

Cathay Life Insurance Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the Three-month Periods Ended
March 31 2013 and 2012
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 Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, IAS 34 "Interim Financial Reporting" and IFRS 1 "First-time Adoption of International Financial Reporting Standards" as recognized by Financial Supervisory Commission. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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Review Report of Independent Auditors
English Translation of a Report Originally Issued in Chinese

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

We have reviewed the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. (the “Company”) and its subsidiaries (the “Subsidiaries”) as of 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2013 and 2012. These consolidated 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 Statements of Auditing Standards No.36 “Review of Financial statements” of the Republic of China (“R.O.C.”). A review consists principally of inquiries, comparison and analytical procedures. A review was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated 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 accompanying consolidated financial statements in order for them to be in conformity with "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", IAS 34 “Interim Financial Reporting” and IFRS 1 “First-time Adoption of International Financial Reporting Standards” as recognized by Financial Supervisory Commission.

EY
Certified Public Accountants
Taipei, Taiwan, R.O.C.
30 April 2013

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. and Subsidiaries
Unaudited consolidated balance sheets
As at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012
(Expressed in thousands of dollars)

Assets	Notes	31 March 2013		31 December 2012		31 March 2012		1 January 2012	
		NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cash and cash equivalents	4,6,47,48	\$309,253,895	\$10,374,166	\$366,121,804	\$12,603,160	\$407,648,892	\$13,818,607	\$374,053,580	\$12,357,237
Receivables	4,7,47,48	66,114,284	2,217,856	60,991,054	2,099,520	87,348,858	2,960,978	46,488,157	1,535,783
Financial assets at fair value through profit or loss	4,5,8,14,47,48,49	66,021,694	2,214,750	72,964,811	2,511,697	84,264,920	2,856,438	60,150,749	1,987,141
Available-for-sale financial assets	4,5,9,14,47	1,295,943,343	43,473,443	1,227,321,172	42,248,577	1,275,210,475	43,227,474	1,292,029,178	42,683,488
Derivative financial assets for hedging	4,5,10,47	947,259	31,777	1,142,094	39,315	1,656,849	56,164	1,957,846	64,679
Investments accounted for using the equity method - Net	4,5,11,47	951,794	31,929	947,731	32,624	1,400,813	47,485	1,423,015	47,011
Bond investments for which no active market exists	4,5,12,47	871,161,210	29,223,791	816,904,617	28,120,641	582,998,436	19,762,659	515,028,639	17,014,491
Other financial assets - Net	4,5,13,47	25,900,253	868,844	23,500,010	808,950	20,000,000	677,966	13,300,000	439,379
Investment property	4,5,15,47,48	200,798,354	6,735,939	201,293,052	6,929,193	201,423,289	6,827,908	201,945,170	6,671,463
Investment property under construction	4,5,15,47,48	8,711,676	292,240	7,519,477	258,846	6,114,022	207,255	5,459,223	180,351
Prepayments for buildings and land - Investments	4,5,15,47,48	1,587,676	53,260	1,581,767	54,450	1,108,341	37,571	20,469	676
Loans	4,16,47,48	545,910,412	18,312,996	516,503,876	17,779,824	487,712,891	16,532,640	489,801,740	16,181,095
Reinsurance assets	4,17,47	6,837,743	229,378	9,170,196	315,669	8,636,043	292,747	9,174,128	303,076
Property and equipment	4,18,47,48	48,324,150	1,621,072	48,356,882	1,664,609	23,522,434	797,371	23,618,343	780,256
Intangible assets	4,19,47	246,530	8,270	254,878	8,774	372,662	12,633	396,833	13,110
Deferred tax assets	4,5,38,47	13,896,261	466,161	16,106,670	554,446	14,097,935	477,896	11,989,836	396,096
Other assets	20,21,47,48,49	16,873,772	566,044	16,739,474	576,230	18,570,061	629,494	18,231,605	602,300
Separate account product assets	4,40,47	359,375,292	12,055,528	329,557,246	11,344,484	300,144,570	10,174,392	294,051,012	9,714,272
Total assets		\$3,838,855,598	\$128,777,444	\$3,716,976,811	\$127,951,009	\$3,522,231,491	\$119,397,678	\$3,359,119,523	\$110,971,904

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012 were NT\$29.81, NT\$29.05, NT\$29.50 and NT\$30.27 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated balance sheets - (continued)
As at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012
(Expressed in thousands of dollars)

Liabilities and equity	Notes	31 March 2013		31 December 2012		31 March 2012		1 January 2012	
		NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	47	\$125,063	\$4,195	\$297,268	\$10,233	\$62,829	\$2,130	\$201,158	\$6,646
Payables	22,47,48	42,841,754	1,437,161	38,073,655	1,310,625	69,617,182	2,359,904	22,611,251	746,986
Financial liabilities at fair value through profit or loss	4,23,47	16,375,898	549,343	2,079,457	71,582	5,925,636	200,869	17,468,901	577,103
Preferred stock liability	24,47,48	30,000,000	1,006,374	30,000,000	1,032,702	30,000,000	1,016,949	30,000,000	991,080
Insurance liabilities	4,5,25,47	3,152,043,135	105,737,777	3,082,659,251	106,115,637	2,882,388,611	97,708,089	2,787,557,192	92,089,765
Reserve for insurance contracts with feature of financial instruments	4,25,47	60,026,735	2,013,644	61,350,872	2,111,906	65,814,791	2,231,010	66,884,712	2,209,604
Foreign exchange volatility reserve	4,25,47	7,478,930	250,887	4,270,856	147,017	4,663,734	158,093	-	-
Provisions	4,5,26,27,47	3,856,947	129,384	3,812,483	131,239	3,693,606	125,207	3,645,727	120,440
Deferred tax liabilities	4,5,38,47	13,806,781	463,159	15,390,603	529,797	14,685,817	497,824	12,916,045	426,695
Other liabilities	28,29,47,48	11,099,420	372,339	11,525,810	396,758	8,296,274	281,230	6,480,715	214,097
Separate account product liabilities	4,40,47	359,375,292	12,055,528	329,557,246	11,344,484	300,144,570	10,174,392	294,051,012	9,714,272
Total liabilities		3,697,029,955	124,019,791	3,579,017,501	123,201,980	3,385,293,050	114,755,697	3,241,816,713	107,096,688
Equity attributable to equity holders of the parent									
Capital stock									
Common stock	30	53,065,274	1,780,117	53,065,274	1,826,688	53,065,274	1,798,823	53,065,274	1,753,065
Capital surplus	31	13,009,649	436,419	13,009,649	447,836	13,009,649	441,005	13,009,649	429,787
Retained earnings	32								
Legal capital reserve		9,241,230	310,004	9,241,230	318,115	9,150,054	310,171	9,150,054	302,281
Special capital reserve		32,111,919	1,077,220	32,111,919	1,105,401	31,369,439	1,063,371	31,369,439	1,036,321
Unappropriated retained earnings		9,046,024	303,456	5,048,506	173,787	1,211,229	41,059	2,708,494	89,477
Other equity		24,240,185	813,156	24,469,760	842,332	27,936,948	947,015	6,866,131	226,830
Non-controlling interests	32	1,111,362	37,281	1,012,972	34,870	1,195,848	40,537	1,133,769	37,455
Total equity		141,825,643	4,757,653	137,959,310	4,749,029	136,938,441	4,641,981	117,302,810	3,875,216
Total liabilities and equity		\$3,838,855,598	\$128,777,444	\$3,716,976,811	\$127,951,009	\$3,522,231,491	\$119,397,678	\$3,359,119,523	\$110,971,904

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012 were NT\$29.81, NT\$29.05, NT\$29.50 and NT\$30.27 to US\$1.00)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated statements of comprehensive income
For the three-month periods ended 31 March 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Item	Notes	1 January-31 March 2013		1 January-31 March 2012	
		NT\$	US\$	NT\$	US\$
Operating revenue	4,48				
Direct premium income	33	\$93,500,583	\$3,136,551	\$141,412,807	\$4,793,654
Reinsurance premium income	33	59,909	2,010	46,349	1,571
Premium income	33	93,560,492	3,138,561	141,459,156	4,795,225
Deduct: Premiums ceded to reinsurers	33	(4,664,502)	(156,475)	(6,570,742)	(222,737)
Changes in unearned premium reserve	33	(2,206,696)	(74,025)	138,227	4,686
Retained earned premium	33	86,689,294	2,908,061	135,026,641	4,577,174
Reinsurance commission earned		2,973,002	99,732	3,684,212	124,889
Handling fees earned	40	848,944	28,478	530,995	18,000
Net investment profits and losses					
Interest income		23,367,177	783,870	22,552,455	764,490
(Losses) gains from financial assets and liabilities at fair value through profit or loss		(19,957,598)	(669,493)	19,042,177	645,498
Realized gains from available-for-sale financial assets		4,609,459	154,628	4,902,408	166,183
Realized gains from bond investments for which no active market exists		3,198,789	107,306	398,982	13,525
Share of the losses of associates and joint ventures accounted for using the equity method		(18,477)	(619)	(21,020)	(713)
Foreign exchange gains (losses)		24,345,601	816,692	(21,739,319)	(736,926)
Changes in foreign exchange volatility reserve	25	(3,208,074)	(107,617)	(152,328)	(5,164)
Gains from investment property		1,875,342	62,910	1,871,418	63,438
Other operating revenue		325,360	10,914	466,488	15,813
Separate account product revenue	4,40	37,908,040	1,271,655	21,683,453	735,032
Subtotal		162,956,859	5,466,517	188,246,562	6,381,239
Operating costs	4,48				
Insurance claim payments	34	(46,139,269)	(1,547,778)	(54,933,549)	(1,862,154)
Deduct: Claims recovered from reinsurers	34	3,007,823	100,900	2,549,922	86,438
Retained claim payments	34	(43,131,446)	(1,446,878)	(52,383,627)	(1,775,716)
Changes in insurance liabilities	25	(63,660,075)	(2,135,528)	(103,092,622)	(3,494,665)
Changes in reserve for insurance contracts with feature of financial instruments	25	(301,840)	(10,125)	(51,846)	(1,757)
Brokerage expenses	35	(4,321,748)	(144,977)	(3,913,033)	(132,645)
Commission expenses		(4,612,628)	(154,734)	(4,725,693)	(160,193)
Other operating costs		(1,148,457)	(38,526)	(1,271,255)	(43,094)
Finance costs		191,925	6,438	199,218	6,753
Separate account product expenses	4,40	(37,908,040)	(1,271,655)	(21,683,453)	(735,032)
Subtotal		(154,892,309)	(5,195,985)	(186,922,311)	(6,336,349)
Operating expenses	4,35,48				
Business expenses		(1,420,549)	(47,653)	(1,585,069)	(53,731)
Administrative and general expenses		(2,503,412)	(83,979)	(2,249,915)	(76,268)
Employee training expenses		(6,875)	(231)	(7,278)	(247)
Subtotal		(3,930,836)	(131,863)	(3,842,262)	(130,246)
Operating income (loss)		4,133,714	138,669	(2,518,011)	(85,356)
Non-operating income and expenses	4,36,48	158,716	5,324	225,608	7,648
Income (loss) from continuing operations before income tax		4,292,430	143,993	(2,292,403)	(77,708)
Income tax (expense) benefit	4,5,38	(226,021)	(7,582)	841,117	28,512
Net income (loss) from continuing operations		4,066,409	136,411	(1,451,286)	(49,196)
Net income (loss)		4,066,409	136,411	(1,451,286)	(49,196)
Other comprehensive income	37				
Exchange differences resulting from translating the financial statements of foreign operations		129,814	4,355	(68,420)	(2,319)
Unrealized valuation gains from available-for-sale financial assets		5,078	170	22,275,282	755,094
Effective portion of losses on hedging instruments in cash flow hedges		(199,066)	(6,678)	(308,687)	(10,464)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		22,540	756	(1,181)	(40)
Other comprehensive income, before tax		(41,634)	(1,397)	21,896,994	742,271
Income taxes relating to components of other comprehensive income		(158,442)	(5,315)	(810,077)	(27,460)
Other comprehensive income, net of tax		(200,076)	(6,712)	21,086,917	714,811
Total comprehensive income		\$3,866,333	\$129,699	\$19,635,631	\$665,615
Net income (loss) attributable to:					
Equity holders of the parent		\$3,997,518	\$134,100	\$(1,497,265)	\$(50,755)
Non-controlling interests		\$68,891	\$2,311	\$45,979	\$1,559
Total comprehensive income attributable to:					
Equity holders of the parent		\$3,767,943	\$126,399	\$19,573,552	\$663,510
Non-controlling interests		\$98,390	\$3,300	\$62,079	\$2,105
Basic earnings per share (In dollars)	39				
Net income (loss) from continuing operations		\$0.75	\$0.03	\$(0.28)	\$(0.01)

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2013 and 2012 were NT\$29.81 and NT\$29.50 to US\$1.00)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated statements of changes in equity
For the three-month periods ended 31 March 2013 and 2012
(Expressed in thousands of dollars)

Summary	Equity attributable to equity holders of the parent																					
	Retained earnings										Other equity											
	Capital stock		Capital surplus		Legal capital reserve		Special capital reserve		Unappropriated retained earnings		from translating the financial statements of foreign operations		Unrealized valuation gains from available-for-sale financial assets		Effective portion of gains on hedging instruments in cash flow hedges		Total		Non-controlling interests		Total	
NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Balance on 1 January 2012	\$53,065,274	\$1,798,823	\$13,009,649	\$441,005	\$9,150,054	\$310,171	\$31,369,439	\$1,063,371	\$2,708,494	\$91,814	\$(304,530)	\$(10,323)	\$5,512,974	\$186,880	\$1,657,687	\$56,193	\$116,169,041	\$3,937,934	\$1,133,769	\$38,432	\$117,302,810	\$3,976,366
Net loss for the three-month period ended 31 March 2012	-	-	-	-	-	-	-	-	-	(1,497,265)	(50,755)	-	-	-	-	-	(1,497,265)	(50,755)	45,979	1,559	(1,451,286)	(49,196)
Other comprehensive income for the three-month period ended 31 March 2012	-	-	-	-	-	-	-	-	-	-	(62,782)	(2,128)	21,389,810	725,078	(256,211)	(8,685)	21,070,817	714,265	16,100	546	21,086,917	714,811
Balance on 31 March 2012	\$53,065,274	\$1,798,823	\$13,009,649	\$441,005	\$9,150,054	\$310,171	\$31,369,439	\$1,063,371	\$1,211,229	\$41,059	\$(367,312)	\$(12,451)	\$26,902,784	\$911,958	\$1,401,476	\$47,508	\$135,742,593	\$4,601,444	\$1,195,848	\$40,537	\$136,938,441	\$4,641,981
Balance on 1 January 2013	\$53,065,274	\$1,780,117	\$13,009,649	\$436,419	\$9,241,230	\$310,004	\$32,111,919	\$1,077,220	\$5,048,506	\$169,356	\$(428,258)	\$(14,367)	\$23,938,471	\$803,035	\$959,547	\$32,189	\$136,946,338	\$4,593,973	\$1,012,972	\$33,981	\$137,959,310	\$4,627,954
Net income for the three-month period ended 31 March 2013	-	-	-	-	-	-	-	-	3,997,518	134,100	-	-	-	-	-	-	3,997,518	134,100	68,891	2,311	4,066,409	136,411
Other comprehensive income for the three-month period ended 31 March 2013	-	-	-	-	-	-	-	-	-	-	116,035	3,893	(180,385)	(6,051)	(165,225)	(5,543)	(229,575)	(7,701)	29,499	989	(200,076)	(6,712)
Balance on 31 March 2013	\$53,065,274	\$1,780,117	\$13,009,649	\$436,419	\$9,241,230	\$310,004	\$32,111,919	\$1,077,220	\$9,046,024	\$303,456	\$(312,223)	\$(10,474)	\$23,758,086	\$796,984	\$794,322	\$26,646	\$140,714,281	\$4,720,372	\$1,111,362	\$37,281	\$141,825,643	\$4,757,653

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2013 and 2012 were NT\$29.81 and NT\$29.50 to US\$1.00)

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English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows
For the three-month periods ended 31 March 2013 and 2012
(Expressed in thousands of dollars)

	1 January-31 March 2013		1 January-31 March 2012	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Net income (loss), before tax	\$4,292,430	\$143,993	\$(2,292,403)	\$(77,708)
Adjustments:				
Non-cash revenue and expense items				
Depreciation	759,854	25,490	710,064	24,070
Amortization	17,812	597	27,592	935
Bad debt expenses	239,642	8,039	385,075	13,053
Net losses (gains) from financial assets and liabilities at fair value through profit or loss	19,974,143	670,048	(19,007,699)	(644,329)
Net gains from available-for-sale financial assets	(4,075,754)	(136,724)	(4,743,159)	(160,785)
Net gains from bond investments for which no active market exists	(3,198,789)	(107,306)	(393,597)	(13,342)
Interest expenses	11,031	370	38,538	1,306
Interest income	(23,367,177)	(783,870)	(22,552,455)	(764,490)
Dividend income	(483,210)	(16,210)	(173,362)	(5,877)
Changes in insurance liabilities	69,383,884	2,327,537	94,831,419	3,214,624
Changes in reserve for insurance contracts with feature of financial instruments	(1,324,137)	(44,419)	(1,069,919)	(36,268)
Changes in foreign exchange volatility reserve	3,208,074	107,617	4,663,734	158,093
Share of the losses of associates and joint ventures accounted for using the equity method	18,477	620	21,020	713
(Gains) losses on disposal or scrapping of property and equipment	(6)	-	33	1
Subtotal	<u>61,163,844</u>	<u>2,051,789</u>	<u>52,737,284</u>	<u>1,787,704</u>
Changes in operating assets and liabilities				
Decrease (increase) in financial assets at fair value through profit or loss	16,668,208	559,148	(3,292,198)	(111,600)
(Increase) decrease in derivative financial assets for hedging	(4,231)	(142)	236,986	8,033
Decrease in premiums receivable	8,742	293	6,858	232
Decrease in notes receivable	842,290	28,255	952,827	32,299
Increase in other accounts receivable	(3,218,802)	(107,977)	(40,394,104)	(1,369,291)
Decrease in prepaid expenses and other prepayments	68,605	2,301	164,688	5,583
(Increase) decrease in guarantee deposits paid	(285,743)	(9,585)	773,038	26,205
Decrease in reinsurance assets	2,332,453	78,244	538,084	18,240
Increase in other financial assets	(2,400,243)	(80,518)	(6,700,000)	(227,119)
Increase in other assets	(70,849)	(2,377)	(1,188,868)	(40,300)
Decrease in financial liabilities at fair value through profit or loss	(15,249,105)	(511,543)	(13,630,250)	(462,042)
Decrease in notes payable	(20)	(1)	(1,299)	(44)
Increase in life insurance proceeds payable	86,786	2,911	15,668	531
Increase in other payables	6,345,329	212,859	46,158,473	1,564,694
(Decrease) increase in due to reinsurers and ceding companies	(1,609,755)	(54,000)	181,898	6,166
(Decrease) increase in commissions payable	(54,737)	(1,836)	651,178	22,074
Increase in accounts collected in advance	7,109	238	18,533	628
Increase in guarantee deposits received	4,725	158	20,467	694
Increase in provisions	9,555	321	-	-
Increase in deferred handling fees	555	19	-	-
(Decrease) increase in other liabilities	(438,779)	(14,719)	1,776,559	60,222
Increase in provision for employee benefits	34,910	1,171	47,878	1,623
Subtotal	<u>3,077,003</u>	<u>103,220</u>	<u>(13,663,584)</u>	<u>(463,172)</u>
Cash generated from operating activities	<u>68,533,277</u>	<u>2,299,002</u>	<u>36,781,297</u>	<u>1,246,824</u>
Interest received	21,386,472	717,426	21,185,327	718,146
Dividends received	483,210	16,210	173,362	5,877
Interest paid	(11,031)	(370)	(38,523)	(1,306)
Income taxes paid	(518,891)	(17,406)	(405,206)	(13,736)
Net cash provided by operating activities	<u>89,873,037</u>	<u>3,014,862</u>	<u>57,696,257</u>	<u>1,955,805</u>
Cash flows from investing activities				
Acquisition of available-for-sale financial assets	(288,946,579)	(9,692,941)	(238,727,829)	(8,092,469)
Disposal of available-for-sale financial assets	224,405,240	7,527,851	282,564,972	9,578,474
Acquisition of bond investments for which no active market exists	(185,278,913)	(6,215,327)	(257,692,268)	(8,735,331)
Disposal of bond investments for which no active market exists	134,221,108	4,502,553	190,116,069	6,444,612
Acquisition of property and equipment	(125,327)	(4,204)	(74,848)	(2,537)
Disposal of property and equipment	182	6	-	-
Acquisition of intangible assets	(6,143)	(206)	(6,174)	(209)
(Increase) decrease in loans	(29,659,422)	(994,949)	1,682,055	57,019
Acquisition of investment property	(1,213,053)	(40,693)	(1,764,537)	(59,815)
Net cash used in investing activities	<u>(146,602,907)</u>	<u>(4,917,910)</u>	<u>(23,902,560)</u>	<u>(810,256)</u>
Cash flows from financing activities				
Decrease in notes and bonds with repurchase agreements	(172,204)	(5,777)	(138,329)	(4,689)
Net cash used in financing activities	<u>(172,204)</u>	<u>(5,777)</u>	<u>(138,329)</u>	<u>(4,689)</u>
Effects of exchange rate changes on cash and cash equivalents	34,165	1,146	(60,056)	(2,036)
(Decrease) increase in cash and cash equivalents	<u>(56,867,909)</u>	<u>(1,907,679)</u>	<u>33,595,312</u>	<u>1,138,824</u>
Cash and cash equivalents at the beginning of the periods	<u>366,121,804</u>	<u>12,281,845</u>	<u>374,053,580</u>	<u>12,679,783</u>
Cash and cash equivalents at the end of the periods	<u>\$309,253,895</u>	<u>\$10,374,166</u>	<u>\$407,648,892</u>	<u>\$13,818,607</u>

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2013 and 2012 were NT\$29.81 and NT\$29.50 to US\$1.00)

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

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to unaudited consolidated financial statements

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

For the three-month periods ended 31 March 2013 and 2012

1. Organizations and business scope

Cathay Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on 23 October 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 31 December 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 benefit from synergistic operation and enhance the Company’s competitiveness in the financial market. The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, Republic of China (R.O.C.).

The parent company and ultimate parent company of the Company is Cathay Financial Holding.

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

The consolidated financial statements of the Company and its subsidiaries (“the Company and Subsidiaries”) for the three-month periods ended 31 March 2013 and 2012 were authorized to issue in accordance with resolution of the Company’s board of directors on 30 April 2013.

3. Newly issued or revised standards and interpretations

- (1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”), but not yet adopted by the Company and Subsidiaries at the date of issuance of the Company and Subsidiaries financial statements are listed below.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* which is divided in three distinct phases is designed by the International Accounting Standards Board (“IASB”) to eventually replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities that must be applied for annual periods beginning on or after 1 January 2015. The IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as “TIFRS”) may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets but have no impact on the classification and measurement of financial liabilities. The impact of adopting the remaining two phases of IFRS 9 on the Company and Subsidiaries could not be determined at this stage.

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- (2) Standards or interpretations issued by the IASB but not yet recognized by the FSC are listed below.

Standards or interpretations	Effective date
<i>Improvements to IFRSs 2010:</i>	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Annual periods beginning on or after 1 January 2011
IFRS 3 <i>Business Combinations</i>	Annual periods beginning on or after 1 July 2010
IFRS 7 <i>Financial Instruments: Disclosures</i>	Annual periods beginning on or after 1 January 2011
IAS 1 <i>Presentation of Financial Statements</i>	Annual periods beginning on or after 1 January 2011
IAS 34 <i>Interim Financial Reporting</i>	Annual periods beginning on or after 1 January 2011
IFRIC 13 <i>Customer Loyalty Programmes</i>	Annual periods beginning on or after 1 January 2011
<i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)</i>	
	Annual periods beginning on or after 1 July 2010
<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)</i>	
	Annual periods beginning on or after 1 July 2011
<i>Amendments to IFRS 7</i>	
	Annual periods beginning on or after 1 July 2011
<i>Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 Income Taxes)</i>	
	Annual periods beginning on or after 1 January 2012
IFRS 10 <i>Consolidated Financial Statements</i>	Annual periods beginning on or after 1 January 2013
IAS 27 <i>Separate Financial Statements</i>	Annual periods beginning on or after 1 January 2013
IFRS 11 <i>Joint Arrangements</i>	Annual periods beginning on or after 1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i>	Annual periods beginning on or after 1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Annual periods beginning on or after 1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	Annual periods beginning on or after 1 January 2013
<i>Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)</i>	
	Annual periods beginning on or after 1 July 2012
<i>Amendments to IAS 19 Employee Benefits</i>	
	Annual periods beginning on or after 1 January 2013
<i>Government Loans (Amendments to IFRS 1)</i>	
	Annual periods beginning on or after 1 January 2013
<i>Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)</i>	
	Annual periods beginning on or after 1 January 2013
<i>Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 Financial Instruments: Presentation)</i>	
	Annual periods beginning on or after 1 January 2014

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

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<u>Standards or interpretations</u>	<u>Effective date</u>
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	Annual periods beginning on or after 1 January 2013
<i>Improvements to IFRSs 2009-2011 Cycle:</i>	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Annual periods beginning on or after 1 January 2013
IAS 1 <i>Presentation of Financial Statements</i>	Annual periods beginning on or after 1 January 2013
IAS 16 <i>Property, Plant and Equipment</i>	Annual periods beginning on or after 1 January 2013
IAS 32 <i>Financial Instruments: Presentation</i>	Annual periods beginning on or after 1 January 2013
IAS 34 <i>Interim Financial Reporting</i>	Annual periods beginning on or after 1 January 2013
Amendments to IFRS 10 <i>Consolidated Financial Statements</i>	Annual periods beginning on or after 1 January 2014

The adoption of the following standards or interpretations could have impact on the Company and Subsidiaries' financial statements.

