corresponding decrease of retained earnings.

7. The Company adopted IAS 37 to assess the provisions due to taxation administrative remedy. After assessment, the Company should increase provisions by NT$346,155 (US$11,734) thousands, decrease retained earnings by NT$406,638 (US$13,784) thousands. In addition, the reversal recognition resulted in increases of tax receivables by NT$200,709 (US$6,804) thousands and income tax benefit NT$261,192 (US$8,854) thousands.

8. The Company adopted IAS 19 to measure pension liability, and recognize all cumulative actuarial gains and losses according to the IFRS 1. As of March 31, 2012, the IFRSs adjustment resulted in an increase of accrual pension liability by NT$1,402,940 (US$47,557) thousands, and decreases of retained earnings and net loss not recognized as pension cost by NT$1,597,139 (US$54,140) thousands and NT$509,674 (US$17,277) thousands, respectively. In addition, the adjustment resulted in decreases of pension expense and income tax benefit by NT$11,649 (US$395) thousands and NT$1,980 (US$67) thousands, respectively.

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

9. According to the IAS 12, the Company reviewed income tax effects resulted from adjustment items above, the adjustment totally recognized deferred tax assets and deferred tax liabilities by NT$1,464,431 (US$49,642) thousands and NT$2,947,883 (US$99,928) thousands, respectively. In addition, assessing income tax effects directly recognized in other comprehensive incomes or equity items, the Company should decrease in recognition of deferred tax assets and unrealized gains or losses on financial instruments by NT$4,764,868 (US$161,521) thousands. In addition, the Company assessed that unused tax loss carryforward would not probably realize and resulted in decreases of retained earnings by NT$4,238,597(US$143,681) thousands and deferred tax assets by NT$4,224,569 (US$143,206) thousands and resulted in increases of income tax benefit by NT$14,028 (US$475) thousands.

Reconciliation of the income statement for the three months period ended March 31, 2012:

Unit：NT thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Operating revenue	$187,124,122	$51,221	$187,175,343	1
Operating cost	(186,213,779)	(22,641)	(186,236,420)	5
Gross margin	910,343	28,580	938,923	
Operating expense	(3,437,935)	(30,846)	(3,468,781)	3,4,8
Operating loss	(2,527,592)	(2,266)	(2,529,858)	
Non-operating revenue and expenses	224,637	-	224,637	
Loss from continuing operations before income taxes	(2,302,955)	(2,266)	(2,305,221)	
Income taxes benefit	596,602	271,756	868,358	1,3,4,7,8,9
Net loss	(1,706,353)	269,490	(1,436,863)	

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

Unit：US thousand dollars

	ROC GAAP	Adjustments	IFRSs	Notes
Operating revenue	$6,343,190	$1,736	$6,344,926	1
Operating cost	(6,312,331)	(767)	(6,313,098)	5
Gross margin	30,859	969	31,828	
Operating expense	(116,540)	(1,045)	(117,585)	3,4,8
Operating loss	(85,681)	(76)	(85,757)	
Non-operating revenue and expenses	7,615	-	7,615	
Loss from continuing operations before income taxes	(78,066)	(76)	(78,142)	
Income taxes benefit	(20,224)	(9,212)	(29,436)	1,3,4,7,8,9
Net loss	(57,842)	9,136	(48,706)	

About reconciliation of income statements, please refer to the notes of reconciliation of balance sheets.

(3) According to the requirements under IFRS 1 “First-time Adoption of International Financial Reporting Standards” , the Company prepares its first IFRS financial statements based on the effective IFRS standards and makes adjustments retrospectively, except for the optional exemptions and mandatory exemptions under IFRS 1. The optional exemptions selected by the Company is as follows：

A. The Company has elected to regard the revalued amount under previous GAAP as the deemed costs for certain items of land and buildings as at the date of revaluation.

B. The Company has elected to use the fair value at the date of transition to be the deemed costs for certain investment properties as at that date.

C. The Company has recognized all cumulative actuarial gains and losses directly to retained earnings as at January 1, 2012.

D. The Company has selected to disclose present value of defined pension plan, fair value of plan assets, surplus or shortage of the plans, and experience adjustment information required by paragraph 120A (p) of IAS19 prospectively from January 1, 2012.

E. The Company designates financial instruments which were recognized as financial assets carried at cost previously as available-for-sale financial assets at the date of transition.

41. Information regarding investment 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 thousands and US$27,150 thousands, 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 to US$48,330 thousands approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US $59,000 thousands as the registered capital again on May 16, 2008. The total registered capital is US $107,330 thousands. 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) has acquired a business license of an enterprise as legal person on December 29, 2004. The Company has remitted US$48,330 thousands to Cathay Life Insurance Ltd. (China) till December 31, 2009, and injected another US$29,880 thousands on September 29, 2010. As of March 31, 2012, the Company's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US$78,210 thousands.

On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousands to US$28,960 thousands. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. As of March 31, 2012, the Company's remittances to this general insurance company totaled approximately US$28,140 thousands.

42. Segment information

The Company abides by the provisions of insurance law for insurance business operations. In accordance with SFAS No. 41, the Company provides insurance contract type products, the overall business decision-makers make decisions based on resource allocation, making the overall company as one functional operation's department.