Improvements to IFRSs 2010

IFRS 7 Financial Instruments: Disclosures

The amendment requires qualitative disclosures in the context of quantitative disclosures to enable users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognized in their entirety but the entity has continuing involvement in them, or when financial assets are not derecognized in their entirety.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 primarily integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS. The standard is effective for annual periods beginning on or after 1 January 2013.

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

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IFRS 13 Fair Value Measurement

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosure is required.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified to profit or loss in the future would be presented separately from items that will never be reclassified.

Amendments to IAS 19 Employee Benefits

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest on the net defined benefit liability (asset). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc..

Improvements to IFRSs 2009-2011 Cycle

IAS 1 Presentation of Financial Statements

The amendment clarifies: (1) The difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. (2) An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. (3) The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, the related notes are not required to include comparatives as of the date of the opening statement. The amendment is effective for annual periods beginning on or after 1 January 2013.

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Notes to unaudited consolidated financial statements-continued

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

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The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC, and the local effective dates are to be determined by FSC. It is not practical to estimate their impact on the Company and Subsidiaries at this point in time.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Company and Subsidiaries for the three-month periods ended 31 March 2013 and 2012 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises (“the Regulations”) and IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of International Financial Reporting Standards* as recognized by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company and Subsidiaries obtain control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

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Notes to unaudited consolidated 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 31 March 2013 and 2012

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company and Subsidiaries lose control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investors	Investees	Business	Ownership interest		Notes
			2013.3.31	2012.3.31	
The Company	Symphox Information Co., Ltd. ("Symphox Information")	Type II telecom service, data processing service, information supply service	60.12%	60.12%	Symphox Information was incorporated in Taiwan on 12 December 1999, under the Company Act. As of 31 March 2013 and 2012, the Company owns 60.12% of interest in Symphox Information.
The Company	Cathay Life Insurance Ltd. (China) ("Cathay Life (China)")	Life insurance	50.00%	50.00%	Cathay Life (China) acquired an operation license of an enterprise as a juristic person on 29 December 2004. The Company and China Eastern Air Holding Group each owns 50% interest in Cathay Life (China).
The Company	Cathay Life Insurance (Vietnam) Co., Ltd. ("Cathay Life (Vietnam)")	Life insurance	100.00%	100.00%	Cathay Life (Vietnam) acquired an operation license of an enterprise as a juristic person on 21 November 2007.
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office equipment leasing	100.00%	-	Lin Yuan acquired an operation license of an enterprise as a juristic person on 15 August 2012.

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Notes to unaudited consolidated 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 31 March 2013 and 2012

The consolidated financial statements exclude the following:

Investors	Investees	Business	Ownership interest		Notes
			2013.3.31	2012.3.31	
The Company	Cathay Insurance (Bermuda) Co., Ltd.	Class 3 general business insurers and a long-term insurer	100.00%	100.00%	The consolidated financial statements do not include Cathay Insurance (Bermuda) because its total assets and operating revenues were insignificant to the total assets and operating revenues of the Company.
The Company	Cathay Securities Investment Consulting Co., Ltd.	Securities investment research analysis	100.00%	100.00%	The consolidated financial statements do not include Cathay Securities Investment Consulting because its total assets and operating revenues were insignificant to the total assets and operating revenues of the Company.
The Company	Cathay Insurance Company Limited (China)	Properties insurance	50.00%	50.00%	Cathay Insurance (China) acquired an operation license of an enterprise as a juristic person on 26 August 2008. Due to the lack of actual ability of controlling, the Company does not include Cathay Insurance (China) in the consolidated financial statements.

(4) Foreign currency transactions

The Company and Subsidiaries' consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Company and Subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange prevailing at the reporting date and the resulting exchange differences are recognized in profit or loss for the period. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. When a gain or loss on the non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss. When a gain or loss on the non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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Notes to unaudited consolidated 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 31 March 2013 and 2012

(5) Translation of subsidiaries' financial statements in foreign currency

Financial statements of foreign subsidiaries accounted for using 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. 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 "exchange differences resulting from translating the financial statements of foreign operations" under equity.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company and Subsidiaries cash management are also included as a component of cash and cash equivalents.

(7) Financial assets and liabilities

Initial recognition and subsequent measurement

According to IAS 39 *Financial Instruments: Recognition and Measurement*, financial assets are categorized as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "derivative financial assets for hedging", "bond investments for which no active market exists" and "loans and receivables". Financial liabilities are categorized as "financial liabilities at fair value through profit or loss", "derivative financial liabilities for hedging" and "financial liabilities carried at amortized cost".

The Company and Subsidiaries classify the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

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

For the three-month periods ended 31 March 2013 and 2012

All regular way purchases or sales of financial assets are recorded using trade date accounting.

Subsequent measurement of each category of financial assets and liabilities is listed below.

A. Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets or liabilities held for trading and financial assets or liabilities designated upon initial recognition as at fair value through profit or loss. Such assets or liabilities 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 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 fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable. Any gain or loss already recognized in profit or loss shall not be reversed. Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

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B. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, bond investments for which no active market exists or loans and receivables. 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 equity shall be amortized over the remaining life of the asset.

C. Derivative financial assets and liabilities for hedging

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

D. Bond investments for which no active market exists

Bond investments with fixed or determinable payments 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 bond investments for which no active market exists are derecognized or impaired.

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For the three-month periods ended 31 March 2013 and 2012

E. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- a. those that the Company and Subsidiaries intend to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- b. those that the Company and Subsidiaries upon initial recognition designate as available for sale; or
- c. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Secured loans shall be measured at amortized cost using the effective interest method; however, they need not be discounted if the effect of discounting is immaterial.

F. Financial liabilities

Financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging, which are measured at fair value.

Fair value of financial instruments

If there is a quoted price in an active market for a financial instrument, the price is used to measure fair value. If a quoted price is readily available in principal exchange markets, over-the-counter markets, Bloomberg or Reuters and is generally representative of the price in an orderly transaction between market participants, it is utilized as an estimate of the fair value of listed equity securities and debt instruments that have a quoted price in an active market.

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For the three-month periods ended 31 March 2013 and 2012

Fair value of the other financial instruments is determined using a valuation technique. Such techniques may include reference to the current fair value of another instrument that has substantially the same terms and characteristics, discounted cash flow analysis and pricing models that incorporate information available to market participants on the balance sheet date (such as reference yield published by GreTai Securities Market, commercial paper market interest rates released by Reuters, etc.).

For less complex financial instruments such as interest rate swaps, currency swaps and options, the Company and Subsidiaries apply valuation techniques widely used by market participants. The variables of these valuation techniques include mostly observable market data.

For more complex financial instruments, the Company and Subsidiaries adopt both self-developed and externally-developed pricing models which are consistent with accepted economic methodologies for pricing financial instruments. Such models are used to measure derivatives, equity and debt instruments not quoted in an active market (including embedded derivatives) and other debt instruments not publicly traded. The variables of these pricing models include unobservable inputs and thus the Company and Subsidiaries must make their own assumptions and estimates.

Derecognition of financial assets and liabilities

A. Financial assets

The Company and Subsidiaries derecognize financial assets when the contractual rights to the cash flows from the assets expire or when it transfers substantially all the risks and rewards of ownership of the asset.

Securities lending transactions and repurchase agreements do not result in derecognition because the Company and Subsidiaries have nearly retained all such risks and rewards.

B. Financial liabilities

The Company and Subsidiaries remove all or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

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

Reclassification of financial assets

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*:

- A. The Company and Subsidiaries shall not reclassify a derivative out of the fair value through profit or loss category while it is held or issued.
- B. The Company and Subsidiaries shall not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated by the Company and Subsidiaries as at fair value through profit or loss.
- C. The Company and Subsidiaries shall not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.
- D. 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 other comprehensive income.
- E. If, during the current financial year or during the two preceding financial years, there have been sales or reclassification of more than an insignificant amount of held-to-maturity investments, any remaining held-to-maturity investments shall be reclassified as available for sale.

Offsetting of financial instruments

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

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Impairment of financial assets

The Company and Subsidiaries assess at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired when, and only when, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

Objective evidence may include:

- A. significant financial difficulty of the issuer or obligor; or
- B. a breach of contract, such as a default or delinquency in interest or principal payments; or
- C. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- D. it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- E. the disappearance of an active market for that financial asset because of financial difficulties; or
- F. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company and Subsidiaries, including:
 - a. adverse changes in the payment status of borrowers in the group; or
 - b. national or local economic conditions that correlate with defaults on the assets in the group.

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Applying to different financial assets valued in different ways, the adopted impairment methods are as follows:

A. Available -for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss even though the financial asset has not been derecognized.

For an investment in an equity instrument classified as available for sale, impairment losses are not reversed through profit or loss; increases in its fair value after impairment are recognized directly in other comprehensive income. For a debt instrument classified as available for sale, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment losses were recognized in profit or loss, the impairment losses are reversed through profit or loss.

B. Financial assets carried at amortized cost

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

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was 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 that exceeds what the amortized cost would have been had the impairment not been recognized. The amount of the reversal is recognized in profit or loss.

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Derivative financial instruments and hedge accounting

The Company and Subsidiaries engage in derivative financial instrument transactions, such as currency forward contracts, interest rate swaps, cross currency swaps, options and futures, 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.
- 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 and Subsidiaries formally designate and document hedge relationship to which the Company and Subsidiaries wish 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 and Subsidiaries assess 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:

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A. Fair value hedges

Fair value hedges is 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. 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 IAS 21 *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.

B. Cash flow hedges

Cash flow hedges is 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 or with a highly probable forecast transaction and could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income, 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 other comprehensive income 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 other comprehensive income 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, the cumulative gain or loss that was previously recognized in equity remains in other comprehensive income until the forecast transaction occurs. If the transaction is not expected to occur, the cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

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C. 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 other comprehensive income, 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 other comprehensive income is transferred to profit or loss.

(8) Impairment of loans and receivables

A. 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 loans and receivables with no objective evidence that an impairment loss has been incurred, those loans and 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 flows 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.

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In addition, 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% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts to be reserved within three years starting on 1 January 2011, 2% of the ending balance for the second category of loan assets, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

- B. Symphox Information was first assessed by whether objective evidence of impairment exists individually for receivables that is individually significant. If there is objective evidence that an impairment loss on individual receivables has been incurred, the amount of impairment loss should be assessed individually. If there is objective evidence that an impairment loss on receivables that is not individually significant has been incurred, Symphox Information shall include those assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Similarly, for loans and receivables with no objective evidence that an impairment loss has been incurred, those loans and receivables shall be collectively assessed for impairment.
- C. Allowance for bad debts on accounts receivable of Cathay Life (Vietnam) is determined based on the aging analysis of outstanding balances of such accounts and past experience.
- D. Cathay Life (China) first assesses whether objective evidence of impairment exists individually for receivables, such as premiums receivable, interest receivable and accounts receivable that are individually significant. If there is objective evidence that an impairment loss on individual receivables, such as premiums receivable, interest receivable and accounts receivable has been incurred, the amount of impairment loss should be assessed individually. If there is objective evidence that an impairment loss on receivables, such as premiums receivable, interest receivable and accounts receivable that are not individually significant has been incurred, Cathay Life (China) shall include those assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Similarly, for receivables, such as premiums receivable, interest receivable and accounts receivable with no objective evidence that an impairment loss has been incurred, those receivables shall be collectively assessed for impairment.

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(9) Investments in the associate

Investment in the associate of the Company and Subsidiaries is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company and Subsidiaries have significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company and Subsidiaries' share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company and Subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and Subsidiaries and the associate are eliminated to the extent of the Company and Subsidiaries' related interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Company and Subsidiaries. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company and Subsidiaries.

The Company and Subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company and Subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognize the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company and Subsidiaries measure and recognize any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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(10) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item, restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property and equipment are required to be replaced in intervals, the Company and Subsidiaries recognize such parts as individual assets separately with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property and Equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Buildings and construction	5~70 years
Computer equipment	3~5 years
Communication and transportation equipment	3~5 years
Other equipment	3~15 years
Leasehold improvements	5 years
Leased assets	3 years

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

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

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(11) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property and Equipment* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

Buildings and construction	5~70 years
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Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(12) Leases

The Company and Subsidiaries as a lessee

Finance leases which transfer to the Company and Subsidiaries substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

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A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company and Subsidiaries will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Company and Subsidiaries as a lessor

Leases in which the Company and Subsidiaries do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policy for depreciable leased assets is consistent with the Company and Subsidiaries' normal depreciation policy for similar assets, and depreciation is calculated in accordance with IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*.

Lease income from operating leases is recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(13) Intangible assets

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

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

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

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

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

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 years).

(14) Impairment of non-financial assets

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

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

A cash-generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it first reduces the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(15)Guaranteed depository insurance payment

A. The Company

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 the Republic of China (the "Central Bank") as the "Guaranteed Depository Insurance".

B. Cathay life (China)

As provided by the China Insurance Regulatory Commission, an amount equal to 20% of the capital must be deposited in the form of time deposits.

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(16) Insurance liabilities, reserve for insurance contracts with feature of financial instruments and foreign exchange volatility reserve

A. The Company

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 injury 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 the basis 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 31 December 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 reserve by each type of insurance is calculated and deposited based upon the past experiences and expenses occurred and in accordance with the actuarial principles.

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(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 Article 12 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and the manual published by each authority of insurance products.

Starting from policy year 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 rates should be recognized and recorded as the increase of reserve for long-term valid contract.

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

The method prescribed by law for computing reserve for life insurance liabilities was modified by the authority on 28 December 2012.

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 Capital Reserve—Special Reserve for Major Incidents” and “Special Capital Reserve—Special Reserve for Fluctuation of Risks.” The dollar amount of reserve required is addressed as follows:

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(a) Special capital reserve — Special reserve 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. The post-tax amount of the recovery determined in accordance with IAS12 *Income Taxes* can be recorded in the special capital reserve for major incidents under equity.

(b) Special capital reserve — Special reserve for fluctuation of risks

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is less than the anticipated dollar amount need to be paid, the 15 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 to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for 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 within one year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authority may designate or restrict the use of the recovered amount. The post-tax amount of written-down or recovery determined in accordance with IAS12 *Income Taxes* can be recorded in the special capital reserve for fluctuation of risks under equity.

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

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- (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.
- (C) According to Article 32 of 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 the first-time adoption of TIFRS on other accounts, the excess should be recognized as special reserve for revaluation increments of property under liabilities.

According to the regulations established by the authorities on 30 November 2012, the aforementioned special reserve for revaluation increments of property can be transferred to the reserve for life insurance liabilities—fair value of insurance contract liabilities after strengthening the reserve for life insurance liabilities calculated based on the regulations established by the authorities on 27 November 2012. If there is excess, 80% of it can be recovered in the first year or next five years and reserved to special capital reserve under equity. The amount which can be recovered and reserved to special capital reserve under equity each year, is limited to NT\$10 billion.

e. Premium deficiency reserve

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

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

The method prescribed by law for computing premium deficiency reserve was amended by the regulator on 28 December 2012.

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f. Liability adequacy reserve

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

g. Reserves for insurance contract with feature of financial instruments

Reserve for non-separate account insurance product that is also classified as financial products without 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 31 March 2013, the amount set aside was NT\$7,478,930 (US\$250,887) thousands.

i. Liability adequacy test

Liability adequacy test is based on integrated insurance contract and related regulations following “ASP of IFRS 4 - 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 at each reporting date. If net book value is insufficient, recognize all insufficient amounts as expense and loss at that period is applicable.

B. Cathay life (China)

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

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

For the three-month periods ended 31 March 2013 and 2012

(17) Insurance premium income and expenses

A. The Company

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

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

For separate account insurance product that is also classified as financial products without discretionary participation features, the balance of insurance revenue collected less preprocess expense or investment management fee, etc., is fully recognized on the balance sheet as "separate account product liabilities. In terms of the investment management related deferred acquisition costs such as commissions and incremental costs directly attributable to the issue of new type of contracts, the amount is recognized on the balance sheet as "deferred acquisition costs" and amortized on a straight-line basis over the service period. The amortization is recognized as an expense under "other operating costs."

B. Cathay life (China)

In accordance with "The General Accounting System for Insurance Companies" issued by local government, Cathay Life (China) records direct premiums as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

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Notes to unaudited consolidated financial statements-continued

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(18) Product categories

Insurance contract refers to the insurer 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 indicators, 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 extinguished, 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.

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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.

(19) 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 may not refuse to fulfill its obligations to the insured because the re-insurer fails to fulfill their responsibility.

The Company holds the right over re-insurer 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.

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

For reinsurance contracts that have their significant insurance risk transferred, if the Company can separate 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 receives (or pays) 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.

(20) Provisions

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

(21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company and Subsidiaries consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations. Post-employment benefit plan that is classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. The portion of actuarial gains and losses recognized by the Company and Subsidiaries is the net cumulative actuarial gains and losses that exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan assets, divided by the expected average remaining working lives of the employees participating in the plan. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(22) Income taxes

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

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved at the shareholders' meeting.

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B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company and Subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss and is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

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(23) Separate account products

The Company sells separate account products, of which the applicant pays the premium according to the agreement amount less the expenses incurred by the insurer. In addition, the investment distribution is approved by the applicant and then transferred to specific accounts as requested by the applicant. In accordance with the relevant regulations, the value of these specific accounts is determined based on their fair value on the applicable date.

In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities under the dedicated book, whether arising from an insurance contract or insurance policy with features of financial instruments, 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 the definition of income and expenses of separate account insurance products in IFRS 4 *Insurance Contracts*, separately recognizing as “separate account product revenues” and “separate account product expenses.”

5. Significant accounting judgments, estimates and assumptions

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

(1) Judgment

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

A. Categories of financial assets

The management has to use its judgment to categorize financial assets. Different categories apply different measurements, which could have a significant effect on the Company’s financial position and performance.

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B. Investment property

Certain properties of the Company and Subsidiaries comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company and Subsidiaries account for the portions separately as investment property and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

C. Operating lease commitment – Group as the lessor

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

(2) Estimates and assumptions

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

A. Fair value of financial instruments

Where the fair value of financial instruments cannot be derived from an active market or a quoted price, it is determined using a valuation technique. Observable market data for similar financial instruments is utilized as inputs to measure fair value. If observable inputs are not available, prudent assumptions are used for estimating fair value. In applying valuation techniques, the Company and Subsidiaries adopt pricing models in accordance with its procedure for valuation. All models are adjusted to ensure that their results reflect actual data and market prices.

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B. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company and Subsidiaries are not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

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

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

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

E. Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company and Subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which they operate. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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

6. Cash and cash equivalents

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Cash on hand and petty cash	\$221,171	\$7,419	\$202,262	\$6,963
Cash in banks	295,823,174	9,923,622	83,168,415	2,862,940
Time deposits	6,786,414	227,656	245,620,182	8,455,083
Cash equivalents	6,423,136	215,469	37,130,945	1,278,174
Total	<u>\$309,253,895</u>	<u>\$10,374,166</u>	<u>\$366,121,804</u>	<u>\$12,603,160</u>

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	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Cash on hand and petty cash	\$203,548	\$6,900	\$196,035	\$6,476
Cash in banks	99,971,364	3,388,860	86,712,363	2,864,630
Time deposits	282,232,716	9,567,211	273,956,453	9,050,428
Cash equivalents	25,241,264	855,636	13,188,729	435,703
Total	\$407,648,892	\$13,818,607	\$374,053,580	\$12,357,237

7. Receivables

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Note receivable - Net	\$2,118,499	\$71,067	\$2,960,789	\$101,920
Premium receivable - Net	67,994	2,281	76,735	2,642
Other receivable - Net	63,927,791	2,144,508	57,953,530	1,994,958
Total	\$66,114,284	\$2,217,856	\$60,991,054	\$2,099,520

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Note receivable - Net	\$2,466,268	\$83,602	\$3,419,095	\$112,953
Premium receivable - Net	72,082	2,443	78,940	2,608
Other receivable - Net	84,810,508	2,874,933	42,990,122	1,420,222
Total	\$87,348,858	\$2,960,978	\$46,488,157	\$1,535,783

8. Financial assets at fair value through profit or loss

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$14,411,026	\$483,429	\$10,883,272	\$374,639
Beneficiary certificates	22,974,202	770,688	35,827,323	1,233,298
Exchange traded funds	483,933	16,234	492,845	16,965
Overseas bonds	117,264	3,934	124,249	4,277
Corporate bonds	941,400	31,580	810,122	27,887
Government bonds	1,513,674	50,777	1,525,293	52,506
Derivative financial instruments	2,542,735	85,298	4,967,364	170,994
Structured time deposits	23,037,460	772,810	18,334,343	631,131
Total	\$66,021,694	\$2,214,750	\$72,964,811	\$2,511,697

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	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$5,365,615	\$181,885	\$6,995,561	\$231,106
Overseas stocks	267,698	9,075	250,299	8,269
Beneficiary certificates	57,233,026	1,940,103	32,999,866	1,090,184
Exchange traded funds	1,099,905	37,285	1,602,986	52,956
Overseas bonds	271,659	9,209	262,850	8,684
Corporate bonds	1,332,287	45,162	1,320,205	43,614
Government bonds	1,551,903	52,607	1,561,879	51,598
Derivative financial instruments	6,236,666	211,412	4,184,376	138,235
Structured time deposits	10,906,161	369,700	10,972,727	362,495
Total	\$84,264,920	\$2,856,438	\$60,150,749	\$1,987,141

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, Symphox Information Co., Ltd. has pledged NT\$44,150 (US\$1,481) thousands, NT\$45,103 (US\$1,553) thousands, NT\$40,579 (US\$1,376) thousands and NT\$39,313 (US\$1,299) thousands, respectively, as collaterals for its e-coupon transaction. Refer to Note 49 (2) disclosure for pledged assets.

9. Available-for-sale financial assets

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Stocks	\$225,801,578	\$7,574,692	\$205,246,695	\$7,065,291
Overseas stocks	102,453,910	3,436,897	74,422,673	2,561,882
Beneficiary certificates	125,504,476	4,210,147	85,183,983	2,932,323
Collateralized loans obligation and collateralized bonds obligation	7,175,472	240,707	7,165,972	246,677
Exchange traded funds	7,721,032	259,008	6,761,735	232,762
Real estate investment trust	13,084,011	438,914	11,687,066	402,309
Financial debentures	196,582,444	6,594,513	198,212,492	6,823,149
Corporate bonds	53,452,786	1,793,116	51,709,182	1,780,006
Government bonds	213,030,177	7,146,266	212,364,770	7,310,319
Overseas bonds	362,417,343	12,157,576	385,787,280	13,280,113
Subtotal	1,307,223,229	43,851,836	1,238,541,848	42,634,831
Less: Accumulated impairment	(1,673,957)	(56,154)	(1,697,370)	(58,429)
Less: Litigation deposits	(8,425)	(283)	-	-
Less: Securities serving as deposits paid-bonds	(9,597,504)	(321,956)	(9,523,306)	(327,825)
Total	\$1,295,943,343	\$43,473,443	\$1,227,321,172	\$42,248,577

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	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Stocks	\$218,253,811	\$7,398,434	\$201,424,046	\$6,654,247
Overseas stocks	55,625,388	1,885,606	44,264,013	1,462,306
Beneficiary certificates	78,051,083	2,645,800	64,043,781	2,115,751
Collateralized loans obligation and collateralized bonds obligation	9,137,817	309,757	9,651,718	318,854
Exchange traded funds	6,598,010	223,661	5,993,731	198,009
Real estate investment trust	10,991,914	372,607	10,978,376	362,682
Financial debentures	193,979,649	6,575,581	193,960,046	6,407,666
Corporate bonds	53,193,412	1,803,167	48,782,633	1,611,584
Government bonds	193,106,143	6,545,971	184,735,945	6,102,938
Overseas bonds	468,537,720	15,882,635	540,477,034	17,855,204
Subtotal	1,287,474,947	43,643,219	1,304,311,323	43,089,241
Less: Accumulated impairment	(1,667,019)	(56,509)	(1,667,019)	(55,072)
Less: Securities serving as deposits paid-bonds	(10,597,453)	(359,236)	(10,615,126)	(350,681)
Total	<u>\$1,275,210,475</u>	<u>\$43,227,474</u>	<u>\$1,292,029,178</u>	<u>\$42,683,488</u>

An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with stocks and collateralized loans obligation held by the Company and Subsidiaries. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the Company and Subsidiaries recognized impairment losses amounting to NT\$1,673,957 (US\$56,154) thousands, NT\$1,697,370 (US\$58,429) thousands, NT\$1,667,019 (US\$56,509) thousands and NT\$1,667,019 (US\$55,072) thousands, respectively.

The available-for-sale financial assets held by the Company and Subsidiaries were not pledged.

10. Derivative financial assets for hedging

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
IRS	\$947,259	\$31,777	\$1,142,094	\$39,315

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	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
IRS	\$1,656,849	\$56,164	\$1,957,846	\$64,679

The derivative financial assets for hedging held by the Company and Subsidiaries were not pledged.

11. Investments accounted for using the equity method

Investments in associates:

Investee	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
WK Technology Fund VI Co., Ltd.	\$284,447	\$9,542	\$279,441	\$9,619
Vista Technology Venture Capital Corp.	7,432	249	7,451	256
Omnitek Venture Capital Corp.	36,530	1,225	31,694	1,091
IBT Venture Capital Corp.	58,083	1,949	56,435	1,943
Cathay Insurance (Bermuda) Co., Ltd.	103,943	3,487	101,761	3,503
Cathay Securities Investment Consulting Co., Ltd.	197,953	6,641	170,659	5,875
Cathay Insurance Company Limited. (China)	263,406	8,836	300,290	10,337
Total	\$951,794	\$31,929	\$947,731	\$32,624

Investee	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
WK Technology Fund VI Co., Ltd.	\$347,689	\$11,786	\$336,538	\$11,118
Vista Technology Venture Capital Corp.	27,321	926	27,325	903
Omnitek Venture Capital Corp.	74,701	2,532	63,705	2,104
IBT Venture Capital Corp.	77,878	2,640	77,733	2,568
Cathay Insurance (Bermuda) Co., Ltd.	119,606	4,055	126,731	4,187
Cathay Securities Investment Consulting Co., Ltd.	177,807	6,027	161,913	5,349
Cathay Insurance Company Limited. (China)	575,811	19,519	629,070	20,782
Total	\$1,400,813	\$47,485	\$1,423,015	\$47,011

There was no quoted price for above associates.

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As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the carrying amount of investments accounted for using the equity method amounted to NT\$951,794 (US\$31,929) thousands, NT\$947,731 (US\$32,624) thousands, NT\$1,400,813 (US\$47,485) thousands and NT\$1,423,015 (US\$47,011) thousands, respectively. The share of the losses of associates and joint ventures accounted for using the equity method amounted to NT\$(18,477) (US\$(619)) thousands and NT\$(21,020) (US\$(713)) thousands for the three-month periods ended 31 March 2013 and 2012, respectively. The share of the other comprehensive income of associates and joint ventures accounted for using the equity method amounted to NT\$22,540 (US\$756) thousands and NT\$(1,181) (US\$(40)) thousands for the three-month periods ended 31 March 2013 and 2012, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unreviewed amounted to NT\$386,492 (US\$12,965) thousands and NT\$527,589 (US\$17,884) thousands, as at 31 March 2013 and 2012, respectively. The share of the profits of these associates and joint ventures accounted for using the equity method amounted to NT\$1,386 (US\$46) thousands and NT\$8,370 (US\$284) thousands for the three-month periods ended 31 March 2013 and 2012, respectively.

No investment in associates was pledged.

Financial information of the associates is summarized below:

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$4,323,461	\$145,034	\$4,121,607	\$141,880
Total liabilities (100%)	1,757,494	58,957	1,560,746	53,726

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$4,743,469	\$160,796	\$4,670,576	\$154,297
Total liabilities (100%)	949,201	32,176	875,517	28,924

	For the three-month period ended 31 March 2013		For the three-month period ended 31 March 2012	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$643,767	\$21,596	\$440,022	\$14,916
Profit (loss) (100%)	(56,375)	(1,891)	(38,319)	(1,299)

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12. Bond investments for which no active market exists

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Stocks	\$7,531,287	\$252,643	\$7,531,287	\$259,253
Corporate bonds	13,500,000	452,868	13,500,000	464,716
Financial debentures	10,650,000	357,262	8,950,000	308,089
Overseas bonds	831,565,298	27,895,515	768,422,717	26,451,728
Time deposits	8,303,000	278,531	18,879,381	649,893
Subtotal	871,549,585	29,236,819	817,283,385	28,133,679
Less: Accumulated impairment	(388,375)	(13,028)	(378,768)	(13,038)
Total	<u>\$871,161,210</u>	<u>\$29,223,791</u>	<u>\$816,904,617</u>	<u>\$28,120,641</u>

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Stocks	\$3,108,000	\$105,356	\$2,108,000	\$69,640
Corporate bonds	16,500,000	559,322	15,500,000	512,058
Overseas bonds	544,547,934	18,459,252	492,819,409	16,280,786
Time deposits	19,226,392	651,742	4,995,000	165,015
Subtotal	583,382,326	19,775,672	515,422,409	17,027,499
Less: Accumulated impairment	(383,890)	(13,013)	(393,770)	(13,008)
Total	<u>\$582,998,436</u>	<u>\$19,762,659</u>	<u>\$515,028,639</u>	<u>\$17,014,491</u>

A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by the Company and Subsidiaries. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the Company and Subsidiaries recognized impairment losses amounting to NT\$388,375 (US\$13,028) thousands, NT\$378,768 (US\$13,038) thousands, NT\$383,890 (US\$13,013) thousands and NT\$393,770 (US\$13,008) thousands, respectively.

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, bond investments for which no active market exists held by the Company and Subsidiaries were not pledged.

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13. Other financial assets

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Structured deposits	\$25,900,000	\$868,836	\$23,500,000	\$808,950
Other	253	8	10	-
Total	\$25,900,253	\$868,844	\$23,500,010	\$808,950

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Structured deposits	\$20,000,000	\$677,966	\$13,300,000	\$439,379

14. Structured notes

The financial asset investment portfolio belonging to structured notes amounted to NT\$7,427,909 (US\$249,175) thousands, NT\$7,840,496 (US\$269,897) thousands, NT\$8,603,277 (US\$291,637) thousands and NT\$8,776,116 (US\$289,928) thousands as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively. The details of structured notes are listed below:

Item	31 March 2013					
	Cost		Adjustment of valuation		Book value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value through profit or loss	\$90,816	\$3,047	\$26,448	\$887	\$117,264	\$3,934
Available-for-sale financial assets	7,020,625	235,512	290,020	9,729	7,310,645	245,241
Total	\$7,111,441	\$238,559	\$316,468	\$10,616	\$7,427,909	\$249,175

Item	31 December 2012					
	Cost		Adjustment of valuation		Book value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value through profit or loss	\$96,441	\$3,320	\$27,808	\$957	\$124,249	\$4,277
Available-for-sale financial assets	7,429,680	255,755	286,567	9,865	7,716,247	265,620
Total	\$7,526,121	\$259,075	\$314,375	\$10,822	\$7,840,496	\$269,897

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Item	31 March 2012					
	Cost		Adjustment of valuation		Book value	
	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

Item	1 January 2012					
	Cost		Adjustment of valuation		Book value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value through profit or loss	\$203,088	\$6,709	\$59,762	\$1,975	\$262,850	\$8,684
Available-for-sale financial assets	8,329,667	275,179	183,599	6,065	8,513,266	281,244
Total	\$8,532,755	\$281,888	\$243,361	\$8,040	\$8,776,116	\$289,928

15. Investment property

	NT\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land -	
				Investments	Total
Cost:					
1 January 2013	\$155,793,189	\$57,353,964	\$7,519,477	\$1,581,767	\$222,248,397
Additions from acquisitions	-	-	957,675	11,214	968,889
Additions from subsequent expenditure	-	-	244,165	-	244,165
Transfers from (to) investment property under construction and prepayments for buildings and land	5,305	9,641	(9,641)	(5,305)	-
31 March 2013	\$155,798,494	\$57,363,605	\$8,711,676	\$1,587,676	\$223,461,451

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	US\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2013	\$5,226,206	\$1,923,984	\$252,246	\$53,062	\$7,455,498
Additions from acquisitions	-	-	32,126	376	32,502
Additions from subsequent expenditure	-	-	8,191	-	8,191
Transfers from (to) investment property under construction and prepayments for buildings and land	178	323	(323)	(178)	-
31 March 2013	<u>\$5,226,384</u>	<u>\$1,924,307</u>	<u>\$292,240</u>	<u>\$53,260</u>	<u>\$7,496,191</u>
	NT\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2012	\$156,554,459	\$57,582,375	\$5,459,223	\$20,469	\$219,616,526
Additions from acquisitions	-	-	580,339	1,087,995	1,668,334
Additions from subsequent expenditure	-	-	96,203	-	96,203
Transfers from (to) property and equipment	-	(347)	-	-	(347)
Transfers from (to) investment property under construction and prepayments for buildings and land	123	21,743	(21,743)	(123)	-
31 March 2012	<u>\$156,554,582</u>	<u>\$57,603,771</u>	<u>\$6,114,022</u>	<u>\$1,108,341</u>	<u>\$221,380,716</u>

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	US\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2012	\$5,306,931	\$1,951,945	\$185,058	\$694	\$7,444,628
Additions from acquisitions	-	-	19,673	36,881	56,554
Additions from subsequent expenditure	-	-	3,261	-	3,261
Transfers from (to) property and equipment	-	(12)	-	-	(12)
Transfers from (to) investment property under construction and prepayments for buildings and land	4	737	(737)	(4)	-
31 March 2012	\$5,306,935	\$1,952,670	\$207,255	\$37,571	\$7,504,431

	NT\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Depreciation and impairment:					
1 January 2013	\$(19,426)	\$(11,834,675)	\$-	\$-	\$(11,854,101)
Depreciation	-	(509,644)	-	-	(509,644)
31 March 2013	\$(19,426)	\$(12,344,319)	\$-	\$-	\$(12,363,745)

	US\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Depreciation and impairment:					
1 January 2013	\$(652)	\$(397,003)	\$-	\$-	\$(397,655)
Depreciation	-	(17,097)	-	-	(17,097)
31 March 2013	\$(652)	\$(414,100)	\$-	\$-	\$(414,752)

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	NT\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Depreciation and impairment:					
1 January 2012	\$(19,426)	\$(12,172,238)	\$-	\$-	\$(12,191,664)
Depreciation	-	(557,058)	-	-	(557,058)
Transfers from (to) property and equipment	-	13,658	-	-	13,658
31 March 2012	\$(19,426)	\$(12,715,638)	\$-	\$-	\$(12,735,064)

	US\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Depreciation and impairment:					
1 January 2012	\$(659)	\$(412,618)	\$-	\$-	\$(413,277)
Depreciation	-	(18,883)	-	-	(18,883)
Transfers from (to) property and equipment	-	463	-	-	463
31 March 2012	\$(659)	\$(431,038)	\$-	\$-	\$(431,697)

	NT\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Net carrying amount as at:					
31 March 2013	\$155,779,068	\$45,019,286	\$8,711,676	\$1,587,676	\$211,097,706
31 December 2012	\$155,773,763	\$45,519,289	\$7,519,477	\$1,581,767	\$210,394,296
31 March 2012	\$156,535,156	\$44,888,133	\$6,114,022	\$1,108,341	\$208,645,652
1 January 2012	\$156,535,033	\$45,410,137	\$5,459,223	\$20,469	\$207,424,862

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	US\$				Total
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	
Net carrying amount as at:					
31 March 2013	\$5,225,732	\$1,510,207	\$292,240	\$53,260	\$7,081,439
31 December 2012	\$5,362,264	\$1,566,929	\$258,846	\$54,450	\$7,242,489
31 March 2012	\$5,306,276	\$1,521,632	\$207,255	\$37,571	\$7,072,734
1 January 2012	\$5,171,293	\$1,500,170	\$180,351	\$676	\$6,852,490

	For the three-month period ended 31 March 2013		For the three-month period ended 31 March 2012	
	NT\$	US\$	NT\$	US\$
	Rental income from investment property	\$1,879,416	\$63,046	\$1,875,495
Less:				
Direct operating expenses from investment property generating rental income	60,077	2,015	59,361	2,012
Direct operating expenses from investment property without generating rental income	3,143	105	1,651	56
Total	\$1,816,196	\$60,926	\$1,814,483	\$61,508

The fair value of investment property was NT\$247,528,274 (US\$8,303,531) thousands, NT\$247,528,274 (US\$8,520,767) thousands, NT\$223,805,088 (US\$7,586,613) thousands, and NT\$223,805,088 (US\$7,393,627) thousands, as at 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012, respectively. Valuation has been performed by professional valuation agency based on Regulations on Estate Appraisals. Fair value has been supported by observable evidences in the market. The valuation method used is the weighted-average result of market comparison method and present earning value method, and the inputs used are as follows:

	31 March 2013	31 December 2012	31 March 2012	1 January 2012
Capitalization rate	Mainly 2.5%~4.5%	Mainly 2.5%~4.5%	Mainly 2.5%~4.5%	Mainly 2.5%~4.5%

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- (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.
- (3) Rents from real estate investment are received annually, semi-annually, quarterly, monthly or in lump sum.
- (4) As at 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012, no investments in real estate were pledged as collateral.

16. Loans

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Policy loans	\$172,727,276	\$5,794,273	\$175,865,592	\$6,053,893
Automatic premium loans	5,986,943	200,837	6,045,296	208,100
Secured loans	367,196,193	12,317,886	334,592,988	11,517,831
Total	<u>\$545,910,412</u>	<u>\$18,312,996</u>	<u>\$516,503,876</u>	<u>\$17,779,824</u>

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Policy loans	\$178,421,503	\$6,048,186	\$182,048,565	\$6,014,158
Automatic premium loans	6,238,971	211,491	6,312,019	208,524
Secured loans	303,052,417	10,272,963	301,441,156	9,958,413
Total	<u>\$487,712,891</u>	<u>\$16,532,640</u>	<u>\$489,801,740</u>	<u>\$16,181,095</u>

- (1) Policy loans were secured by policies issued by the Company and Subsidiaries.
- (2) Policyholder may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the policy loan, if applicable) from the policyholder's policy value reserve after the second installment becomes overdue in order to maintain the insurance policy effective. Policyholder may also inform the insurer in writing to terminate the automatic premium loan option prior to the next due date of premium payment.

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(3) Secured loans

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Secured loans	\$365,968,310	\$12,276,696	\$333,064,485	\$11,465,215
Secured loans - Related parties	3,658,187	122,717	3,677,241	126,583
Less: Allowance for bad debts	(2,554,979)	(85,709)	(2,289,452)	(78,811)
Subtotal	367,071,518	12,313,704	334,452,274	11,512,987
Overdue receivables	530,194	17,785	558,875	19,238
Less: Allowance for bad debts	(405,519)	(13,603)	(418,161)	(14,394)
Subtotal	124,675	4,182	140,714	4,844
Total	\$367,196,193	\$12,317,886	\$334,592,988	\$11,517,831

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Secured loans	\$301,027,944	\$10,204,337	\$298,732,859	\$9,868,941
Secured loans - Related parties	3,530,394	119,674	3,783,742	125,000
Less: Allowance for bad debts	(1,744,059)	(59,121)	(1,337,090)	(44,172)
Subtotal	302,814,279	10,264,890	301,179,511	9,949,769
Overdue receivables	301,304	10,214	324,987	10,736
Less: Allowance for bad debts	(63,166)	(2,141)	(63,342)	(2,092)
Subtotal	238,138	8,073	261,645	8,644
Total	\$303,052,417	\$10,272,963	\$301,441,156	\$9,958,413

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

The Company participated in the NT\$57 billion loan tender of Taiwan Insurance Guaranty Fund and won line of credit NT\$15 billion. According to regulation from FSC, the loan is essentially authorized by competent authority and booked in secured loan account. Also, the loan was evaluated and charged to allowance, pursuant to Article 5 of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

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The movements in the provision for impairment of secured loans and overdue receivables are as follows (please refer to Note 44 for credit risk disclosure):

	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2013	\$1,398,295	\$46,907	\$1,309,318	\$43,922	\$2,707,613	\$90,829
Charge (reversal) for the current period	7,395	248	(6,652)	(223)	743	25
Write off	-	-	(14,104)	(473)	(14,104)	(473)
Minimum of statutory reserve	-	-	266,246	8,931	266,246	8,931
31 March 2013	<u>\$1,405,690</u>	<u>\$47,155</u>	<u>\$1,554,808</u>	<u>\$52,157</u>	<u>\$2,960,498</u>	<u>\$99,312</u>

	Individually impaired		Collectively impaired		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2012	\$549,936	\$18,642	\$850,496	\$28,830	\$1,400,432	\$47,472
Charge (reversal) for the current period	302,144	10,242	(7,997)	(271)	294,147	9,971
Write off	-	-	(10,349)	(350)	(10,349)	(350)
Minimum of statutory reserve	(1,583)	(54)	124,578	4,223	122,995	4,169
31 March 2012	<u>\$850,497</u>	<u>\$28,830</u>	<u>\$956,728</u>	<u>\$32,432</u>	<u>\$1,807,225</u>	<u>\$61,262</u>

17. Reinsurance assets

(1) Claims recoverable from reinsurers

Reinsurers	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Dai-ichi Life Insurance Company, Limited	\$-	\$-	\$1,014	\$35

Reinsurers	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Central Reinsurance Corporation	\$1,440	\$49	\$1,440	\$48
Hannover Reinsurance Company	-	-	1,500	49
Total	<u>\$1,440</u>	<u>\$49</u>	<u>\$2,940</u>	<u>\$97</u>

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(2) Due from reinsurers and ceding companies

Reinsurers	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Central Reinsurance Corporation	\$-	\$-	\$654	\$22
Munich Reinsurance Company	115	4	115	4
Swiss Reinsurance Company	-	-	58	2
SCOR	17,896	600	19,297	664
RGA	-	-	1	-
Hannover Reinsurance Company	38	1	1,122	39
Cathay Insurance (Bermuda) Co., Ltd.	8,162	274	1,035	36
Other	(15,622)	(524)	(18,735)	(645)
Total	\$10,589	\$355	\$3,547	\$122

Reinsurers	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Central Reinsurance Corporation	\$3,543	\$120	\$-	\$-
SCOR	30,362	1,029	226	7
RGA	-	-	1,783	59
Nippon Life Insurance Company	-	-	746	25
Cathay Insurance (Bermuda) Co., Ltd.	1,035	35	-	-
Other	(18,920)	(641)	-	-
Total	\$16,020	\$543	\$2,755	\$91

(3) Reinsurance reserve assets

Item	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Ceded unearned premium reserve	\$6,050,790	\$202,979	\$8,384,281	\$288,615
Ceded reserve for claims	776,364	26,044	781,354	26,897
Total	\$6,827,154	\$229,023	\$9,165,635	\$315,512

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Item	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Ceded unearned premium reserve	\$8,005,517	\$271,373	\$8,617,664	\$284,693
Ceded reserve for claims	613,066	20,782	550,769	18,195
Total	<u>\$8,618,583</u>	<u>\$292,155</u>	<u>\$9,168,433</u>	<u>\$302,888</u>

Above reinsurance assets were not impaired.

18. Property and equipment

	NT\$								Total
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment		Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	
				Other equipment					
Cost:									
1 January 2013	\$29,580,786	\$30,759,222	\$2,517,668	\$15,879	\$3,965,944	\$124,081	\$275,652	\$120,676	\$67,359,908
Additions from acquisitions	-	-	6,684	-	73,432	3,084	-	20,158	103,358
Additions from subsequent expenditure	-	-	-	-	2,880	-	-	24,486	27,366
Transfers	-	3,749	-	-	-	-	-	(3,749)	-
Disposals	-	-	(6,141)	-	(4,218)	-	-	-	(10,359)
Exchange differences	-	96,040	8,480	109	379	3,663	-	-	108,671
31 March 2013	<u>\$29,580,786</u>	<u>\$30,859,011</u>	<u>\$2,526,691</u>	<u>\$15,988</u>	<u>\$4,038,417</u>	<u>\$130,828</u>	<u>\$275,652</u>	<u>\$161,571</u>	<u>\$67,588,944</u>

	US\$								Total
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment		Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	
				Other equipment					
Cost:									
1 January 2013	\$992,311	\$1,031,842	\$84,457	\$533	\$133,041	\$4,162	\$9,247	\$4,048	\$2,259,641
Additions from acquisitions	-	-	224	-	2,463	104	-	676	3,467
Additions from subsequent expenditure	-	-	-	-	96	-	-	822	918
Transfers	-	126	-	-	-	-	-	(126)	-
Disposals	-	-	(206)	-	(141)	-	-	-	(347)
Exchange differences	-	3,222	285	3	13	123	-	-	3,646
31 March 2013	<u>\$992,311</u>	<u>\$1,035,190</u>	<u>\$84,760</u>	<u>\$536</u>	<u>\$135,472</u>	<u>\$4,389</u>	<u>\$9,247</u>	<u>\$5,420</u>	<u>\$2,267,325</u>

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	NT\$								
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Cost:									
1 January 2012	\$12,435,302	\$20,526,310	\$2,537,202	\$13,500	\$3,824,645	\$115,912	\$-	\$38,869	\$39,491,740
Additions from acquisitions	-	-	6,757	-	36,145	1,735	-	-	44,637
Additions from subsequent expenditure	-	-	-	-	-	-	-	28,952	28,952
Transfers	-	14,697	1,175	-	-	-	-	(15,525)	347
Disposals	-	-	(430)	(340)	(3,987)	-	-	-	(4,757)
Exchange differences	-	-	(6,025)	(99)	(381)	(2,987)	-	-	(9,492)
31 March 2012	\$12,435,302	\$20,541,007	\$2,538,679	\$13,061	\$3,856,422	\$114,660	\$-	\$52,296	\$39,551,427

	US\$								
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Cost:									
1 January 2012	\$421,535	\$695,807	\$86,007	\$458	\$129,649	\$3,929	\$-	\$1,318	\$1,338,703
Additions from acquisitions	-	-	229	-	1,225	59	-	-	1,513
Additions from subsequent expenditure	-	-	-	-	-	-	-	981	981
Transfers	-	498	40	-	-	-	-	(526)	12
Disposals	-	-	(15)	(11)	(135)	-	-	-	(161)
Exchange differences	-	-	(204)	(4)	(13)	(101)	-	-	(322)
31 March 2012	\$421,535	\$696,305	\$86,057	\$443	\$130,726	\$3,887	\$-	\$1,773	\$1,340,726

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	NT\$								Total	
	Land	Buildings and construction	Computer equipment	Communication and transportation		Leasehold improvement	Leased assets	Construction in progress and prepayment for real		
				equipment	Other equipment			estate equipment		
Depreciation and impairment:										
1 January 2013	\$ (105,610)	\$ (13,109,407)	\$ (2,218,630)	\$ (9,652)	\$ (3,434,077)	\$ (96,936)	\$ (28,714)	\$-	\$ (19,003,026)	
Depreciation	-	(173,392)	(22,138)	(449)	(32,321)	(4,682)	(17,228)	-	(250,210)	
Transfers	-	-	-	-	-	-	-	-	-	
Disposals	-	-	5,914	-	4,029	-	-	-	9,943	
Exchange differences	-	(1,021)	(5,297)	(89)	(12,195)	(2,899)	-	-	(21,501)	
31 March 2013	\$ (105,610)	\$ (13,283,820)	\$ (2,240,151)	\$ (10,190)	\$ (3,474,564)	\$ (104,517)	\$ (45,942)	\$-	\$ (19,264,794)	

	US\$								Total	
	Land	Buildings and construction	Computer equipment	Communication and transportation		Leasehold improvement	Leased assets	Construction in progress and prepayment for real		
				equipment	Other equipment			estate equipment		
Depreciation and impairment:										
1 January 2013	\$ (3,543)	\$ (439,765)	\$ (74,426)	\$ (324)	\$ (115,199)	\$ (3,252)	\$ (963)	\$-	\$ (637,472)	
Depreciation	-	(5,817)	(743)	(15)	(1,084)	(157)	(578)	-	(8,394)	
Transfers	-	-	-	-	-	-	-	-	-	
Disposals	-	-	199	-	135	-	-	-	334	
Exchange differences	-	(34)	(178)	(3)	(409)	(97)	-	-	(721)	
31 March 2013	\$ (3,543)	\$ (445,616)	\$ (75,148)	\$ (342)	\$ (116,557)	\$ (3,506)	\$ (1,541)	\$-	\$ (646,253)	

	NT\$								Total	
	Land	Buildings and construction	Computer equipment	Communication and transportation		Leasehold improvement	Leased assets	Construction in progress and prepayment for real		
				equipment	Other equipment			estate equipment		
Depreciation and impairment:										
1 January 2012	\$ (105,610)	\$ (10,227,124)	\$ (2,155,842)	\$ (11,819)	\$ (3,293,717)	\$ (79,285)	\$-	\$-	\$ (15,873,397)	
Depreciation	-	(94,056)	(22,341)	(212)	(31,442)	(4,955)	-	-	(153,006)	
Transfers	-	(13,658)	-	-	-	-	-	-	(13,658)	
Disposals	-	-	350	340	3,954	-	-	-	4,644	
Exchange differences	-	-	3,978	57	328	2,061	-	-	6,424	
31 March 2012	\$ (105,610)	\$ (10,334,838)	\$ (2,173,855)	\$ (11,634)	\$ (3,320,877)	\$ (82,179)	\$-	\$-	\$ (16,028,993)	

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	US\$								
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Depreciation and impairment:									
1 January 2012	\$(3,580)	\$(346,682)	\$(73,080)	\$(401)	\$(111,651)	\$(2,687)	\$-	\$-	\$(538,081)
Depreciation	-	(3,188)	(757)	(7)	(1,066)	(168)	-	-	(5,186)
Transfers	-	(463)	-	-	-	-	-	-	(463)
Disposals	-	-	12	11	134	-	-	-	157
Exchange differences	-	-	135	2	11	70	-	-	218
31 March 2012	\$(3,580)	\$(350,333)	\$(73,690)	\$(395)	\$(112,572)	\$(2,785)	\$-	\$-	\$(543,355)

	NT\$								
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Net carrying amount:									
31 March 2013	\$29,475,176	\$17,575,191	\$286,540	\$5,798	\$563,853	\$26,311	\$229,710	\$161,571	\$48,324,150
31 December 2012	\$29,475,176	\$17,649,815	\$299,038	\$6,227	\$531,867	\$27,145	\$246,938	\$120,676	\$48,356,882
31 March 2012	\$12,329,692	\$10,206,169	\$364,824	\$1,427	\$535,545	\$32,481	\$-	\$52,296	\$23,522,434
1 January 2012	\$12,329,692	\$10,299,186	\$381,360	\$1,681	\$530,928	\$36,627	\$-	\$38,869	\$23,618,343

	US\$								
	Land	Buildings and construction	Computer equipment	Communication and transportation equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate equipment	Total
Net carrying amount:									
31 March 2013	\$988,768	\$589,574	\$9,612	\$194	\$18,915	\$883	\$7,706	\$5,420	\$1,621,072
31 December 2012	\$1,014,636	\$607,567	\$10,294	\$215	\$18,309	\$934	\$8,500	\$4,154	\$1,664,609
31 March 2012	\$417,955	\$345,972	\$12,367	\$48	\$18,154	\$1,102	\$-	\$1,773	\$797,371
1 January 2012	\$407,324	\$340,244	\$12,599	\$55	\$17,540	\$1,210	\$-	\$1,284	\$780,256

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Property and equipment held by the Company and Subsidiaries were not pledged.

Components of building that have different useful lives are the main building structures, air conditioning units and elevators, which are depreciated over 60 years, 8 years and 15 years, respectively.

19. Intangible assets

Cost:	Computer software	
	NT\$	US\$
1 January 2013	\$1,716,232	\$57,572
Addition-acquired separately	6,679	224
Exchange differences	6,048	203
31 March 2013	<u>\$1,728,959</u>	<u>\$57,999</u>

Cost:	Computer software	
	NT\$	US\$
1 January 2012	\$1,682,975	\$57,050
Addition-acquired separately	6,174	209
Exchange differences	(5,246)	(178)
31 March 2012	<u>\$1,683,903</u>	<u>\$57,081</u>

Amortization and impairment:	Computer software	
	NT\$	US\$
1 January 2013	\$(1,461,354)	\$(49,022)
Amortization	(17,812)	(598)
Exchange differences	(3,263)	(109)
31 March 2013	<u>\$(1,482,429)</u>	<u>\$(49,729)</u>

Amortization and impairment:	Computer software	
	NT\$	US\$
1 January 2012	\$(1,286,142)	\$(43,598)
Amortization	(27,592)	(935)
Exchange differences	2,493	85
31 March 2012	<u>\$(1,311,241)</u>	<u>\$(44,448)</u>

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Net carrying amount:	Computer software	
	NT\$	US\$
31 March 2013	\$246,530	\$8,270
31 December 2012	\$254,878	\$8,774
31 March 2012	\$372,662	\$12,633
1 January 2012	\$396,833	\$13,110

20. Other assets

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Prepayment	\$622,224	\$20,873	\$690,829	\$23,781
Deferred acquisition costs	49,744	1,669	51,659	1,778
Guarantee deposits paid	14,508,174	486,688	14,376,119	494,875
Other assets-other	1,693,630	56,814	1,620,867	55,796
Total	\$16,873,772	\$566,044	\$16,739,474	\$576,230

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Prepayment	\$170,312	\$5,773	\$335,000	\$11,067
Guarantee deposits paid	14,950,918	506,811	15,695,921	518,531
Other assets-other	3,448,831	116,910	2,200,684	72,702
Total	\$18,570,061	\$629,494	\$18,231,605	\$602,300

21. Deferred acquisition costs

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

	For the three-month period ended 31 March 2013		For the three-month period ended 31 March 2012	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$51,659	\$1,733	\$-	\$-
Amortization	(1,915)	(64)	-	-
Ending balance	\$49,744	\$1,669	\$-	\$-

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22. Payables

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Notes payable	\$1,083	\$37	\$1,103	\$38
Life insurance proceeds payable	330,500	11,087	243,714	8,390
Commissions payable	590,154	19,797	644,891	22,199
Due to reinsurers and ceding companies	6,446,588	216,256	8,056,342	277,327
Other payables	35,473,429	1,189,984	29,127,605	1,002,671
Total	<u>\$42,841,754</u>	<u>\$1,437,161</u>	<u>\$38,073,655</u>	<u>\$1,310,625</u>

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Notes payable	\$1,128	\$38	\$2,428	\$80
Life insurance proceeds payable	169,157	5,734	153,489	5,071
Commissions payable	1,902,075	64,477	1,250,897	41,325
Due to reinsurers and ceding companies	6,396,627	216,835	6,214,729	205,310
Other payables	61,148,195	2,072,820	14,989,708	495,200
Total	<u>\$69,617,182</u>	<u>\$2,359,904</u>	<u>\$22,611,251</u>	<u>\$746,986</u>

23. Financial liabilities at fair value through profit or loss

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Held for trading:				
Derivatives that are not designated hedging				
Forward	\$3,247,685	\$108,946	\$726,786	\$25,018
CS	13,036,398	437,317	1,246,006	42,892
IRS	91,815	3,080	106,665	3,672
Total	<u>\$16,375,898</u>	<u>\$549,343</u>	<u>\$2,079,457</u>	<u>\$71,582</u>

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	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Held for trading:				
Derivatives that are not designated hedging				
CDS	\$25,677	\$871	\$2,355	\$78
Forward	387,578	13,138	1,435,729	47,431
CS	5,307,910	179,929	15,666,231	517,550
IRS	204,471	6,931	364,586	12,044
Total	\$5,925,636	\$200,869	\$17,468,901	\$577,103

24. Preferred stock liabilities

- (1) In accordance with the resolution made at the board of directors' meeting held on 6 November 2008, acting on behalf of the shareholders, 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 18 November 2008.

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

- A. Issuance period covers from 25 December 2008, the issue date, to 25 December 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 mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Act. 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 ended. Preferred shareholders' rights shall not be violated.

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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 made at the board of directors' meeting held on 29 October 2009, acting on behalf of the shareholders, 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 14 December 2009.

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

- A. Issuance period covers from 16 December 2009, the issue date, to 16 December 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 mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Act. 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 ended. Preferred shareholders' rights shall not be violated.
- D. Preferred shareholders are not entitled to require the Company to redeem the shares. Five years after issuance, the Company may redeem the shares with the approval from the competent authorities.
- (3) In accordance with the resolution of the board of directors' meeting held on 7 October 2011, acting on behalf of the shareholders, 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 26 October 2011.

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Key terms and conditions of the privately offered Class C preferred stocks are listed as follows:

- A. Issuance period covers from 11 November 2011, the issue date, to 11 November 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.
- C. The preference shares are not convertible to common stocks. When the shares mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Act. 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 ended. Preferred shareholders' rights shall not be violated.
- D. Preferred shareholders are not entitled to require the Company to redeem the shares. Five years after issuance, the Company may redeem the shares with the approval from the competent authorities.

According to the IAS 32 *Financial Instruments: Presentation*, the above mentioned preferred stocks issued shall be reported as "preferred stock liabilities".

- 25. 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:

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(1) The Company

A. Reserve for life insurance liabilities:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,606,280,581	\$44,565,261	\$2,650,845,842	\$2,540,691,009	\$44,435,855	\$2,585,126,864
Injury insurance	7,868,779	-	7,868,779	7,888,169	-	7,888,169
Health insurance	278,671,057	-	278,671,057	270,513,728	-	270,513,728
Annuity insurance	1,214,256	120,431,117	121,645,373	1,226,217	124,300,017	125,526,234
Investment-linked insurance	1,085,796	-	1,085,796	1,059,809	-	1,059,809
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
Total	\$2,895,183,761	\$164,996,378	\$3,060,180,139	\$2,821,442,224	\$168,735,872	\$2,990,178,096

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$87,429,741	\$1,494,977	\$88,924,718	\$87,459,243	\$1,529,634	\$88,988,877
Injury insurance	263,964	-	263,964	271,538	-	271,538
Health insurance	9,348,241	-	9,348,241	9,312,004	-	9,312,004
Annuity insurance	40,733	4,039,957	4,080,690	42,211	4,278,830	4,321,041
Investment-linked insurance	36,424	-	36,424	36,482	-	36,482
Recover from major incident reserve	2,123	-	2,123	2,179	-	2,179
Total	\$97,121,226	\$5,534,934	\$102,656,160	\$97,123,657	\$5,808,464	\$102,932,121

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	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,363,335,641	\$44,621,530	\$2,407,957,171	\$2,262,171,695	\$44,410,268	\$2,306,581,963
Injury insurance	7,708,908	-	7,708,908	7,663,561	-	7,663,561
Health insurance	236,569,735	-	236,569,735	228,602,480	-	228,602,480
Annuity insurance	1,450,463	139,157,888	140,608,351	1,468,242	149,221,880	150,690,122
Investment-linked insurance	1,122,732	-	1,122,732	1,217,774	-	1,217,774
Recover from major incident reserve	15,823	-	15,823	-	-	-
Total	\$2,610,203,302	\$183,779,418	\$2,793,982,720	\$2,501,123,752	\$193,632,148	\$2,694,755,900

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$80,113,073	\$1,512,594	\$81,625,667	\$74,733,125	\$1,467,138	\$76,200,263
Injury insurance	261,319	-	261,319	253,174	-	253,174
Health insurance	8,019,313	-	8,019,313	7,552,114	-	7,552,114
Annuity insurance	49,168	4,717,217	4,766,385	48,505	4,929,695	4,978,200
Investment-linked insurance	38,059	-	38,059	40,230	-	40,230
Recover from major incident reserve	536	-	536	-	-	-
Total	\$88,481,468	\$6,229,811	\$94,711,279	\$82,627,148	\$6,396,833	\$89,023,981

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Reserve for life insurance liabilities is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$2,821,442,224	\$168,735,872	\$2,990,178,096	\$2,501,123,752	\$193,632,148	\$2,694,755,900
Reserve	97,460,238	1,012,224	98,472,462	141,640,404	385,400	142,025,804
Recover	(29,020,517)	(4,974,176)	(33,994,693)	(29,950,651)	(10,226,585)	(40,177,236)
Losses (gains) on foreign exchange	5,301,816	222,458	5,524,274	(2,610,203)	(11,545)	(2,621,748)
Ending balance	\$2,895,183,761	\$164,996,378	\$3,060,180,139	\$2,610,203,302	\$183,779,418	\$2,793,982,720

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$94,647,508	\$5,660,378	\$100,307,886	\$84,783,856	\$6,563,802	\$91,347,658
Reserve	3,269,381	33,956	3,303,337	4,801,370	13,064	4,814,434
Recover	(973,516)	(166,863)	(1,140,379)	(1,015,276)	(346,664)	(1,361,940)
Losses (gains) on foreign exchange	177,853	7,463	185,316	(88,482)	(391)	(88,873)
Ending balance	\$97,121,226	\$5,534,934	\$102,656,160	\$88,481,468	\$6,229,811	\$94,711,279

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B. Unearned premium reserve:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$296,625	\$-	\$296,625	\$286,321	\$-	\$286,321
Individual injury insurance	4,410,494	-	4,410,494	4,528,407	-	4,528,407
Individual health insurance	5,776,757	-	5,776,757	6,135,136	-	6,135,136
Group insurance	1,130,176	-	1,130,176	780,294	-	780,294
Investment-linked insurance	108,674	-	108,674	118,616	-	118,616
Total	11,722,726	-	11,722,726	11,848,774	-	11,848,774
Less ceded unearned premium reserve:						
Individual life insurance	3,299,982	-	3,299,982	3,686,613	-	3,686,613
Individual injury insurance	2,744,266	-	2,744,266	4,690,419	-	4,690,419
Group insurance	308	-	308	89	-	89
Total	6,044,556	-	6,044,556	8,377,121	-	8,377,121
Net	\$5,678,170	\$-	\$5,678,170	\$3,471,653	\$-	\$3,471,653

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$9,950	\$-	\$9,950	\$9,856	\$-	\$9,856
Individual injury insurance	147,953	-	147,953	155,883	-	155,883
Individual health insurance	193,786	-	193,786	211,192	-	211,192
Group insurance	37,913	-	37,913	26,861	-	26,861
Investment-linked insurance	3,646	-	3,646	4,083	-	4,083
Total	393,248	-	393,248	407,875	-	407,875
Less ceded unearned premium reserve:						
Individual life insurance	110,700	-	110,700	126,906	-	126,906
Individual injury insurance	92,059	-	92,059	161,460	-	161,460
Group insurance	10	-	10	3	-	3
Total	202,769	-	202,769	288,369	-	288,369
Net	\$190,479	\$-	\$190,479	\$119,506	\$-	\$119,506

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	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$220,882	\$3	\$220,885	\$209,502	\$4	\$209,506
Individual injury insurance	4,279,095	-	4,279,095	4,346,188	-	4,346,188
Individual health insurance	5,410,143	-	5,410,143	5,762,270	-	5,762,270
Group insurance	1,224,233	-	1,224,233	1,579,244	-	1,579,244
Investment-linked insurance	120,828	-	120,828	120,773	-	120,773
Total	11,255,181	3	11,255,184	12,017,977	4	12,017,981
Less ceded unearned premium reserve:						
Individual life insurance	2,235,866	-	2,235,866	2,513,030	-	2,513,030
Individual injury insurance	4,607,690	-	4,607,690	4,807,267	-	4,807,267
Group insurance	331	-	331	826	-	826
Investment-linked insurance	1,154,448	-	1,154,448	1,289,194	-	1,289,194
Total	7,998,335	-	7,998,335	8,610,317	-	8,610,317
Net	\$3,256,846	\$3	\$3,256,849	\$3,407,660	\$4	\$3,407,664

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$7,488	\$-	\$7,488	\$6,921	\$-	\$6,921
Individual injury insurance	145,054	-	145,054	143,581	-	143,581
Individual health insurance	183,395	-	183,395	190,362	-	190,362
Group insurance	41,499	-	41,499	52,172	-	52,172
Investment-linked insurance	4,096	-	4,096	3,990	-	3,990
Total	381,532	-	381,532	397,026	-	397,026
Less ceded unearned premium reserve:						
Individual life insurance	75,792	-	75,792	83,021	-	83,021
Individual injury insurance	156,193	-	156,193	158,813	-	158,813
Group insurance	11	-	11	27	-	27
Investment-linked insurance	39,134	-	39,134	42,590	-	42,590
Total	271,130	-	271,130	284,451	-	284,451
Net	\$110,402	\$-	\$110,402	\$112,575	\$-	\$112,575

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Unearned premium reserve is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$11,848,774	\$-	\$11,848,774	\$12,017,977	\$4	\$12,017,981
Reserve	11,722,726	-	11,722,726	11,255,181	3	11,255,184
Recover	(11,848,774)	-	(11,848,774)	(12,017,977)	(4)	(12,017,981)
Ending balance	11,722,726	-	11,722,726	11,255,181	3	11,255,184
Less ceded unearned premium reserve:						
Beginning balance-Net	8,377,121	-	8,377,121	8,610,317	-	8,610,317
Increase	219	-	219	-	-	-
Decrease	(2,332,784)	-	(2,332,784)	(611,982)	-	(611,982)
Total	6,044,556	-	6,044,556	7,998,335	-	7,998,335
Ending balance-Net	\$5,678,170	\$-	\$5,678,170	\$3,256,846	\$3	\$3,256,849

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$397,476	\$-	\$397,476	\$407,389	\$-	\$407,389
Reserve	393,248	-	393,248	381,532	-	381,532
Recover	(397,476)	-	(397,476)	(407,389)	-	(407,389)
Ending balance	393,248	-	393,248	381,532	-	381,532
Less ceded unearned premium reserve:						
Beginning balance-Net	281,017	-	281,017	291,875	-	291,875
Increase	7	-	7	-	-	-
Decrease	(78,255)	-	(78,255)	(20,745)	-	(20,745)
Total	202,769	-	202,769	271,130	-	271,130
Ending balance-Net	\$190,479	\$-	\$190,479	\$110,402	\$-	\$110,402

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C. Reserve for claims:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$136,802	\$4,189	\$140,991	\$105,856	\$797	\$106,653
— Unreported claim	48,537	-	48,537	49,750	-	49,750
Individual injury insurance						
— Reported but not paid						
claim	184,201	-	184,201	147,062	-	147,062
— Unreported claim	970,526	-	970,526	1,024,487	-	1,024,487
Individual health insurance						
— Reported but not paid						
claim	156,758	-	156,758	124,100	-	124,100
— Unreported claim	1,578,619	-	1,578,619	1,535,223	-	1,535,223
Group insurance						
— Reported but not paid						
claim	44,087	-	44,087	36,141	-	36,141
— Unreported claim	1,011,003	-	1,011,003	1,124,644	-	1,124,644
Investment-linked insurance						
— Reported but not paid						
claim	15,177	-	15,177	4,210	-	4,210
Total	4,145,710	4,189	4,149,899	4,151,473	797	4,152,270
Less ceded reserve for claims:						
Individual injury insurance	775,777	-	775,777	780,831	-	780,831
Net	\$3,369,933	\$4,189	\$3,374,122	\$3,370,642	\$797	\$3,371,439

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	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$4,589	\$141	\$4,730	\$3,644	\$27	\$3,671
— Unreported claim	1,628	-	1,628	1,713	-	1,713
Individual injury insurance						
— Reported but not paid						
claim	6,179	-	6,179	5,062	-	5,062
— Unreported claim	32,557	-	32,557	35,266	-	35,266
Individual health insurance						
— Reported but not paid						
claim	5,259	-	5,259	4,272	-	4,272
— Unreported claim	52,956	-	52,956	52,848	-	52,848
Group insurance						
— Reported but not paid						
claim	1,479	-	1,479	1,244	-	1,244
— Unreported claim	33,915	-	33,915	38,714	-	38,714
Investment-linked insurance						
— Reported but not paid						
claim	509	-	509	145	-	145
Total	139,071	141	139,212	142,908	27	142,935
Less ceded reserve for claims:						
Individual injury insurance	26,024	-	26,024	26,879	-	26,879
Net	\$113,047	\$141	\$113,188	\$116,029	\$27	\$116,056

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	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$137,537	\$-	\$137,537	\$139,018	\$3,242	\$142,260
— Unreported claim	37,993	-	37,993	33,877	-	33,877
Individual injury insurance						
— Reported but not paid						
claim	165,889	-	165,889	192,822	-	192,822
— Unreported claim	846,443	-	846,443	789,273	-	789,273
Individual health insurance						
— Reported but not paid						
claim	154,837	-	154,837	116,876	-	116,876
— Unreported claim	1,367,588	-	1,367,588	1,321,690	-	1,321,690
Group insurance						
— Reported but not paid						
claim	44,519	-	44,519	18,972	-	18,972
— Unreported claim	1,244,079	-	1,244,079	1,252,450	-	1,252,450
Investment-linked insurance						
— Reported but not paid						
claim	18,482	-	18,482	10,510	-	10,510
Total	4,017,367	-	4,017,367	3,875,488	3,242	3,878,730
Less ceded reserve for claims:						
Individual injury insurance	612,541	-	612,541	549,591	-	549,591
Net	\$3,404,826	\$-	\$3,404,826	\$3,325,897	\$3,242	\$3,329,139

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	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$4,662	\$-	\$4,662	\$4,593	\$107	\$4,700
— Unreported claim	1,288	-	1,288	1,119	-	1,119
Individual injury insurance						
— Reported but not paid						
claim	5,623	-	5,623	6,370	-	6,370
— Unreported claim	28,693	-	28,693	26,075	-	26,075
Individual health insurance						
— Reported but not paid						
claim	5,249	-	5,249	3,861	-	3,861
— Unreported claim	46,359	-	46,359	43,663	-	43,663
Group insurance						
— Reported but not paid						
claim	1,509	-	1,509	627	-	627
— Unreported claim	42,172	-	42,172	41,376	-	41,376
Investment-linked insurance						
— Reported but not paid						
claim	627	-	627	347	-	347
Total	136,182	-	136,182	128,031	107	128,138
Less ceded reserve for claims:						
Individual injury insurance	20,764	-	20,764	18,156	-	18,156
Net	\$115,418	\$-	\$115,418	\$109,875	\$107	\$109,982

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Reserve for claims is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$4,151,473	\$797	\$4,152,270	\$3,875,488	\$3,242	\$3,878,730
Reserve	4,145,702	4,189	4,149,891	4,017,367	-	4,017,367
Recover	(4,151,473)	(797)	(4,152,270)	(3,875,488)	(3,242)	(3,878,730)
Losses on foreign exchange	8	-	8	-	-	-
Ending balance	4,145,710	4,189	4,149,899	4,017,367	-	4,017,367
Less ceded reserve for claims:						
Beginning balance-Net	780,831	-	780,831	549,591	-	549,591
Increase	(5,054)	-	(5,054)	62,950	-	62,950
Total	775,777	-	775,777	612,541	-	612,541
Ending balance-Net	\$3,369,933	\$4,189	\$3,374,122	\$3,404,826	\$-	\$3,404,826

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$139,264	\$27	\$139,291	\$131,372	\$110	\$131,482
Reserve	139,071	141	139,212	136,182	-	136,182
Recover	(139,264)	(27)	(139,291)	(131,372)	(110)	(131,482)
Losses on foreign exchange	-	-	-	-	-	-
Ending balance	139,071	141	139,212	136,182	-	136,182
Less ceded reserve for claims:						
Beginning balance-Net	26,194	-	26,194	18,630	-	18,630
Increase	(170)	-	(170)	2,134	-	2,134
Total	26,024	-	26,024	20,764	-	20,764
Ending balance-Net	\$113,047	\$141	\$113,188	\$115,418	\$-	\$115,418

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D. Special reserve:

	31 March 2013				31 December 2012			
	NT\$				NT\$			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Participating policies dividends reserve	\$2,328	\$-	\$-	\$2,328	\$1,971	\$-	\$-	\$1,971
Special reserve for revaluation increments of property	52,926,619	-	-	52,926,619	55,416,619	-	-	55,416,619
Total	\$52,928,947	\$-	\$-	\$52,928,947	\$55,418,590	\$-	\$-	\$55,418,590

	31 March 2013				31 December 2012			
	US\$				US\$			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Participating policies dividends reserve	\$78	\$-	\$-	\$78	\$68	\$-	\$-	\$68
Special reserve for revaluation increments of property	1,775,465	-	-	1,775,465	1,907,629	-	-	1,907,629
Total	\$1,775,543	\$-	\$-	\$1,775,543	1,907,697	\$-	\$-	1,907,697

	31 March 2012				1 January 2012			
	NT\$				NT\$			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Participating policies dividends reserve	\$703	\$-	\$-	\$703	\$227	\$-	\$-	\$227
Reclassify to foreign exchange volatility reserve	-	-	-	-	4,511,406	-	-	4,511,406
Special reserve for revaluation increments of property	55,416,619	-	-	55,416,619	55,416,619	-	-	55,416,619
Total	\$55,417,322	\$-	\$-	\$55,417,322	\$59,928,252	\$-	\$-	\$59,928,252

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	31 March 2012				1 January 2012			
	US\$				US\$			
	Financial instruments with discretionary participation		Other	Total	Financial instruments with discretionary participation		Other	Total
	Insurance contract	feature			Insurance contract	feature		
Participating policies dividends reserve	\$24	\$-	\$-	\$24	\$8	\$-	\$-	\$8
Reclassify to foreign exchange volatility reserve	-	-	-	-	149,038	-	-	149,038
Special reserve for revaluation increments of property	1,878,529	-	-	1,878,529	1,830,744	-	-	1,830,744
Total	\$1,878,553	\$-	\$-	\$1,878,553	\$1,979,790	\$-	\$-	\$1,979,790

Special reserve is summarized below:

	For the three-month period ended 31 March 2013				For the three-month period ended 31 March 2012			
	NT\$				NT\$			
	Financial instruments with discretionary participation		Other	Total	Financial instruments with discretionary participation		Other	Total
	Insurance contract	feature			Insurance contract	feature		
Beginning balance	\$55,418,590	\$-	\$-	\$55,418,590	\$59,928,252	\$-	\$-	\$59,928,252
Reserves for participating policies dividends reserve	357	-	-	357	476	-	-	476
Reclassify to foreign exchange volatility reserve	-	-	-	-	(4,511,406)	-	-	(4,511,406)
Recover from special reserve for revaluation increments of property (Note)	(2,490,000)	-	-	(2,490,000)	-	-	-	-
Ending balance	\$52,928,947	\$-	\$-	\$52,928,947	\$55,417,322	\$-	\$-	\$55,417,322

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	For the three-month period ended 31 March 2013				For the three-month period ended 31 March 2012			
	US\$				US\$			
	Financial instruments with discretionary participation			Total	Financial instruments with discretionary participation			Total
	Insurance contract	feature	Other		Insurance contract	feature	Other	
Beginning balance	\$1,859,060	\$-	\$-	\$1,859,060	\$2,031,466	\$-	\$-	\$2,031,466
Reserves for participating policies dividends reserve	12	-	-	12	16	-	-	16
Reclassify to foreign exchange volatility reserve	-	-	-	-	(152,929)	-	-	(152,929)
Recover from special reserve for revaluation increments of property (Note)	(83,529)	-	-	(83,529)	-	-	-	-
Ending balance	\$1,775,543	\$-	\$-	\$1,775,543	\$1,878,553	\$-	\$-	\$1,878,553

Note: According to the regulations established by the authorities on 30 November 2012 and authorized by the FSC on 28 January 2013, the Company can recover special reserve for revaluation increments of property by month, and the total recovered amount in 2013 is NT\$10 billion.

E. Premium deficiency reserve:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation		Total	Financial instruments with discretionary participation		Total
	Insurance contract	feature		Insurance contract	feature	
Individual life insurance	\$18,140,988	\$-	\$18,140,988	\$16,389,516	\$-	\$16,389,516
Individual health insurance	689,579	-	689,579	690,546	-	690,546
Group insurance	38,239	-	38,239	41,573	-	41,573
Total	\$18,868,806	\$-	\$18,868,806	\$17,121,635	\$-	\$17,121,635

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	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$608,554	\$-	\$608,554	\$564,183	\$-	\$564,183
Individual health insurance	23,132	-	23,132	23,771	-	23,771
Group insurance	1,283	-	1,283	1,431	-	1,431
Total	\$632,969	\$-	\$632,969	\$589,385	\$-	\$589,385

	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$13,686,386	\$-	\$13,686,386	\$12,872,878	\$-	\$12,872,878
Individual health insurance	671,567	-	671,567	673,880	-	673,880
Group insurance	48,536	-	48,536	52,969	-	52,969
Total	\$14,406,489	\$-	\$14,406,489	\$13,599,727	\$-	\$13,599,727

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$463,945	\$-	\$463,945	\$425,268	\$-	\$425,268
Individual health insurance	22,765	-	22,765	22,262	-	22,262
Group insurance	1,645	-	1,645	1,750	-	1,750
Total	\$488,355	\$-	\$488,355	\$449,280	\$-	\$449,280

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Premium deficiency reserve is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$17,121,635	\$-	\$17,121,635	\$13,599,727	\$-	\$13,599,727
Reserve	1,530,276	-	1,530,276	933,657	-	933,657
Losses (gains) on foreign exchange	216,895	-	216,895	(126,895)	-	(126,895)
Ending balance	\$18,868,806	\$-	\$18,868,806	\$14,406,489	\$-	\$14,406,489

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$574,359	\$-	\$574,359	\$461,008	\$-	\$461,008
Reserve	51,334	-	51,334	31,649	-	31,649
Losses (gains) on foreign exchange	7,276	-	7,276	(4,302)	-	(4,302)
Ending balance	\$632,969	\$-	\$632,969	\$488,355	\$-	\$488,355

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F. Liability adequacy reserve

	31 March 2013	31 March 2013
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,060,180,139	\$102,656,160
Unearned premium reserve	11,722,726	393,248
Premium deficiency reserve	18,868,806	632,969
Total	\$3,090,771,671	\$103,682,377
Book value of insurance liabilities	\$3,090,771,671	\$103,682,377
Estimated present value of cash flows	\$2,464,839,978	\$82,685,004
Balance of liability adequacy reserve	\$-	\$-
	31 December 2012	31 December 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,990,178,096	\$102,932,121
Unearned premium reserve	11,848,774	407,875
Premium deficiency reserve	17,121,635	589,385
Total	\$3,019,148,505	\$103,929,381
Book value of insurance liabilities	\$3,019,148,505	\$103,929,381
Estimated present value of cash flows	\$2,174,379,434	\$74,849,550
Balance of liability adequacy reserve	\$-	\$-

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	31 March 2012	31 March 2012
	NT\$	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	\$-	\$-

	1 January 2012	1 January 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,694,755,900	\$89,023,981
Unearned premium reserve	12,017,981	397,026
Premium deficiency reserve	13,599,727	449,280
Total	\$2,720,373,608	\$89,870,287
Book value of insurance liabilities	\$2,720,373,608	\$89,870,287
Estimated present value of cash flows	\$2,368,148,220	\$78,234,167
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 claims is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There are no instances of merger 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.

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Liability adequacy testing methodology is listed as follows:

	31 March 2013
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 2013. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2012, with neutral assumption for discount rates after 30 years.
	31 December 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2012. (2) Discount rate: Under assets allocation plan of current semi-annual report, 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.
	31 March 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 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.

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	1 January 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	<p>(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2011.</p> <p>(2) Discount rate: Under assets allocation plan of current semi-annual report, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2010, with neutral assumption for discount rates after 30 years (after 2041).</p>

G. Reserve for insurance contracts with feature of financial instruments:

The Company issues non-investment-linked insurance contracts without discretionary participation feature of financial instruments. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, reserve for insurance contracts with feature of financial instruments is summarized below:

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Life insurance	\$55,491,444	\$1,861,504	\$56,461,371	\$1,943,593
Investment-linked insurance	220	8	-	-
Total	\$55,491,664	\$1,861,512	\$56,461,371	\$1,943,593

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Life insurance	\$60,028,409	\$2,034,861	\$60,624,750	\$2,002,800

	For the three-month period ended 31 March 2013	For the three-month period ended 31 March 2013
	NT\$	US\$
Beginning balance	\$56,461,371	\$1,894,041
Premiums (returned) received	(503)	(17)
Insurance claim payments	(1,225,204)	(41,100)
Net provision of statutory reserve	256,000	8,588
Ending balance	\$55,491,664	\$1,861,512

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	For the three-month period ended 31 March 2012	For the three-month period ended 31 March 2012
	NT\$	US\$
Beginning balance	\$60,624,750	\$2,055,076
Premiums (returned) received	(4,118)	(140)
Insurance claim payments	(958,203)	(32,481)
Net provision of statutory reserve	365,980	12,406
Ending balance	<u>\$60,028,409</u>	<u>\$2,034,861</u>

H. Foreign exchange volatility reserve:

a. 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.

b. Adjustment in foreign exchange volatility reserve:

	For the three-month period ended 31 March 2013	For the three-month period ended 31 March 2013
	NT\$	US\$
Beginning balance	\$4,270,856	\$143,270
Reserve:		
Compulsory reserve	561,388	18,832
Extra reserve	2,646,686	88,785
Subtotal	<u>3,208,074</u>	<u>107,617</u>
Total	<u>\$7,478,930</u>	<u>\$250,887</u>

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	For the three-month period ended 31 March 2012 NT\$	For the three-month period ended 31 March 2012 US\$
Beginning balance	\$4,511,406	\$152,929
Reserve:		
Compulsory reserve	149,631	5,072
Extra reserve	2,697	92
Subtotal	152,328	5,164
Total	\$4,663,734	\$158,093

c. Effects due to foreign exchange volatility reserve:

31 March 2013	Inapplicable amount (1)		Applicable amount (2)		Effects (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$6,729,110	\$225,733	\$4,066,409	\$136,411	\$(2,662,701)	\$(89,322)
Earnings per share	1.26	0.04	0.75	0.03	(0.51)	(0.01)
Foreign exchange volatility reserve	-	-	7,478,930	250,887	7,478,930	250,887
Equity	144,488,344	4,846,975	141,825,643	4,757,653	(2,662,701)	(89,322)

31 March 2012	Inapplicable amount (1)		Applicable amount (2)		Effects (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$(1,324,854)	\$(44,910)	\$(1,451,286)	\$(49,196)	\$(126,432)	\$(4,286)
Earnings per share	(0.26)	(0.01)	(0.28)	(0.01)	(0.02)	-
Foreign exchange volatility reserve	-	-	4,663,734	158,093	4,663,734	158,093
Equity	137,064,873	4,646,267	136,938,441	4,641,981	(126,432)	(4,286)

(2) Cathay Life (China)

A. Reserve for life insurance liabilities:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$3,047,170	\$-	\$3,047,170	\$2,875,460	\$-	\$2,875,460
Health insurance	133,712	-	133,712	58,989	-	58,989
Investment-linked insurance	6,643	-	6,643	50,436	-	50,436
Total	\$3,187,525	\$-	\$3,187,525	\$2,984,885	\$-	\$2,984,885

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$102,220	\$-	\$102,220	\$98,983	\$-	\$98,983
Health insurance	4,485	-	4,485	2,031	-	2,031
Investment-linked insurance	223	-	223	1,736	-	1,736
Total	\$106,928	\$-	\$106,928	\$102,750	\$-	\$102,750

	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$2,417,249	\$-	\$2,417,249	\$2,417,929	\$-	\$2,417,929
Health insurance	2,963	-	2,963	44,343	-	44,343
Investment-linked insurance	25,598	-	25,598	19,226	-	19,226
Total	\$2,445,810	\$-	\$2,445,810	\$2,481,498	\$-	\$2,481,498

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$81,941	\$-	\$81,941	\$79,879	\$-	\$79,879
Health insurance	100	-	100	1,465	-	1,465
Investment-linked insurance	868	-	868	635	-	635
Total	\$82,909	\$-	\$82,909	\$81,979	\$-	\$81,979

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Reserve for life insurance liabilities is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$2,984,885	\$-	\$2,984,885	\$2,481,498	\$-	\$2,481,498
Reserve	195,341	-	195,341	249,979	-	249,979
Recover	(81,465)	-	(81,465)	(221,752)	-	(221,752)
Losses (gains) on foreign exchange	88,764	-	88,764	(63,915)	-	(63,915)
Ending balance	\$3,187,525	\$-	\$3,187,525	\$2,445,810	\$-	\$2,445,810

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$100,130	\$-	\$100,130	\$84,119	\$-	\$84,119
Reserve	6,553	-	6,553	8,474	-	8,474
Recover	(2,733)	-	(2,733)	(7,517)	-	(7,517)
Losses (gains) on foreign exchange	2,978	-	2,978	(2,167)	-	(2,167)
Ending balance	\$106,928	\$-	\$106,928	\$82,909	\$-	\$82,909

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B. Unearned premium reserve:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$7,015	\$-	\$7,015	\$6,787	\$-	\$6,787
Individual health insurance	645	-	645	624	-	624
Group insurance	250,596	-	250,596	245,310	-	245,310
Total	258,256	-	258,256	252,721	-	252,721
Less ceded unearned premium reserve:						
Individual life insurance	13	-	13	61	-	61
Individual injury insurance	190	-	190	66	-	66
Individual health insurance	2,991	-	2,991	2,862	-	2,862
Group insurance	3,040	-	3,040	4,171	-	4,171
Total	6,234	-	6,234	7,160	-	7,160
Net	\$252,022	\$-	\$252,022	\$245,561	\$-	\$245,561

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$235	\$-	\$235	\$234	\$-	\$234
Individual health insurance	22	-	22	22	-	22
Group insurance	8,406	-	8,406	8,444	-	8,444
Total	8,663	-	8,663	8,700	-	8,700
Less ceded unearned premium reserve:						
Individual life insurance	1	-	1	2	-	2
Individual injury insurance	6	-	6	2	-	2
Individual health insurance	100	-	100	98	-	98
Group insurance	102	-	102	144	-	144
Total	209	-	209	246	-	246
Net	\$8,454	\$-	\$8,454	\$8,454	\$-	\$8,454

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	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$7,166	\$-	\$7,166	\$8,653	\$-	\$8,653
Individual health insurance	659	-	659	682	-	682
Group insurance	237,711	-	237,711	229,383	-	229,383
Total	245,536	-	245,536	238,718	-	238,718
Less ceded unearned premium reserve:						
Individual life insurance	61	-	61	62	-	62
Individual injury insurance	66	-	66	68	-	68
Individual health insurance	2,871	-	2,871	2,937	-	2,937
Group insurance	4,184	-	4,184	4,280	-	4,280
Total	7,182	-	7,182	7,347	-	7,347
Net	\$238,354	\$-	\$238,354	\$231,371	\$-	\$231,371

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$243	\$-	\$243	\$286	\$-	\$286
Individual health insurance	22	-	22	23	-	23
Group insurance	8,058	-	8,058	7,578	-	7,578
Total	8,323	-	8,323	7,887	-	7,887
Less ceded unearned premium reserve:						
Individual life insurance	2	-	2	2	-	2
Individual injury insurance	2	-	2	2	-	2
Individual health insurance	97	-	97	97	-	97
Group insurance	142	-	142	141	-	141
Total	243	-	243	242	-	242
Net	\$8,080	\$-	\$8,080	\$7,645	\$-	\$7,645

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Unearned premium reserve is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$252,721	\$-	\$252,721	\$238,718	\$-	\$238,718
Reserve	72,246	-	72,246	66,534	-	66,534
Recover	(74,041)	-	(74,041)	(53,520)	-	(53,520)
Losses (gains) on foreign exchange	7,330	-	7,330	(6,196)	-	(6,196)
Ending balance	258,256	-	258,256	245,536	-	245,536
Less ceded unearned premium reserve:						
Beginning balance-Net	7,160	-	7,160	7,347	-	7,347
Increase	-	-	-	24	-	24
Decrease	(1,116)	-	(1,116)	-	-	-
Gains (losses) on foreign exchange	190	-	190	(189)	-	(189)
Total	6,234	-	6,234	7,182	-	7,182
Ending balance-Net	\$252,022	\$-	\$252,022	\$238,354	\$-	\$238,354

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$8,478	\$-	\$8,478	\$8,092	\$-	\$8,092
Reserve	2,423	-	2,423	2,255	-	2,255
Recover	(2,484)	-	(2,484)	(1,814)	-	(1,814)
Losses (gains) on foreign exchange	246	-	246	(210)	-	(210)
Ending balance	8,663	-	8,663	8,323	-	8,323
Less ceded unearned premium reserve:						
Beginning balance-Net	240	-	240	249	-	249
Increase	-	-	-	1	-	1
Decrease	(37)	-	(37)	-	-	-
Gains (losses) on foreign exchange	6	-	6	(7)	-	(7)
Total	209	-	209	243	-	243
Ending balance-Net	\$8,454	\$-	\$8,454	\$8,080	\$-	\$8,080

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C. Reserve for claims:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid claim	\$2,053	\$-	\$2,053	\$2,899	\$-	\$2,899
— Unreported claim	1,670	-	1,670	2,358	-	2,358
Individual injury insurance						
— Reported but not paid claim	2,559	-	2,559	3,613	-	3,613
— Unreported claim	2,139	-	2,139	3,020	-	3,020
Individual health insurance						
— Reported but not paid claim	2,327	-	2,327	3,285	-	3,285
— Unreported claim	5,219	-	5,219	7,369	-	7,369
Group insurance						
— Reported but not paid claim	46,862	-	46,862	66,165	-	66,165
— Unreported claim	367,161	-	367,161	307,740	-	307,740
Total	429,990	-	429,990	396,449	-	396,449
Less ceded reserve for claims:						
Individual health insurance	587	-	587	523	-	523
Net	\$429,403	\$-	\$429,403	\$395,926	\$-	\$395,926

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$69	\$-	\$69	\$100	\$-	\$100
— Unreported claim	56	-	56	81	-	81
Individual injury insurance						
— Reported but not paid						
claim	86	-	86	124	-	124
— Unreported claim	72	-	72	104	-	104
Individual health insurance						
— Reported but not paid						
claim	78	-	78	113	-	113
— Unreported claim	175	-	175	254	-	254
Group insurance						
— Reported but not paid						
claim	1,572	-	1,572	2,278	-	2,278
— Unreported claim	12,316	-	12,316	10,594	-	10,594
Total	14,424	-	14,424	13,648	-	13,648
Less ceded reserve for claims:						
Individual health insurance	20	-	20	18	-	18
Net	\$14,404	\$-	\$14,404	\$13,630	\$-	\$13,630

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$2,625	\$-	\$2,625	\$19	\$-	\$19
— Unreported claim	2,135	-	2,135	2,118	-	2,118
Individual injury insurance						
— Reported but not paid						
claim	3,272	-	3,272	2,509	-	2,509
— Unreported claim	2,735	-	2,735	286	-	286
Individual health insurance						
— Reported but not paid						
claim	2,975	-	2,975	499	-	499
— Unreported claim	6,673	-	6,673	4,592	-	4,592
Group insurance						
— Reported but not paid						
claim	59,912	-	59,912	21,878	-	21,878
— Unreported claim	296,936	-	296,936	388,663	-	388,663
Total	377,263	-	377,263	420,564	-	420,564
Less ceded reserve for claims:						
Individual health insurance	525	-	525	1,178	-	1,178
Net	\$376,738	\$-	\$376,738	\$419,386	\$-	\$419,386

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial			Financial		
	instruments with			instruments with		
	discretionary			discretionary		
	participation			participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid						
claim	\$89	\$-	\$89	\$1	\$-	\$1
— Unreported claim	72	-	72	70	-	70
Individual injury insurance						
— Reported but not paid						
claim	111	-	111	83	-	83
— Unreported claim	93	-	93	9	-	9
Individual health insurance						
— Reported but not paid						
claim	101	-	101	16	-	16
— Unreported claim	226	-	226	152	-	152
Group insurance						
— Reported but not paid						
claim	2,031	-	2,031	723	-	723
— Unreported claim	10,065	-	10,065	12,840	-	12,840
Total	12,788	-	12,788	13,894	-	13,894
Less ceded reserve for claims:						
Individual health insurance	18	-	18	39	-	39
Net	\$12,770	\$-	\$12,770	\$13,855	\$-	\$13,855

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For the three-month periods ended 31 March 2013 and 2012

Reserve for claims is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$396,449	\$-	\$396,449	\$420,564	\$-	\$420,564
Reserve	102,974	-	102,974	450,119	-	450,119
Recover	(81,328)	-	(81,328)	(482,762)	-	(482,762)
Losses (gains) on foreign exchange	11,895	-	11,895	(10,658)	-	(10,658)
Ending balance	429,990	-	429,990	377,263	-	377,263
Less ceded reserve for claims:						
Beginning balance-Net	523	-	523	1,178	-	1,178
Increase	48	-	48	-	-	-
Decrease	-	-	-	(626)	-	(626)
Gains (losses) on foreign exchange	16	-	16	(27)	-	(27)
Total	587	-	587	525	-	525
Ending balance-Net	\$429,403	\$-	\$429,403	\$376,738	\$-	\$376,738

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$13,299	\$-	\$13,299	\$14,256	\$-	\$14,256
Reserve	3,454	-	3,454	15,258	-	15,258
Recover	(2,728)	-	(2,728)	(16,365)	-	(16,365)
Losses (gains) on foreign exchange	399	-	399	(361)	-	(361)
Ending balance	14,424	-	14,424	12,788	-	12,788
Less ceded reserve for claims:						
Beginning balance-Net	18	-	18	40	-	40
Increase	2	-	2	-	-	-
Decrease	-	-	-	(21)	-	(21)
Gains (losses) on foreign exchange	-	-	-	(1)	-	(1)
Total	20	-	20	18	-	18
Ending balance-Net	\$14,404	\$-	\$14,404	\$12,770	\$-	\$12,770

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D. Liability adequacy reserve

	31 March 2013	31 March 2013
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,187,525	\$106,928
Unearned premium reserve	258,256	8,663
Total	\$3,445,781	\$115,591
Book value of insurance liabilities	\$3,445,781	\$115,591
Estimated present value of cash flows	\$3,132,533	\$105,083
Balance of liability adequacy reserve	\$-	\$-
	31 December 2012	31 December 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,984,885	\$102,750
Unearned premium reserve	252,721	8,700
Total	\$3,237,606	\$111,450
Book value of insurance liabilities	\$3,237,606	\$111,450
Estimated present value of cash flows	\$2,319,570	\$79,848
Balance of liability adequacy reserve	\$-	\$-

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012	31 March 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,445,810	\$82,909
Unearned premium reserve	245,536	8,323
Total	\$2,691,346	\$91,232
Book value of insurance liabilities	\$2,691,346	\$91,232
Estimated present value of cash flows	\$2,437,296	\$82,620
Balance of liability adequacy reserve	\$-	\$-
	1 January 2012	1 January 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,481,498	\$81,979
Unearned premium reserve	238,718	7,887
Total	\$2,720,216	\$89,866
Book value of insurance liabilities	\$2,720,216	\$89,866
Estimated present value of cash flows	\$2,312,185	\$76,385
Balance of liability adequacy reserve	\$-	\$-

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

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

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

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Liability adequacy testing methodology is listed as follows:

	31 March 2013
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 2013. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2012, with neutral assumption for discount rates after 30 years.
	31 December 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 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.
	31 March 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 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.

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For the three-month periods ended 31 March 2013 and 2012

	1 January 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	<p>(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2011.</p> <p>(2) Discount rate: Under assets allocation plan of annual report of 2010, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2009.</p>

E. Reserve for insurance contracts with feature of financial instruments:

Cathay Life (China) issues non-investment-linked insurance contract without discretionary participation feature of financial instruments. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, reserve for insurance contracts with feature of financial instruments is summarized below:

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Life insurance	\$4,535,071	\$152,132	\$4,889,501	\$168,313

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Life insurance	\$5,786,382	\$196,149	\$6,259,962	\$206,804

	For the three-month period ended 31 March 2013 NT\$	For the three-month period ended 31 March 2013 US\$
Beginning balance	\$4,889,501	\$164,022
Premiums received	31,106	1,043
Insurance claim payments	(168,110)	(5,639)
Net provision of statutory reserve	(351,856)	(11,803)
Losses (gains) on foreign exchange	134,430	4,509
Ending balance	\$4,535,071	\$152,132

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For the three-month periods ended 31 March 2013 and 2012

	For the three-month period ended 31 March 2012 NT\$	For the three-month period ended 31 March 2012 US\$
Beginning balance	\$6,259,962	\$212,202
Premiums received	27,397	929
Insurance claim payments	(168,847)	(5,723)
Net provision of statutory reserve	(172,685)	(5,854)
Losses (gains) on foreign exchange	(159,445)	(5,405)
Ending balance	<u>\$5,786,382</u>	<u>\$196,149</u>

(3) Cathay Life (Vietnam)

A. Reserve for life insurance liabilities:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$312,337	\$-	\$312,337	\$299,490	\$-	\$299,490
Investment – linked insurance	11	-	11	9	-	9
Total	<u>\$312,348</u>	<u>\$-</u>	<u>\$312,348</u>	<u>\$299,499</u>	<u>\$-</u>	<u>\$299,499</u>

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$10,478	\$-	\$10,478	\$10,309	\$-	\$10,309
Investment – linked insurance	-	-	-	-	-	-
Total	<u>\$10,478</u>	<u>\$-</u>	<u>\$10,478</u>	<u>\$10,309</u>	<u>\$-</u>	<u>\$10,309</u>

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$236,233	\$-	\$236,233	\$231,165	\$-	\$231,165

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$8,008	\$-	\$8,008	\$7,636	\$-	\$7,636

Reserve for life insurance liabilities is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$299,499	\$-	\$299,499	\$231,165	\$-	\$231,165
Reserve	6,119	-	6,119	8,419	-	8,419
Losses (gains) on foreign exchange	6,730	-	6,730	(3,351)	-	(3,351)
Ending balance	\$312,348	\$-	\$312,348	\$236,233	\$-	\$236,233

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For the three-month periods ended 31 March 2013 and 2012

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$10,047	\$-	\$10,047	\$7,836	\$-	\$7,836
Reserve	205	-	205	285	-	285
Losses (gains) on foreign exchange	226	-	226	(113)	-	(113)
Ending balance	\$10,478	\$-	\$10,478	\$8,008	\$-	\$8,008

B. Unearned premium reserve:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$1,436	\$-	\$1,436	\$1,667	\$-	\$1,667
Individual health insurance	1,174	-	1,174	1,614	-	1,614
Total	\$2,610	\$-	\$2,610	\$3,281	\$-	\$3,281

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$48	\$-	\$48	\$57	\$-	\$57
Individual health insurance	40	-	40	56	-	56
Total	\$88	\$-	\$88	\$113	\$-	\$113

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$1,330	\$-	\$1,330	\$1,484	\$-	\$1,484
Individual health insurance	1,531	-	1,531	1,851	-	1,851
Total	\$2,861	\$-	\$2,861	\$3,335	\$-	\$3,335

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual injury insurance	\$45	\$-	\$45	\$49	\$-	\$49
Individual health insurance	52	-	52	61	-	61
Total	\$97	\$-	\$97	\$110	\$-	\$110

Unearned premium reserve is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$3,281	\$-	\$3,281	\$3,335	\$-	\$3,335
Recover	(737)	-	(737)	(427)	-	(427)
Losses (gains) on foreign exchange	66	-	66	(47)	-	(47)
Ending balance	\$2,610	\$-	\$2,610	\$2,861	\$-	\$2,861

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For the three-month periods ended 31 March 2013 and 2012

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$110	\$-	\$110	\$113	\$-	\$113
Recover	(24)	-	(24)	(14)	-	(14)
Losses (gains) on foreign exchange	2	-	2	(2)	-	(2)
Ending balance	\$88	\$-	\$88	\$97	\$-	\$97

C. Reserve for claims:

	31 March 2013			31 December 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
— Reported but not paid claim	\$695	\$-	\$695	\$1,251	\$-	\$1,251
Individual injury insurance						
— Reported but not paid claim	138	-	138	231	-	231
— Unreported claim	167	-	167	163	-	163
Individual health insurance						
— Reported but not paid claim	207	-	207	206	-	206
— Unreported claim	155	-	155	294	-	294
Investment-linked insurance						
— Reported but not paid claim	-	-	-	390	-	390
Total	\$1,362	\$-	\$1,362	\$2,535	\$-	\$2,535

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2013			31 December 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
— Reported but not paid claim	\$23	\$-	\$23	\$43	\$-	\$43
Individual injury insurance						
— Reported but not paid claim	5	-	5	8	-	8
— Unreported claim	6	-	6	6	-	6
Individual health insurance						
— Reported but not paid claim	7	-	7	7	-	7
— Unreported claim	5	-	5	10	-	10
Investment-linked insurance						
— Reported but not paid claim	-	-	-	13	-	13
Total	\$46	\$-	\$46	\$87	\$-	\$87

	31 March 2012			1 January 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
— Reported but not paid claim	\$645	\$-	\$645	\$302	\$-	\$302
Individual injury insurance						
— Reported but not paid claim	145	-	145	139	-	139
— Unreported claim	147	-	147	141	-	141
Individual health insurance						
— Reported but not paid claim	234	-	234	98	-	98
— Unreported claim	130	-	130	109	-	109
Total	\$1,301	\$-	\$1,301	\$789	\$-	\$789

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012			1 January 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
— Reported but not paid claim	\$22	\$-	\$22	\$10	\$-	\$10
Individual injury insurance						
— Reported but not paid claim	5	-	5	4	-	4
— Unreported claim	5	-	5	5	-	5
Individual health insurance						
— Reported but not paid claim	8	-	8	3	-	3
— Unreported claim	5	-	5	4	-	4
Total	\$45	\$-	\$45	\$26	\$-	\$26

Reserve for claims is summarized below:

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$2,535	\$-	\$2,535	\$789	\$-	\$789
Reserve	-	-	-	524	-	524
Recover	(1,220)		(1,220)	-		-
Losses (gains) on foreign exchange	47	-	47	(12)	-	(12)
Ending balance	\$1,362	\$-	\$1,362	\$1,301	\$-	\$1,301

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	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$85	\$-	\$85	\$27	\$-	\$27
Reserve	-	-	-	18	-	18
Recover	(41)		(41)	-		-
Losses (gains) on foreign exchange	2	-	2	-	-	-
Ending balance	\$46	\$-	\$46	\$45	\$-	\$45

D. Special reserve:

	31 March 2013				31 December 2012			
	NT\$				NT\$			
	Financial instruments with discretionary				Financial instruments with discretionary			
	Insurance contract	participation feature	Other	Total	Insurance contract	participation feature	Other	Total
Other	\$527	\$-	\$-	\$527	\$516	\$-	\$-	\$516

	31 March 2013				31 December 2012			
	US\$				US\$			
	Financial instruments with discretionary				Financial instruments with discretionary			
	Insurance contract	participation feature	Other	Total	Insurance contract	participation feature	Other	Total
Other	\$18	\$-	\$-	\$18	\$17	\$-	\$-	\$17

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012				1 January 2012			
	NT\$				NT\$			
	Financial instruments with discretionary Insurance participation contract	feature	Other	Total	Financial instruments with discretionary Insurance participation contract	feature	Other	Total
Other	\$525	\$-	\$-	\$525	\$533	\$-	\$-	\$533

	31 March 2012				1 January 2012			
	US\$				US\$			
	Financial instruments with discretionary Insurance participation contract	feature	Other	Total	Financial instruments with discretionary Insurance participation contract	feature	Other	Total
Other	\$18	\$-	\$-	\$18	\$18	\$-	\$-	\$18

Special reserve is summarized below:

	For the three-month period ended 31 March 2013				For the three-month period ended 31 March 2012			
	NT\$				NT\$			
	Financial instruments with discretionary Insurance participation contract	feature	Other	Total	Financial instruments with discretionary Insurance participation contract	feature	Other	Total
Beginning balance	\$516	\$-	\$-	\$516	\$533	\$-	\$-	\$533
Losses (gains) on foreign exchange	11	-	-	11	(8)	-	-	(8)
Ending balance	\$527	\$-	\$-	\$527	\$525	\$-	\$-	\$525

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	For the three-month period ended 31 March 2013				For the three-month period ended 31 March 2012			
	US\$				US\$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	\$18	\$-	\$-	\$18	\$18	\$-	\$-	\$18
Losses (gains) on foreign exchange	-	-	-	-	-	-	-	-
Ending balance	\$18	\$-	\$-	\$18	\$18	\$-	\$-	\$18

E. Liability adequacy reserve

	31 March 2013 NT\$	31 March 2013 US\$
Reserve for life insurance liabilities	\$312,348	\$10,478
Unearned premium reserve	2,610	88
Total	\$314,958	\$10,566
Book value of insurance liabilities	\$314,958	\$10,566
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	\$-	\$-
	31 December 2012 NT\$	31 December 2012 US\$
Reserve for life insurance liabilities	\$299,499	\$10,309
Unearned premium reserve	3,281	113
Total	\$302,780	\$10,422
Book value of insurance liabilities	\$302,780	\$10,422
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	\$-	\$-

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For the three-month periods ended 31 March 2013 and 2012

	31 March 2012	31 March 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$236,233	\$8,008
Unearned premium reserve	2,861	97
Total	\$239,094	\$8,105
Book value of insurance liabilities	\$239,094	\$8,105
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	\$-	\$-
	1 January 2012	1 January 2012
	NT\$	US\$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$231,165	\$7,636
Unearned premium reserve	3,335	110
Total	\$234,500	\$7,746
Book value of insurance liabilities	\$234,500	\$7,746
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	\$-	\$-

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

Note2: Outstanding reserve for claims and special reserve are not included in liability adequacy test. Reserve for claims is determined based on claims incurred before valuation date and therefore not included in the test.

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Note 3: As the loss ratio of one-year injury medical insurance is less than 100%, unearned premium reserve is included in the calculation of estimated present value of cash flows for conservative approach.

Note 4: Extended contracts are calculated based on maximum possibility of loss, which assumes immediate death of the insured to calculate estimated present value of cash flows.

Note 5: There are no instances of merger or transfer of insurance contract for Cathay Life (Vietnam). As such, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

26. Post-employment benefits

Defined contribution plans

The Company and its domestic subsidiaries adopt a defined contribution plans in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages. The Company and its domestic subsidiaries have made monthly contributions of 6% of each employee's salaries or wages to employees' individual pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plans for the three-month periods ended 31 March 2013 and 2012 are NT\$252,031 (US\$8,455) thousands and NT\$223,949 (US\$7,591) thousands, respectively.

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Defined benefit plans

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the six months of the service year at the time of employees' application for retirement approved. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Pension costs amounted to NT\$86,965 (US\$2,917) thousands and NT\$95,852 (US\$3,249) thousands were recognized for the three-month periods ended 31 March 2013 and 2012.

The benefit expense under the defined benefit plans for the three-month period ended 31 March 2013 was classified under operating costs and operating expenses, which amounted to NT\$73,160 (US\$2,454) thousands and NT\$13,805 (US\$463) thousands, respectively. The benefit expense under the defined benefit plans for the three-month period ended 31 March 2012 was classified under operating costs and operating expenses, which amounted to NT\$80,954 (US\$2,744) thousands and NT\$14,898 (US\$505) thousands, respectively.

Reconciliation of liability (asset) of the defined benefit plans is as follows:

(1) The Company

	31 December 2012	31 December 2012
	NT\$	US\$
Defined benefit obligation	\$(11,685,318)	\$(402,248)
Plan assets at fair value	9,474,891	326,158
Funded status	(2,210,427)	(76,090)
Unrecognized pension loss	(1,268,617)	(43,670)
Accrued pension liability recognized on the consolidated balance sheets	<u>\$(3,479,044)</u>	<u>\$(119,760)</u>

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For the three-month periods ended 31 March 2013 and 2012

	1 January 2012	1 January 2012
	NT\$	US\$
Defined benefit obligation	\$(11,083,486)	\$(366,154)
Plan assets at fair value	7,783,914	257,150
Funded status	(3,299,572)	(109,004)
Unrecognized pension loss	-	-
Accrued pension liability recognized on the consolidated balance sheets	\$(3,299,572)	\$(109,004)

Changes in present value of the defined benefit obligation are as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2012
	NT\$	US\$
Defined benefit obligation at 1 January	\$11,083,486	\$381,531
Current service cost	328,628	11,312
Interest cost	173,537	5,974
Benefits paid	(502,883)	(17,311)
Actuarial losses	602,550	20,742
Defined benefit obligation at 31 December	\$11,685,318	\$402,248

Changes in fair value of plan assets are as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2012
	NT\$	US\$
Plan assets, at fair value at 1 January	\$7,783,914	\$267,949
Expected return on plan assets	119,384	4,110
Contributions by employer	203,309	6,998
Benefits paid	(502,883)	(17,311)
Actuarial gains	1,871,167	64,412
Plan assets, at fair value at 31 December	\$9,474,891	\$326,158

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For the three-month periods ended 31 March 2013 and 2012

The Company expects to contribute NT\$347,288 (US\$11,650) thousands to its defined benefit plans during the 12 months beginning after 31 March 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%)	
	31 December 2012	1 January 2012
Cash	28.89%	33.26%
Equity instruments	70.99%	66.66%
Debt instruments	0.08%	0.06%
Others	0.04%	0.02%

Actual return from plan assets in 2012 was NT\$1,990,551 (US\$68,522) thousands.

The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Company's defined benefit plans are shown below:

	31 December 2012	1 January 2012
Discount rate	1.54%	1.54%
Expected rate of return on plan assets	1.50%	1.50%
Expected rate of salary increases	1.54%	1.54%

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The effect of a 0.5 percentage point change in discount rate on defined benefit obligation is as follows:

	For the year ended 31 December 2012	
	NT\$	
	Discount rate (+0.5%)	Discount rate (-0.5%)
Effect on the defined benefit obligation	\$(424,359)	\$455,713

	For the year ended 31 December 2012	
	US\$	
	Discount rate (+0.5%)	Discount rate (-0.5%)
Effect on the defined benefit obligation	\$(14,608)	\$15,687

Other information on the defined benefit plans is as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2012
	NT\$	US\$
Defined benefit obligation at present value	\$11,685,318	\$402,248
Plan assets at fair value	9,474,891	326,158
Surplus (deficit) in plan	(2,210,427)	(76,090)
Experience adjustments on plan liabilities	602,550	20,742
Experience adjustments on plan assets	1,871,167	64,412

(2) Symphox Information

	31 December 2012	31 December 2012
	NT\$	US\$
Defined benefit obligation	\$(9,858)	\$(339)
Plan assets at fair value	12,057	415
Funded status	2,199	76
Unrecognized pension loss	(1,072)	(37)
Accrued pension liability recognized on the consolidated balance sheets	\$1,127	\$39

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For the three-month periods ended 31 March 2013 and 2012

	1 January 2012	1 January 2012
	NT\$	US\$
Defined benefit obligation	\$(8,236)	\$(272)
Plan assets at fair value	11,353	375
Funded status	3,117	103
Unrecognized pension loss	(2,040)	(67)
Accrued pension liability recognized on the consolidated balance sheets	\$1,077	\$36

Changes in present value of the defined benefit obligation are as follows:

	For the year ended	For the year ended
	31 December 2012	31 December 2012
	NT\$	US\$
Defined benefit obligation at 1 January	\$8,236	\$284
Current service cost	605	21
Interest cost	162	5
Actuarial losses	855	29
Defined benefit obligation at 31 December	\$9,858	\$339

Changes in fair value of plan assets are as follows:

	For the year ended	For the year ended
	31 December 2012	31 December 2012
	NT\$	US\$
Plan assets, at fair value at 1 January	\$11,353	\$391
Contributions by employer	605	21
Actuarial gains	99	3
Plan assets, at fair value at 31 December	\$12,057	\$415

Symphox Information expects to contribute NT\$556 (US\$19) thousands to its defined benefit plans during the 12 months beginning after 31 March 2013.

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The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%)	
	31 December 2012	1 January 2012
Cash	23.87%	23.87%
Equity instruments	40.75%	40.75%
Debt instruments	19.19%	19.19%
Others	16.19%	16.19%

Actual return from plan assets in 2012 was NT\$98 (US\$3) thousands.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining Symphox Information defined benefit plans are shown below:

	31 December 2012	1 January 2012
Discount rate	1.75%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
Expected rate of salary increases	1.75%	2.00%

The effect of a 0.5 percentage point change in discount rate on defined benefit obligation is as follows:

	For the year ended 31 December 2012	
	NT\$	
	Discount rate (+0.5%)	Discount rate (-0.5%)
Effect on the defined benefit obligation	\$(774)	\$858

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	For the year ended 31 December 2012	
	US\$	
	Discount rate (+0.5%)	Discount rate (-0.5%)
Effect on the defined benefit obligation	\$ (27)	\$ 30

Other information on the defined benefit plans is as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2012
	NT\$	US\$
Defined benefit obligation at present value	\$ 9,858	\$ 339
Plan assets at fair value	12,057	415
Surplus (deficit) in plan	(2,199)	(76)
Experience adjustments on plan liabilities	963	33
Experience adjustments on plan assets	(24)	(1)

27. Provisions

	NT\$			
	Decommissioning liability	Litigation liability	Employee benefit liability	Total
1 January 2013	\$-	\$ 333,439	\$ 3,479,044	\$ 3,812,483
Increase	9,555	-	34,909	44,464
31 March 2013	\$ 9,555	\$ 333,439	\$ 3,513,953	\$ 3,856,947

	US\$			
	Decommissioning liability	Litigation liability	Employee benefit liability	Total
1 January 2013	\$-	\$ 11,185	\$ 116,707	\$ 127,892
Increase	321	-	1,171	1,492
31 March 2013	\$ 321	\$ 11,185	\$ 117,878	\$ 129,384

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28. Other liabilities

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Accounts collected in advance	\$307,927	\$10,330	\$300,819	\$10,355
Deferred handling fees	100,757	3,380	100,202	3,449
Guarantee deposits received	2,082,477	69,858	2,077,752	71,524
Other liabilities - Other	8,608,259	288,771	9,047,037	311,430
Total	\$11,099,420	\$372,339	\$11,525,810	\$396,758

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Accounts collected in advance	\$416,088	\$14,105	\$397,555	\$13,134
Guarantee deposits received	1,981,381	67,165	1,960,914	64,781
Other liabilities - Other	5,898,805	199,960	4,122,246	136,182
Total	\$8,296,274	\$281,230	\$6,480,715	\$214,097

29. Deferred handling fees

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

	For the three-month period ended 31 March 2013		For the three-month period ended 31 March 2012	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$100,202	\$3,361	\$-	\$-
Amortization	(3,838)	(129)	-	-
Losses on foreign exchange	4,393	148	-	-
Ending balance	\$100,757	\$3,380	\$-	\$-

30. Common stock

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the total authorized thousand shares were all 5,306,527 at par value of NT\$10.

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31. Capital surplus

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$13,000,000	\$436,095	\$13,000,000	\$447,504
Other	9,649	324	9,649	332
Total	<u>\$13,009,649</u>	<u>\$436,419</u>	<u>\$13,009,649</u>	<u>\$447,836</u>

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$13,000,000	\$440,678	\$13,000,000	\$429,468
Other	9,649	327	9,649	319
Total	<u>\$13,009,649</u>	<u>\$441,005</u>	<u>\$13,009,649</u>	<u>\$429,787</u>

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

32. Retained earnings

(1) Legal capital reserve

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

On 30 April 2013, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of NT\$655,998 (US\$22,582) thousands. On 24 April 2012, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of NT\$91,176 (US\$3,012) thousands.

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(2) Special capital 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 capital reserve when approved by stockholders’ meeting in the following year.

Special reserve for major incidents and for fluctuation of risks in accordance with Section 18 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” is placed in the special capital reserve under retained earnings.

According to Article 17 of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, when the company acquires real estates from its related parties, the differences between transaction price and valuation cost shall be recognized as special capital reserve.

On 30 April 2013, the Company’s board of directors, acting on behalf of the shareholders, resolved to use the special capital reserves to offset the cumulative deficits amounting to NT\$34,693 (US\$1,194) thousands after recognizing special capital reserves of NT\$2,658,684 (US\$91,521) thousands, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of NT\$1,119,727 (US\$37,562) thousands had been recognized at the end of 2012 in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.” The resolution was authorized by Financial Supervisory Commission on 16 April 2013.

(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 capital reserve and special capital 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 shall be distributed as the employee bonus.

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- 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. The employee bonus and remuneration of directors for the three-month periods ended 31 March 2013 and 2012, amounting to NT\$0 (US\$0) thousands and NT\$0 (US\$0) thousands, respectively, were 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.
- D. The Company’s distribution of 2012 retained earnings has been approved by the board of directors on behalf of the shareholders. For related information please refer to the “Market Observation Post System” website of the Taiwan Stock Exchange Corporation.
- E. Special reserves for major incidents and special reserves for fluctuation of risks are recorded as special capital reserve under equity at the end of this year. As of 31 March 2013, the reserves amounted to NT\$177,420 (US\$5,952) thousands.

(4) Non-controlling interests

	For the three-month period ended 31 March 2013		For the three-month period ended 31 March 2012	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,012,972	\$33,981	\$1,133,769	\$38,432
Net income attributable to non-controlling interests	68,891	2,311	45,979	1,559
Other comprehensive income attributable to non-controlling interests				
Exchange differences resulting from translating the financial statements of foreign operations	24,426	819	(25,174)	(853)
Unrealized gains from available-for-sale financial assets	5,073	170	41,274	1,399
Ending balance	\$1,111,362	\$37,281	\$1,195,848	\$40,537

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33. Retained earned premium

(1) The Company

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct premium income	\$90,552,000	\$2,335,262	\$92,887,262	\$137,706,426	\$3,107,005	\$140,813,431
Reinsurance premium income	59,909	-	59,909	46,349	-	46,349
Premium income	90,611,909	2,335,262	92,947,171	137,752,775	3,107,005	140,859,780
Less:						
Premiums ceded to reinsurers	(4,659,606)	-	(4,659,606)	(6,565,020)	-	(6,565,020)
Changes in unearned premium reserve	(2,206,516)	-	(2,206,516)	150,814	1	150,815
Subtotal	(6,866,122)	-	(6,866,122)	(6,414,206)	1	(6,414,205)
Retained earned premium	\$83,745,787	\$2,335,262	\$86,081,049	\$131,338,569	\$3,107,006	\$134,445,575

	For the three month period ended 31 March 2013			For the three month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct premium income	\$3,037,638	\$78,338	\$3,115,976	\$4,668,015	\$105,322	\$4,773,337
Reinsurance premium income	2,010	-	2,010	1,571	-	1,571
Premium income	3,039,648	78,338	3,117,986	4,669,586	105,322	4,774,908
Less:						
Premiums ceded to reinsurers	(156,310)	-	(156,310)	(222,543)	-	(222,543)
Changes in unearned premium reserve	(74,019)	-	(74,019)	5,112	-	5,112
Subtotal	(230,329)	-	(230,329)	(217,431)	-	(217,431)
Retained earned premium	\$2,809,319	\$78,338	\$2,887,657	\$4,452,155	\$105,322	\$4,557,477

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(2) Cathay life (China)

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct premium income	\$596,335	\$-	\$596,335	\$563,562	\$-	\$563,562
Reinsurance premium income	-	-	-	-	-	-
Premium income	596,335	-	596,335	563,562	-	563,562
Less:						
Premiums ceded to reinsurers	(4,896)	-	(4,896)	(5,722)	-	(5,722)
Changes in unearned premium reserve	556	-	556	(13,014)	-	(13,014)
Subtotal	(4,340)	-	(4,340)	(18,736)	-	(18,736)
Retained earned premium	\$591,995	\$-	\$591,995	\$544,826	\$-	\$544,826

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct premium income	\$20,005	\$-	\$20,005	\$19,103	\$-	\$19,103
Reinsurance premium income	-	-	-	-	-	-
Premium income	20,005	-	20,005	19,103	-	19,103
Less:						
Premiums ceded to reinsurers	(165)	-	(165)	(194)	-	(194)
Changes in unearned premium reserve	19	-	19	(440)	-	(440)
Subtotal	(146)	-	(146)	(634)	-	(634)
Retained earned premium	\$19,859	\$-	\$19,859	\$18,469	\$-	\$18,469

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(3) Cathay life (Vietnam)

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct premium income	\$16,986	\$-	\$16,986	\$35,814	\$-	\$35,814
Reinsurance premium income	-	-	-	-	-	-
Premium income	16,986	-	16,986	35,814	-	35,814
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	(736)	-	(736)	426	-	426
Subtotal	(736)	-	(736)	426	-	426
Retained earned premium	\$16,250	\$-	\$16,250	\$36,240	\$-	\$36,240

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct premium income	\$570	\$-	\$570	\$1,214	\$-	\$1,214
Reinsurance premium income	-	-	-	-	-	-
Premium income	570	-	570	1,214	-	1,214
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	(25)	-	(25)	14	-	14
Subtotal	(25)	-	(25)	14	-	14
Retained earned premium	\$545	\$-	\$545	\$1,228	\$-	\$1,228

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34. Retained claim payment

(1) The Company

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Insurance contract	feature	Total	Insurance contract	feature	Total
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
Direct insurance claim payments	\$38,735,629	\$7,118,791	\$45,854,420	\$40,521,326	\$13,980,004	\$54,501,330
Reinsurance claim payments	38,805	-	38,805	36,745	-	36,745
Insurance claim payments	38,774,434	7,118,791	45,893,225	40,558,071	13,980,004	54,538,075
Less:						
Claims recovered from reinsures	(2,998,555)	-	(2,998,555)	(2,536,261)	-	(2,536,261)
Retained claim payment	\$35,775,879	\$7,118,791	\$42,894,670	\$38,021,810	\$13,980,004	\$52,001,814

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Insurance contract	feature	Total	Insurance contract	feature	Total
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
Direct insurance claim payments	\$1,299,417	\$238,805	\$1,538,222	\$1,373,604	\$473,898	\$1,847,502
Reinsurance claim payments	1,302	-	1,302	1,246	-	1,246
Insurance claim payments	1,300,719	238,805	1,539,524	1,374,850	473,898	1,848,748
Less:						
Claims recovered from reinsures	(100,589)	-	(100,589)	(85,975)	-	(85,975)
Retained claim payment	\$1,200,130	\$238,805	\$1,438,935	\$1,288,875	\$473,898	\$1,762,773

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(2) Cathay life (China)

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct insurance claim payments	\$242,158	\$-	\$242,158	\$388,081	\$-	\$388,081
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	242,158	-	242,158	388,081	-	388,081
Less:						
Claims recovered from reinsures	(9,268)	-	(9,268)	(13,661)	-	(13,661)
Retained claim payment	\$232,890	\$-	\$232,890	\$374,420	\$-	\$374,420

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct insurance claim payments	\$8,123	\$-	\$8,123	\$13,155	\$-	\$13,155
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	8,123	-	8,123	13,155	-	13,155
Less:						
Claims recovered from reinsures	(311)	-	(311)	(463)	-	(463)
Retained claim payment	\$7,812	\$-	\$7,812	\$12,692	\$-	\$12,692

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(3) Cathay life (Vietnam)

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	NT\$			NT\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct insurance claim payments	\$3,886	\$-	\$3,886	\$7,393	\$-	\$7,393
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	3,886	-	3,886	7,393	-	7,393
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payment	\$3,886	\$-	\$3,886	\$7,393	\$-	\$7,393

	For the three-month period ended 31 March 2013			For the three-month period ended 31 March 2012		
	US\$			US\$		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Direct insurance claim payments	\$131	\$-	\$131	\$251	\$-	\$251
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	131	-	131	251	-	251
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payment	\$131	\$-	\$131	\$251	\$-	\$251

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35. Personnel expense, depreciation and amortizations – The Company and Subsidiaries

Item	For the three-month period ended 31 March 2013 NT\$			For the three-month period ended 31 March 2013 US\$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$3,292,900	\$797,841	\$4,090,741	\$110,463	\$26,764	\$137,227
Labor and health insurance expenses	523,454	106,281	629,735	17,560	3,565	21,125
Pension expenses	284,672	54,324	338,996	9,550	1,822	11,372
Other expenses	308,490	80,050	388,540	10,349	2,685	13,034
Depreciation	10,666	749,188	759,854	358	25,132	25,490
Amortization	388	17,424	17,812	13	584	597

Item	For the three-month period ended 31 March 2012 NT\$			For the three-month period ended 31 March 2012 US\$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$2,949,937	\$689,565	\$3,639,502	\$99,998	\$23,375	\$123,373
Labor and health insurance expenses	412,398	80,668	493,066	13,980	2,734	16,714
Pension expenses	269,602	50,199	319,801	9,139	1,701	10,840
Other expenses	367,245	88,776	456,021	12,449	3,009	15,458
Depreciation	10,488	699,576	710,064	356	23,714	24,070
Amortization	181	27,411	27,592	6	929	935

36. Non-operating income and expenses

	For the three-month period ended 31 March 2013		For the three-month period ended 31 March 2012	
	NT\$	US\$	NT\$	US\$
Losses on disposal of property and equipment	\$(97)	\$(3)	\$(33)	\$(1)
Dividend on preferred stock liabilities	(223,890)	(7,511)	(225,760)	(7,653)
Other	382,703	12,838	451,401	15,302
Total	\$158,716	\$5,324	\$225,608	\$7,648

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37. Components of other comprehensive income

	For the three-month period ended 31 March 2013				
	NT\$				
	Reclassification	Other	Income taxes	Other	
Arising during	adjustments	comprehensive	benefit	comprehensive	
the period	during the period	income	(expenses)	income, net of tax	
Exchange differences resulting from translating the financial statements of foreign operations	\$129,814	\$-	\$129,814	\$-	\$129,814
Unrealized valuation losses from available-for-sale financial assets	4,080,832	(4,075,754)	5,078	(192,283)	(187,205)
Effective portion of losses on hedging instruments in cash flow hedges	(7,914)	(191,152)	(199,066)	33,841	(165,225)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	22,540	-	22,540	-	22,540
Total	<u>\$4,225,272</u>	<u>\$(4,266,906)</u>	<u>\$(41,634)</u>	<u>\$(158,442)</u>	<u>\$(200,076)</u>

	For the three-month period ended 31 March 2013				
	US\$				
	Reclassification	Other	Income taxes	Other	
Arising during	adjustments	comprehensive	benefit	comprehensive	
the period	during the period	income	(expenses)	income, net of tax	
Exchange differences resulting from translating the financial statements of foreign operations	\$4,355	\$-	\$4,355	\$-	\$4,355
Unrealized valuation losses from available-for-sale financial assets	136,895	(136,725)	170	(6,450)	(6,280)
Effective portion of losses on hedging instruments in cash flow hedges	(266)	(6,412)	(6,678)	1,135	(5,543)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	756	-	756	-	756
Total	<u>\$141,740</u>	<u>\$(143,137)</u>	<u>\$(1,397)</u>	<u>\$(5,315)</u>	<u>\$(6,712)</u>

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	For the three-month period ended 31 March 2012				
	NT\$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income taxes benefit (expenses)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of foreign operations	\$(68,420)	\$-	\$(68,420)	\$-	\$(68,420)
Unrealized valuation gains from available-for-sale financial assets	26,437,123	(4,161,841)	22,275,282	(862,553)	21,412,729
Effective portion of losses on hedging instruments in cash flow hedges	(111,033)	(197,654)	(308,687)	52,476	(256,211)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(1,181)	-	(1,181)	-	(1,181)
Total	\$26,256,489	\$(4,359,495)	\$21,896,994	\$(810,077)	\$21,086,917

	For the three-month period ended 31 March 2012				
	US\$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income taxes benefit (expenses)	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of foreign operations	\$(2,319)	\$-	\$(2,319)	\$-	\$(2,319)
Unrealized valuation gains from available-for-sale financial assets	896,173	(141,079)	755,094	(29,239)	725,855
Effective portion of losses on hedging instruments in cash flow hedges	(3,764)	(6,700)	(10,464)	1,779	(8,685)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(40)	-	(40)	-	(40)
Total	\$890,050	\$(147,779)	\$742,271	\$(27,460)	\$714,811

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38. Income taxes

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

Income tax expense (benefit) recognized in profit or loss

	For the three-month period ended 31 March 2013 NT\$	For the three-month period ended 31 March 2013 US\$
Current income tax expense (benefit)		
Current income tax charge	\$645	\$22
Deferred tax expense		
Deferred tax expense relating to origination and reversal of temporary differences	467,878	15,695
Other		
Tax effect under consolidated income tax systems	(245,724)	(8,243)
Withholding tax for overseas investments	2,996	100
China corporate income tax	226	8
Total income tax expense	<u>\$226,021</u>	<u>\$7,582</u>
	For the three-month period ended 31 March 2012 NT\$	For the three-month period ended 31 March 2012 US\$
Current income tax expense (benefit)		
Current income tax charge	\$266,836	\$9,045
Adjustments in respect of current income tax of prior periods	40,290	1,366
Deferred tax benefit		
Deferred tax benefit relating to origination and reversal of temporary differences	(1,148,371)	(38,928)
Other		
Tax effect under basic tax systems	62,466	2,117
Tax effect under consolidated income tax systems	(62,466)	(2,117)
China corporate income tax	128	5
Total income tax benefit	<u>\$(841,117)</u>	<u>\$(28,512)</u>

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Income tax relating to components of other comprehensive income

	For the three-month period ended 31 March 2013 NT\$	For the three-month period ended 31 March 2013 US\$
Deferred tax expense (benefit)		
Unrealized valuation gains from available-for-sale financial assets	\$192,283	\$6,450
Effective portion of losses on hedging instruments in cash flow hedges	(33,841)	(1,135)
Income tax relating to components of other comprehensive income	\$158,442	\$5,315
	For the three-month period ended 31 March 2012 NT\$	For the three-month period ended 31 March 2012 US\$
Deferred tax expense (benefit)		
Unrealized valuation gains from available-for-sale financial assets	\$862,553	\$29,239
Effective portion of losses on hedging instruments in cash flow hedges	(52,476)	(1,779)
Income tax relating to components of other comprehensive income	\$810,077	\$27,460

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A reconciliation between income tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the three-month period ended 31 March 2013 NT\$	For the three-month period ended 31 March 2013 US\$
Accounting profit before tax from continuing operations	\$4,292,430	\$143,993
Tax at the domestic rates applicable to profits in the country concerned	752,352	25,238
Tax effect of revenues exempt from taxation	(655,101)	(21,976)
Tax effect of expenses not deductible for tax purposes	30,872	1,036
Tax effect of deferred tax assets/liabilities	(31,625)	(1,061)
Other		
Tax effect under consolidated income tax systems	126,301	4,237
Withholding tax for overseas investments	2,996	100
China corporate income tax	226	8
Total income tax expense recognized in profit or loss	\$226,021	\$7,582
	For the three-month period ended 31 March 2012 NT\$	For the three-month period ended 31 March 2012 US\$
Accounting loss before tax from continuing operations	\$(2,292,403)	\$(77,708)
Tax at the domestic rates applicable to profits in the country concerned	(371,682)	(12,600)
Tax effect of revenues exempt from taxation	(520,183)	(17,633)
Tax effect of expenses not deductible for tax purposes	37,123	1,258
Tax effect of deferred tax assets/liabilities	(26,793)	(908)
Adjustments in respect of current income tax of prior periods	40,290	1,366
Other		
Tax effect under basic tax systems	62,466	2,117
Tax effect under consolidated income tax systems	(62,466)	(2,117)
China corporate income tax	128	5
Total income tax benefit recognized in profit or loss	\$(841,117)	\$(28,512)

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Deferred tax assets (liabilities) relate to the following:

	For the three-month period ended 31 March 2013				
	NT\$				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Property and equipment	\$640,592	\$7,437	\$-	\$-	\$648,029
Investment property	(7,798,917)	(6,094)	-	-	(7,805,011)
Financial assets at fair value through profit or loss	(776,481)	458,394	-	-	(318,087)
Available-for-sale financial assets	(5,827,809)	-	354,750	-	(5,473,059)
Derivative financial assets for hedging	(196,534)	-	33,841	-	(162,693)
Bond investments for which no active market exists	50,801	(131)	-	-	50,670
Prepaid pension	-	-	-	(267)	(267)
Guarantee deposits paid	1,250	-	-	-	1,250
Financial liabilities at fair value through profit or loss	358,911	2,430,395	-	-	2,789,306
Other receivables	(46,622)	(1,042)	-	-	(47,664)
Employee benefit liability	591,438	5,935	-	-	597,373
Contribution in aid of construction costs	22	(3)	-	-	19
Office supplies	5,596	-	-	-	5,596
Foreign exchange losses (gains)	14,458,060	(4,107,009)	(547,033)	-	9,804,018
Special reserve	(744,240)	744,240	-	-	-
Deferred tax expenses		<u>\$(467,878)</u>	<u>\$(158,442)</u>	<u>\$(267)</u>	
Deferred tax assets-Net	<u>\$716,067</u>				<u>\$89,480</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$16,106,670</u>				<u>\$13,896,261</u>
Deferred tax liabilities	<u>\$(15,390,603)</u>				<u>\$(13,806,781)</u>

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	For the three-month period ended 31 March 2013				
	US\$				
	Beginning	Recognized in	Recognized in	Exchange	Ending
	balance	profit or loss	comprehensive	differences	balance
			other		
			income		
Temporary differences					
Property and equipment	\$21,489	\$250	\$-	\$-	\$21,739
Investment property	(261,621)	(204)	-	-	(261,825)
Financial assets at fair value through profit or loss	(26,048)	15,377	-	-	(10,671)
Available-for-sale financial assets	(195,498)	-	11,900	-	(183,598)
Derivative financial assets for hedging	(6,593)	-	1,135	-	(5,458)
Bond investments for which no active market exists	1,704	(4)	-	-	1,700
Prepaid pension	-	-	-	(9)	(9)
Guarantee deposits paid	42	-	-	-	42
Financial liabilities at fair value through profit or loss	12,040	81,529	-	-	93,569
Other receivables	(1,564)	(35)	-	-	(1,599)
Employee benefit liability	19,840	199	-	-	20,039
Contribution in aid of construction costs	1	-	-	-	1
Office supplies	188	-	-	-	188
Foreign exchange losses (gains)	485,007	(137,773)	(18,350)	-	328,884
Special reserve	(24,966)	24,966	-	-	-
Deferred tax expenses		<u>\$(15,695)</u>	<u>\$(5,315)</u>	<u>\$(9)</u>	
Deferred tax assets-Net	<u>\$24,021</u>				<u>\$3,002</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$540,311</u>				<u>\$466,161</u>
Deferred tax liabilities	<u>\$(516,290)</u>				<u>\$(463,159)</u>

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	For the three-month period ended 31 March 2012				
	NT\$				
	Beginning	Recognized in	Recognized in	Exchange	Ending
	balance	profit or loss	other comprehensive income	differences	balance
Temporary differences					
Property and equipment	\$385,821	\$5,432	\$-	\$-	\$391,253
Investment property	(7,604,517)	14,952	-	-	(7,589,565)
Financial assets at fair value through profit or loss	(623,153)	(378,364)	-	-	(1,001,517)
Available-for-sale financial assets	(3,517,957)	594	(1,454,603)	-	(4,971,966)
Derivative financial assets for hedging	(339,526)	-	52,476	-	(287,050)
Bond investments for which no active market exists	48,034	915	-	-	48,949
Guarantee deposits paid	109	2,356	-	-	2,465
Financial liabilities at fair value through profit or loss	2,975,117	(1,962,355)	-	-	1,012,762
Other receivables	(61,699)	(8,708)	-	-	(70,407)
Employee benefit liability	560,927	8,139	-	-	569,066
Contribution in aid of construction costs	42	(9)	-	-	33
Office supplies	3,796	-	-	-	3,796
Foreign exchange losses	8,013,736	3,461,570	592,050	33	12,067,389
Special reserve	(766,939)	3,849	-	-	(763,090)
Deferred tax benefit (expenses)		\$1,148,371	\$(810,077)	\$33	
Deferred tax liabilities-Net	<u>\$(926,209)</u>				<u>\$(587,882)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$11,989,836</u>				<u>\$14,097,935</u>
Deferred tax liabilities	<u>\$(12,916,045)</u>				<u>\$(14,685,817)</u>

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	For the three-month period ended 31 March 2012				
	US\$				
	Beginning	Recognized in	Recognized in	Exchange	Ending
	balance	profit or loss	other comprehensive income	differences	balance
Temporary differences					
Property and equipment	\$13,079	\$184	\$-	\$-	\$13,263
Investment property	(257,780)	507	-	-	(257,273)
Financial assets at fair value through profit or loss	(21,124)	(12,826)	-	-	(33,950)
Available-for-sale financial assets	(119,253)	20	(49,309)	-	(168,542)
Derivative financial assets for hedging	(11,509)	-	1,779	-	(9,730)
Bond investments for which no active market exists	1,628	31	-	-	1,659
Guarantee deposits paid	4	80	-	-	84
Financial liabilities at fair value through profit or loss	100,851	(66,520)	-	-	34,331
Other receivables	(2,092)	(295)	-	-	(2,387)
Employee benefit liability	19,014	276	-	-	19,290
Contribution in aid of construction costs	1	-	-	-	1
Office supplies	129	-	-	-	129
Foreign exchange losses	271,652	117,341	20,070	1	409,064
Special reserve	(25,997)	130	-	-	(25,867)
Deferred tax benefit (expenses)		\$38,928	\$(27,460)	\$1	
Deferred tax liabilities-Net	<u>\$(31,397)</u>				<u>\$(19,928)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$406,435</u>				<u>\$477,896</u>
Deferred tax liabilities	<u>\$(437,832)</u>				<u>\$(497,824)</u>

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The following table contains information of the unused tax losses of the Company:

		Unused tax losses				
		NT\$				
Year	Tax losses	31 March 2013	31 December 2012	31 March 2012	1 January 2012	Expiration year
2006	\$8,251,573	\$8,251,573	\$8,251,573	\$8,251,573	\$8,251,573	2016
2008	3,927,234	3,927,234	3,927,234	3,927,234	3,927,234	2018
2009	12,173,664	12,173,664	12,173,664	12,173,664	12,173,664	2019
		<u>\$24,352,471</u>	<u>\$24,352,471</u>	<u>\$24,352,471</u>	<u>\$24,352,471</u>	

		Unused tax losses				
		US\$				
Year	Tax losses	31 March 2013	31 December 2012	31 March 2012	1 January 2012	Expiration year
2006	\$276,806	\$276,806	\$284,047	\$279,714	\$272,599	2016
2008	131,742	131,742	135,189	133,127	129,740	2018
2009	408,375	408,375	419,059	412,666	402,169	2019
		<u>\$816,923</u>	<u>\$838,295</u>	<u>\$825,507</u>	<u>\$804,508</u>	

Details of the Company's unused tax credit are as follows:

		Unused tax deduciton				
		31 March 2013		31 December 2012		Expiration
Laws and regulations	Items	NT\$	US\$	NT\$	US\$	year
The Act for Upgrading Industries	Education and training	\$-	\$-	\$-	\$-	2012
The Act for Upgrading Industries	Education and training	8,755	294	8,755	301	2013
		<u>\$8,755</u>	<u>\$294</u>	<u>\$8,755</u>	<u>\$301</u>	

		Unused tax deduciton				
		31 March 2012		1 January 2012		Expiration
Laws and regulations	Items	NT\$	US\$	NT\$	US\$	year
The Act for Upgrading Industries	Education and training	\$12,478	\$423	\$12,478	\$412	2012
The Act for Upgrading Industries	Education and training	8,755	297	8,755	289	2013
		<u>\$21,233</u>	<u>\$720</u>	<u>\$21,233</u>	<u>\$701</u>	

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Unrecognized deferred tax assets

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT\$4,974,632 (US\$166,878) thousands, NT\$5,056,568 (US\$174,064) thousands, NT\$4,974,594 (US\$168,630) thousands and NT\$5,021,288 (US\$165,883) thousands, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregated to NT\$10,921 (US\$366) thousands, NT\$10,550 (US\$363) thousands, NT\$13,584 (US\$460) thousands and NT\$14,795 (US\$489) thousands, respectively.

Imputation credit information

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Balances of imputation credit amounts	\$5,585,851	\$187,382	\$5,584,641	\$192,242

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Balances of imputation credit amounts	\$4,376,601	\$148,359	\$4,368,541	\$144,319

The expected creditable ratio for 2012 and the actual creditable ratio for 2011 were 20.48% and 20.48%, respectively.

The Company's earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated.

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The assessment of income tax returns

As of 31 March 2013, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2007
Symphox Information	Assessed and approved up to 2010

39. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

The Company did not issue dilutive potential common stock; therefore, the basic earnings per share need not be adjusted.

	For the three-month period ended 31 March 2013 NT\$	For the three-month period ended 31 March 2013 US\$
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	\$3,997,518	\$134,100
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	5,306,527	5,306,527
Basic earnings per share (In dollars)	\$0.75	\$0.03
	For the three-month period ended 31 March 2012 NT\$	For the three-month period ended 31 March 2012 US\$
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	\$(1,497,265)	\$(50,755)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	5,306,527	5,306,527
Earnings per share (In dollars)	\$(0.28)	\$(0.01)

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Basic earnings per share would be NT\$1.26 (US\$0.04) if foreign exchange volatility reserve was not applied. Basic earnings per share would be NT\$0.28 (US\$0.01) if gains from recovery of special reserve for revaluation increment of property was not included.

40. Separate account insurance products

(1) The Company

A. Separate account insurance products – assets and liabilities

Assets			Liabilities		
Item	31 March 2013		Item	31 March 2013	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$579,332	\$19,434	Other payable	\$1,507,736	\$50,578
Financial assets at fair value through profit or loss	349,241,727	11,715,589	Reserve for separate account-Insurance contracts	320,908,022	10,765,113
Other receivable	9,169,009	307,582	Reserve for separate account-Investment contracts	36,574,310	1,226,914
Total	\$358,990,068	\$12,042,605	Total	\$358,990,068	\$12,042,605

Assets			Liabilities		
Item	31 December 2012		Item	31 December 2012	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$1,269,067	\$43,686	Other payable	\$1,439,828	\$49,564
Financial assets at fair value through profit or loss	319,027,929	10,982,028	Reserve for separate account-Insurance contracts	299,194,942	10,299,309
Other receivable	8,903,802	306,499	Reserve for separate account-Investment contracts	28,566,028	983,340
Total	\$329,200,798	\$11,332,213	Total	\$329,200,798	\$11,332,213

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Assets			Liabilities		
Item	31 March 2012		Item	31 March 2012	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$675,811	\$22,909	Other payable	\$2,435,624	\$82,564
Financial assets at fair value through profit or loss	292,897,094	9,928,715	Reserve for separate account-Insurance contracts	278,557,335	9,442,621
Interest receivable	5,478	186	Reserve for separate account-Investment contracts	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

Assets			Liabilities		
Item	1 January 2012		Item	1 January 2012	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$859,684	\$28,401	Other payable	\$2,436,877	\$80,505
Financial assets at fair value through profit or loss	288,778,425	9,540,087	Reserve for separate account-Insurance contracts	272,543,995	9,003,766
Interest receivable	5,464	180	Reserve for separate account-Investment contracts	18,574,650	613,632
Other receivable	3,911,949	129,235			
Total	\$293,555,522	\$9,697,903	Total	\$293,555,522	\$9,697,903

B. Separate account insurance products - revenue and expenses

Expenses			Revenue		
Item	1 January- 31 March 2013		Item	1 January- 31 March 2013	
	NT\$	US\$		NT\$	US\$
Insurance claim payments	\$2,431,819	\$81,577	Premiums income	\$25,290,631	\$848,394
Cash surrender value	12,855,598	431,251	Interest income	2,876	96
Dividends	82	3	Gains from financial assets and liabilities at fair value through profit or loss	4,682,046	157,063
Provision for separate account reserve	21,713,080	728,382	Foreign exchange gains	7,906,408	265,227
Administrative expenses	900,824	30,219			
Non-operating income and expenses	(19,442)	(652)			
Total	\$37,881,961	\$1,270,780	Total	\$37,881,961	\$1,270,780

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Expenses			Revenue		
Item	1 January- 31 March 2012		Item	1 January- 31 March 2012	
	NT\$	US\$		NT\$	US\$
Insurance claim payments	\$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	Gains from financial assets and liabilities at fair value through profit or loss	15,446,040	523,595
Provision for separate account reserve	6,012,921	203,828	Foreign exchange losses	(1,657,083)	(56,172)
Administrative expenses	935,574	31,714	Miscellaneous income	9,804	332
Total	\$21,632,010	\$733,288	Total	\$21,632,010	\$733,288

C. The commission earned from counterparties for the sales of separate account insurance products for the three-month periods ended 31 March 2013 and 2012 were NT\$305,110 (US\$10,235) thousands and NT\$249,195 (US\$8,447) thousands, respectively.

(2) Cathay life (China)

A. Separate account insurance products-assets and liabilities

Assets			Liabilities		
Item	31 March 2013		Item	31 March 2013	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$8,853	\$297	Tax Payable	\$1,722	\$58
Financial assets at fair value through profit or loss	371,858	12,475	Reserve for separate account	366,297	12,288
Interests receivable	6	-	Others	17,205	577
Other	4,507	151			
Total	\$385,224	\$12,923	Total	\$385,224	\$12,923

Assets			Liabilities		
Item	31 December 2012		Item	31 December 2012	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$18,089	\$623	Other account payable	\$414	\$15
Financial assets at fair value through profit or loss	338,194	11,642	Reserve for separate account	344,846	11,871
Interests receivable	165	6	Others	11,188	385
Total	\$356,448	\$12,271	Total	\$356,448	\$12,271

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Assets			Liabilities		
Item	31 March 2012		Item	31 March 2012	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$61,346	\$2,079	Other account payable	\$737	\$25
Financial assets at fair value through profit or loss	370,258	12,551	Tax Payable	1,339	45
Interests receivable	150	5	Reserve for separate account	429,678	14,565
Others	3,415	116	Others	3,415	116
Total	\$435,169	\$14,751	Total	\$435,169	\$14,751

Assets			Liabilities		
Item	1 January 2012		Item	1 January 2012	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$19,135	\$632	Other account payable	\$1,378	\$46
Financial assets at fair value through profit or loss	476,195	15,732	Reserve for separate account	480,999	15,890
Interests receivable	160	5	Others	13,113	433
Total	\$495,490	\$16,369	Total	\$495,490	\$16,369

B. Separate account insurance products-revenue and expenses

Expenses			Revenue		
Item	1 January- 31 March 2013		Item	1 January- 31 March 2013	
	NT\$	US\$		NT\$	US\$
Cash surrender value	\$16,059	\$539	Premiums income	\$16,519	\$554
Losses on disposal of investment	9,157	307	Interest income	29	1
Administrative expenses	863	29	Tax expenses	63	2
			Gains from financial assets and liabilities at fair value through profit or loss	9,468	318
Total	\$26,079	\$875	Total	\$26,079	\$875

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Expenses			Revenue		
Item	1 January- 31 March 2012		Item	1 January- 31 March 2012	
	NT\$	US\$		NT\$	US\$
Cash surrender value	\$20,803	\$705	Premiums income	\$28,276	\$958
Losses on disposal of investment	13,568	460	Interest income	83	3
Provision for separate account reserve	15,651	531	Gains from financial assets and liabilities at fair value through profit or loss	23,084	783
Administrative expenses	1,421	48			
Total	\$51,443	\$1,744	Total	\$51,443	\$1,744

41. Risk management for insurance contracts and financial instruments

Risk management objectives, policies, procedures and methods:

(1) Objectives of risk management

The Company's risk management policy aims to promote operational efficiency, to ensure assets safety, to increase shareholder value, and to comply with any and all applicable regulations for the purpose of steady growth and sustainable management.

(2) Framework of risk management, organization structure and responsibilities

A. Board of directors

- a. The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and allocate resources in the most effective manner.
- b. The board of directors and senior management should promote and execute risk management policies and standards. Furthermore, they should keep the policies and standards in line with the Company's operational objective and strategy.

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- c. The board of directors should acknowledge the risk arising from daily 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 limits by other departments.

B. Risk management committee

- a. The committee should develop the risk management policies, framework and organizational function and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing such policies and standards to the board regularly and making necessary suggestions for improvement.
- b. The committee should execute the risk management decisions set by the board of directors and evaluate the results of developing and executing risk management mechanisms.
- c. The committee should assist and monitor the risk management activities.
- d. The committee should adjust the risk category, risk limits and risk taking tendency according to the change of the 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 and should perform its duties independently.

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- b. The department should perform the following functions with regard to different business activities:
 - (A) Propose and execute the risk management policies set by the board of directors.
 - (B) Suggest the risk limits based on risk appetite.
 - (C) Summarize the risk information provided by all departments, facilitate the execution of the policies and discuss the risk limits with departments respectively.
 - (D) Regularly generate risk management related reports.
 - (E) Regularly review all department's risk limits and cope with the violation of such limits.
 - (F) Execute stress testing and back testing if necessary.
 - (G) Manage other risk management issues.

D. Operating departments

- a. Managers of the operating departments shall:
 - (A) be responsible for such department's daily risk management reporting and report issues if necessary; and
 - (B) urge the disclosure of risk management information regularly to the risk management department.
- b. Operating departments shall:
 - (A) identify and measure risks and report risk exposure and potential influence against the Company on time;
 - (B) regularly review the risk limits. Any excess of such limits should be reported along with any actions taken against such excess;
 - (C) assist with developing the risk model and to ensure that the risk measurement, the model application and the assumptions behind the model are reasonable and consistent;
 - (D) ensure that internal control operates effectively to comply with relevant regulations and the Company's risk management policies; and
 - (E) assist in risk management data collection.

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E. Audit department

The department is required to audit all departments and to figure out the status of risk management policies execution pursuant to the relevant regulations and the Company's risk management policies.

(3) The scope and types of risk assessment and reporting

The Company's procedures for risk management include risk identification, risk measurement, risk control process and risk management reporting. The Company sets its risk management standards for a broad variety of risks as specified below, i.e. market risk, credit risk, sovereign risk, liquidity risk, operation risk, insurance risk, and assets/liability matching risk as well as for the capital adequacy. The Company also monitors the Company's risks and regularly provides the risk management reports.

A. Market risk

This risk can be defined as the risk of losses in value of the Company's financial assets arising from adverse movements in market prices of financial instruments. The Company applies one-week 95% and 99% value-at-risk (VaR) to measuring market risk. The Company also uses back testing regularly to ensure the accuracy of the market risk model. Furthermore, the Company applies scenario analysis and stress testing to evaluating the changes in the value of certain asset groups due to significant domestic and/or international events. In response to the enforcement of foreign exchange volatility reserve, the Company determines the ceiling of foreign exchange risk, implements early warning system and also monitors the foreign exchange risk regularly.

B. Credit risk

This risk refers to the Company's losses due to the default of debtors or counterparties. The measurements that the Company uses include credit rating, concentration analysis and value-at-risk (VaR) under 95% confidence level. Furthermore, the Company applies scenario analysis and stress testing to evaluate the changes in the value of the asset groups due to significant domestic and/or international events.

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C. Sovereign risk

It means that the Company suffers losses from investment in a specific country as a consequence of market price fluctuation or government's default stemming from local political and/or economic situations. The Company takes international credit rating agencies' ratings and other economic indexes into consideration to measure the sovereign risk and to set the investment ceiling for specific countries. The Company reviews and adjusts the ceiling on a regular basis.

D. Liquidity risk

Liquidity risk includes 'funding liquidity risk' and 'market liquidity risk'. The former 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 maintains 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 regularly. They also set the annual assets allocation plan to better maintain the liquidity of funding. 'Market liquidity risk' occurs when drastic change of market price is triggered by market turmoil or lack of market depth. All investment departments have evaluated the market trading volumes and adequacy of holding positions based on the characteristics and objectives of current investment portfolio.

E. Operating risk

This risk occurs when there are errors caused by internal processes, employees, system breakdowns or external issues such as the legislative risk; however, the strategic risk and the reputation risk are excluded. The Company had set the standard operating procedures based on all characteristics of operations and established losses reporting system as well to manage operating risk losses information.

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F. Insurance risk

The Company assumes that certain risks transfer from policy holders to the Company after collecting premiums from policy holders and, as a result, the Company may bear a loss for paying a claim due to unexpected changes. This risk generally happens because of the policy design, pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

G. Asset and liability matching risk

It happens when the changes in the value of assets and liabilities are not equal. The Company measures the risk with capital costs, duration, cash flow management and scenario analysis.

H. Risk-based capital (RBC) ratio

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

- (4) The process of assuming, measuring, monitoring and controlling risks and the way to determine a proper risk classification, a 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 definitions and range of risks, management structure, risk management indexes and other risk management measures.
- b. Establish methods to evaluate insurance risks.
- c. Regularly provide the insurance risk management report to be reviewed by the risk management committee and as a reference to developing insurance risk management strategies.

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- d. When an exceptional risk event occurs, the affected departments should propose possible solutions to the risk management committee in the Company and that in the Cathay Financial Holdings.
- B. The way to determine a proper risk classification, a premium level and underwriting policies:
- a. Underwriters should, at all times, comply with certain relevant rules of financial underwriting which includes checking insurance notification database for exceptional cases and consider the amount insured, type of insurance, age, family status, reason for insurance, employment status, financial situation etc. to determine whether an insurance policy is suitable and affordable for the potential policyholder.
 - b. The Company has an underwriting team dealing with controversial cases with regard to new contracts and changes of the terms and conditions and having the right to interpret relevant underwriting standards.
 - c. The Company has a special panel for major insurance projects to enhance risk management over such projects and avoid adverse selection and moral hazard.
- (5) The scope of insurance risk assessment and management from a company-wise perspective
- A. Insurance risk assessment covers the following topics:
- a. Product design and pricing risk: This risk arises from improper design of products, terms and conditions and pricing attributable to using the unsuitable and/or inconsistent information and/or facing unexpected changes.
 - b. Underwriting risk: Unexpected losses arise from soliciting business, underwriting activities and approval, other expenditure activities, etc.
 - c. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk or a reinsurer fails to fulfill its responsibility that results in losses in premium, claims or non-reimbursed expenses.
 - d. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating and solvency.

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- e. Claim risk: This risk arises from mishandling claims.
 - f. Risk of insufficient reserve: It happens when the Company does not have sufficient reserves to fulfill its obligations owing to underestimating its liabilities.
- B. The scope of management of insurance risk
- a. Build up a top-down framework of the Company's insurance risk management and empower relevant parties to execute risk management.
 - b. Establish the Company's insurance risk management standards including the definitions and types of risks, management of the structure, risk management indexes and other risk management measures.
 - c. Develop action plans in consideration of the Company's growth strategy and the global financial environment.
 - d. Determine methods to measure insurance risks.
 - e. Regularly provide insurance risk management report for supervision and as a reference to initiate insurance management strategy.
 - f. Manage other risk management issues.
- (6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The method that the Company mainly uses to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk is the reinsurance management plan which is made considering the Company's risk profiling and risk taking ability, legal issues and technical factors. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

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(7) Asset/liability management

- A. The Company has an asset/liability management committee to establish management structure, to ensure full application of the management policy, to integrate human capital and resources, to review the strategy and practice regularly and, furthermore, to reduce all types of risks.
- B. Authorized departments will review the measurement of asset/liability management regularly and report to the asset/liability management committee regularly; following that, the results will be sent to the risk management committee of the Company. Furthermore, the annual report should be delivered to the risk management committee of the Cathay Financial Holdings.
- C. When an exceptional situation occurs, the affected departments should propose possible solutions to the asset/liability management committee, the risk management committee in the Company and that in the Cathay Financial Holdings.

(8) The procedure to manage, monitor and control a special event which results in extra liability to be taken or extra owner equity to be committed

Pursuant to the applicable laws and regulations, the Company is required to maintain a certain Risk-based capital (RBC) ratio. In order to enhance the Company's capital management and to comply with such RBC ratio, the Company has established a set of capital adequacy management standards as follows:

A. Capital adequacy management

- a. Regularly provide capital adequacy management reports and analysis to the finance department of the Cathay Financial Holdings.
- b. Regularly provide the risk management committee the capital adequacy management analysis report.
- c. Conduct scenario analysis to figure out how the use of funding, the changes of the financial environment or the amendments of applicable laws and regulations can affect RBC ratio.

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

B. Exception management process

When RBC ratio exceeds the standard given or other exceptions occur, the Company is required to notify the risk management department and finance department of the Cathay Financial Holdings together with the capital adequacy analysis report and possible solution(s).

(9) Risk mitigation and avoidance policies and risk monitoring procedures

A. The Company also enters into derivative transactions such as stock index options, index futures, interest rate future, interest rate swaps, currency forwards, cross currency swap and credit default swaps to hedge risks arising from investments, such as equity risk, interest rate risk, foreign exchange risk and credit risk. To clarify, the Company does not enter into derivative transactions for the purpose of increasing investment income; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

B. Hedging instrument against business risks and implementation are made preliminarily based on the risk tolerance levels. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

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

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

Credit and investment limits to a group of companies are set by the Company. When such limits have been reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loan or make investment to such group in general. However, if there is any individual reason to require the Company to undertake it, the expected investment or loan needs to be reviewed by the loan review or investment decision committee and approved by the risk management department of the Cathay Financial Holdings.

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42. Information of insurance risk

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

A. The Company

For the three-month period ended 31 March 2013

NT\$			
	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 472,878	Decrease (increase) 392,489
Expense	×1.05 (×0.95)	Decrease (increase) 670,355	Decrease (increase) 556,394
Surrender rates	×1.05 (×0.95)	Increase (decrease) 70,477	Increase (decrease) 58,496
Rate of return	+0.1%	Increase 813,264	Increase 675,009
Rate of return	-0.1%	Decrease 813,466	Decrease 675,177

For the three-month period ended 31 March 2013

US\$			
	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 15,863	Decrease (increase) 13,166
Expense	×1.05 (×0.95)	Decrease (increase) 22,488	Decrease (increase) 18,665
Surrender rates	×1.05 (×0.95)	Increase (decrease) 2,364	Increase (decrease) 1,962
Rate of return	+0.1%	Increase 27,282	Increase 22,644
Rate of return	-0.1%	Decrease 27,288	Decrease 22,649

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For the three-month period ended 31 March 2012

NT\$			
	Scenarios	Change in income	
		before tax	Change in equity
Mortality/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
Rate of return	+0.1%	Increase 734,655	Increase 609,764
Rate of return	-0.1%	Decrease 734,838	Decrease 609,916

For the three-month period ended 31 March 2012

US\$			
	Scenarios	Change in income	
		before tax	Change in equity
Mortality/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
Rate of return	+0.1%	Increase 24,904	Increase 20,670
Rate of return	-0.1%	Decrease 24,910	Decrease 20,675

B. Cathay life (China)

For the three-month period ended 31 March 2013

NT\$			
	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 20,154	Decrease (increase) 15,116
Expense	×1.05 (×0.95)	Decrease (increase) 18,143	Decrease (increase) 13,607
Surrender rates	×1.10 (×0.90)	Increase (decrease) 6,404	Increase (decrease) 4,803
Rate of return	+0.25%	Increase 77,528	Increase 58,146
Rate of return	-0.25%	Decrease 70,167	Decrease 52,626

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For the three-month period ended 31 March 2013

US\$

	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 676	Decrease (increase) 507
Expense	×1.05 (×0.95)	Decrease (increase) 609	Decrease (increase) 456
Surrender rates	×1.10 (×0.90)	Increase (decrease) 215	Increase (decrease) 161
Rate of return	+0.25%	Increase 2,601	Increase 1,951
Rate of return	-0.25%	Decrease 2,354	Decrease 1,765

For the three-month period ended 31 March 2012

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.10(×0.90)	Decrease (increase) 2,108	Decrease (increase) 1,581
Expense	×1.05(×0.95)	Decrease (increase) 6,860	Decrease (increase) 5,145
Surrender rates	×1.10(×0.90)	Increase (decrease) 4,134	Increase (decrease) 3,101
Rate of return	+0.25%	Increase 20,212	Increase 15,159
Rate of return	-0.25%	Decrease 22,079	Decrease 16,559

For the three-month period ended 31 March 2012

US\$

	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.10(×0.90)	Decrease (increase) 71	Decrease (increase) 54
Expense	×1.05(×0.95)	Decrease (increase) 233	Decrease (increase) 174
Surrender rates	×1.10(×0.90)	Increase (decrease) 140	Increase (decrease) 105
Rate of return	+0.25%	Increase 685	Increase 514
Rate of return	-0.25%	Decrease 748	Decrease 561

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C. Cathay Life (Vietnam)

For the three-month period ended 31 March 2013

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 97	Decrease (increase) 73
Expense	×1.05 (×0.95)	Decrease (increase) 2,344	Decrease (increase) 1,758
Surrender rates	×1.05 (×0.95)	Increase (decrease) 232	Increase (decrease) 174
Rate of return	+0.1%	Increase 428	Increase 321
Rate of return	-0.1%	Decrease 428	Decrease 321

For the three-month period ended 31 March 2013

US\$

	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 3	Decrease (increase) 2
Expense	×1.05 (×0.95)	Decrease (increase) 79	Decrease (increase) 59
Surrender rates	×1.05 (×0.95)	Increase (decrease) 8	Increase (decrease) 6
Rate of return	+0.1%	Increase 14	Increase 11
Rate of return	-0.1%	Decrease 14	Decrease 11

For the three-month period ended 31 March 2012

NT\$

	Scenarios	Change in income	
		before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 16	Decrease (increase) 12
Expense	×1.05 (×0.95)	Decrease (increase) 3,643	Decrease (increase) 2,732
Surrender rates	×1.05 (×0.95)	Increase (decrease) 577	Increase (decrease) 432
Rate of return	+0.1%	Increase 383	Increase 287
Rate of return	-0.1%	Decrease 383	Decrease 287

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	For the three-month period ended 31 March 2012		
	US\$		
		Change in income	
	Scenarios	before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 1	Decrease (increase) -
Expense	×1.05 (×0.95)	Decrease (increase) 123	Decrease (increase) 93
Surrender rates	×1.05 (×0.95)	Increase (decrease) 20	Increase (decrease) 15
Rate of return	+0.1%	Increase 13	Increase 10
Rate of return	-0.1%	Decrease 13	Decrease 10

- a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the three-month periods ended 31 March 2013 and 2012. The influence on equities of the Company, Cathay Life (China) and Cathay Life (Vietnam) is assumed that the income tax is calculated on pre-tax income at rates of 17%, 25% and 25% individually.
- b. An increase (decrease) of 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity. The result of the test shows the Company's adequacy. However, if the discount rate keeps declining significantly, income before tax and equity will probably be affected.
- c. Sensitivity Test
- (A) Mortality/Morbidity test is executed by multiplying mortality, morbidity and the occurrence rate of injury insurance by the changes of assumptions and results in the corresponding changes in income before tax.
- (B) Expense sensitivity is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by the changes of assumptions and results in the corresponding changes in income before tax.
- (C) Surrender rate sensitivity test is executed by multiplying surrender rate by the changes of assumptions and results in the corresponding changes in income before tax.
- (D) The rate of returns sensitivity test is executed by multiplying the rate of returns (Note 2) increases (decreases) by the changes of assumptions and results in the corresponding changes in income before tax.

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Note 1: Expense items includes underwriting expenses, commission expenses, other operating expenses included in operating costs as well as business expenses, administration expenses and training expenses included in operating expenses.

Note 2: The rate of returns is measured by $2 \times (\text{net profits or losses on investment} - \text{finance costs}) / (\text{the beginning balance of usable capital} + \text{the ending balance of usable capital} - \text{net profits or losses on investment} + \text{finance costs})$ and it needs to be annualized.

(2) Interpretation of concentration of insurance risks

The Company's insurance business is mainly in Taiwan, Republic of China. All the insurance policies have similar risks of exposure, for example, the exposure of the unexpected changes in trend (ex: mortality, morbidity, and lapse rate), the exposure of multiple insurance contracts caused by single 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 risks consistently, but also by arranging reinsurance contracts.

The Company reviews the profits and losses on compensation and the capability of assuming risk as a whole periodically. The Company will also evaluate the retention amount according to the risk features and approve by competent authority. For the excess of retention amount, the Company cedes this portion of amounts to reinsurers. At the same time, the Company takes the possibility of unexpected human and natural disasters into account periodically and estimates the reasonable maximum amount of losses from retained risks. The Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the range of losses. Hence, the insurance risk to some extent has been diversified to reduce the potential impact on unexpected losses.

Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", the annual increase of after-tax amount of special capital reserve for major incidents and fluctuation of risks for the abnormal changes of the loss ratio of each type of insurance and claims needs to be recognized and recorded in special capital reserve of equity in accordance with IAS 12.

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(3) Claim development trend

A. The Company

a. Direct business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	11,878,552	14,013,520	14,137,529	14,172,928	14,207,949	14,226,676	14,240,304	-
2007Q2~2008Q1	12,487,783	14,726,326	14,896,224	14,956,935	15,042,774	15,061,744	15,075,698	13,954
2008Q2~2009Q1	13,384,763	15,820,692	16,011,049	16,085,163	16,136,693	16,156,973	16,171,869	35,176
2009Q2~2010Q1	14,445,550	17,287,961	17,551,424	17,635,968	17,701,412	17,723,901	17,740,090	104,122
2010Q2~2011Q1	14,307,274	17,419,064	17,706,462	17,777,089	17,841,286	17,863,839	17,879,379	172,917
2011Q2~2012Q1	14,912,513	18,349,974	18,582,148	18,655,478	18,721,165	18,744,578	18,760,896	410,922
2012Q2~2013Q1	14,027,134	16,701,494	16,900,553	16,959,743	17,010,577	17,030,041	17,044,701	3,017,567

Expected future payment	\$3,754,658
Less: Expected reported but not paid claim	187,734
Add: Assumed reserve for incurred but not reported claim	41,761
Reserve for unreported claim	3,608,685
Add: Reported but not paid claim	541,214
Claims reserve balance	<u>\$4,149,899</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	398,475	470,095	474,255	475,442	476,617	477,245	477,702	-
2007Q2~2008Q1	418,913	494,006	499,706	501,742	504,622	505,258	505,726	468
2008Q2~2009Q1	449,002	530,718	537,103	539,590	541,318	541,998	542,498	1,180
2009Q2~2010Q1	484,587	579,938	588,776	591,612	593,808	594,562	595,105	3,493
2010Q2~2011Q1	479,949	584,336	593,977	596,346	598,500	599,257	599,778	5,801
2011Q2~2012Q1	500,252	615,564	623,353	625,813	628,016	628,802	629,349	13,785
2012Q2~2013Q1	470,551	560,265	566,942	568,928	570,633	571,286	571,777	101,226

Expected future payment	\$125,953
Less: Expected reported but not paid claim	6,298
Add: Assumed reserve for incurred but not reported claim	1,401
Reserve for unreported claim	121,056
Add: Reported but not paid claim	18,156
Claims reserve balance	<u>\$139,212</u>

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b. Retained business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	11,971,632	14,108,218	14,245,194	14,288,710	14,325,079	14,343,692	14,364,577	-
2007Q2~2008Q1	12,557,733	14,822,882	15,001,980	15,064,070	15,151,251	15,177,139	15,191,381	14,242
2008Q2~2009Q1	13,456,907	15,863,098	16,053,769	16,125,932	16,185,217	16,205,585	16,220,587	35,370
2009Q2~2010Q1	13,113,930	15,410,320	15,600,192	15,674,984	15,725,233	15,744,081	15,755,682	80,698
2010Q2~2011Q1	12,497,141	14,956,666	15,168,091	15,221,244	15,265,696	15,283,515	15,293,096	125,005
2011Q2~2012Q1	13,029,409	15,811,541	15,981,772	16,037,110	16,082,469	16,101,009	16,111,192	299,651
2012Q2~2013Q1	12,340,966	14,557,788	14,704,325	14,748,257	14,781,854	14,797,186	14,806,642	2,465,676

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

Expected future payment	\$3,020,642
Less: Expected reported but not paid claim	187,734
Add: Reported but not paid claim	541,214
Retained claims reserve balance	<u>\$3,374,122</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	401,598	473,271	477,866	479,326	480,546	481,170	481,871	-
2007Q2~2008Q1	421,259	497,245	503,253	505,336	508,261	509,129	509,607	478
2008Q2~2009Q1	451,423	532,140	538,536	540,957	542,945	543,629	544,132	1,187
2009Q2~2010Q1	439,917	516,951	523,321	525,830	527,515	528,148	528,537	2,707
2010Q2~2011Q1	419,226	501,733	508,826	510,609	512,100	512,698	513,019	4,193
2011Q2~2012Q1	437,082	530,411	536,121	537,978	539,499	540,121	540,463	10,052
2012Q2~2013Q1	413,987	488,352	493,268	494,742	495,869	496,383	496,700	82,713

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

Expected future payment	\$101,330
Less: Expected reported but not paid claim	6,298
Add: Reported but not paid claim	18,156
Retained claims reserve balance	<u>\$113,188</u>

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B. Cathay life (China)

a. Direct business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	27	52	54	54	54	54	54	-
2007Q2~2008Q1	806	3,240	3,252	3,252	3,252	3,252	3,252	-
2008Q2~2009Q1	9,255	17,825	18,614	18,614	18,614	18,614	18,614	-
2009Q2~2010Q1	51,207	115,304	121,355	121,355	121,355	121,355	121,355	-
2010Q2~2011Q1	95,922	191,967	204,254	204,254	204,254	204,254	204,254	-
2011Q2~2012Q1	129,111	355,389	374,244	374,244	374,244	374,244	374,244	18,855
2012Q2~2013Q1	146,774	518,319	535,959	535,959	535,959	535,959	535,958	389,184

Expected future payment	\$408,039
Less: Expected reported but not paid claim	31,850
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	376,189
Add: Reported but not paid claim	53,801
Claims reserve balance	<u>\$429,990</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	1	2	2	2	2	2	2	-
2007Q2~2008Q1	27	109	109	109	109	109	109	-
2008Q2~2009Q1	310	598	624	624	624	624	624	-
2009Q2~2010Q1	1,718	3,868	4,071	4,071	4,071	4,071	4,071	-
2010Q2~2011Q1	3,218	6,440	6,852	6,852	6,852	6,852	6,852	-
2011Q2~2012Q1	4,331	11,921	12,554	12,554	12,554	12,554	12,554	633
2012Q2~2013Q1	4,924	17,387	17,979	17,979	17,979	17,979	17,979	13,055

Expected future payment	\$13,688
Less: Expected reported but not paid claim	1,069
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	12,619
Add: Reported but not paid claim	1,805
Claims reserve balance	<u>\$14,424</u>

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b. Retained business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	27	52	54	54	54	54	54	-
2007Q2~2008Q1	806	3,240	3,252	3,252	3,252	3,252	3,252	-
2008Q2~2009Q1	9,255	17,825	18,614	18,614	18,614	18,614	18,614	-
2009Q2~2010Q1	51,027	115,304	121,355	121,355	121,355	121,355	121,355	-
2010Q2~2011Q1	95,922	191,832	204,117	204,117	204,117	204,117	204,117	-
2011Q2~2012Q1	119,091	361,240	372,310	372,310	372,310	372,310	372,310	11,070
2012Q2~2013Q1	137,588	515,433	533,970	533,970	533,970	533,970	533,970	396,382

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

Expected future payment	\$407,452
Less: Expected reported but not paid claim	31,850
Add: Reported but not paid claim	53,801
Retained claims reserve balance	<u>\$429,403</u>

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q2~2007Q1	1	2	2	2	2	2	2	-
2007Q2~2008Q1	27	109	109	109	109	109	109	-
2008Q2~2009Q1	310	598	624	624	624	624	624	-
2009Q2~2010Q1	1,712	3,868	4,071	4,071	4,071	4,071	4,071	-
2010Q2~2011Q1	3,218	6,435	6,847	6,847	6,847	6,847	6,847	-
2011Q2~2012Q1	3,995	12,118	12,489	12,489	12,489	12,489	12,489	371
2012Q2~2013Q1	4,615	17,291	17,912	17,912	17,912	17,912	17,912	13,297

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

Expected future payment	\$13,668
Less: Expected reported but not paid claim	1,069
Add: Reported but not paid claim	1,805
Retained claims reserve balance	<u>\$14,404</u>

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The Company and Cathay Life (China) recognize claims reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in reserving for claim. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. Some claims are delayed in notifying the Company and Cathay Life (China). Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experiences. Thus, uncertainty exists that the estimated claims reserve for claim payments on the balance sheet date will not be equal to the final settled amount of claim payments. The claims reserve recorded on the book is estimated based upon the currently available information. However, the final amount probably will deviate from the original estimates because of the follow-up developments of the claim events.

The chart above has shown the development trend of claim payments. The event year is the actual year for the occurrence of the insurance claim events; The x-axis is the year of the development for the settlement cases; the dollar amount showing above the diagonal line represents the settlement cases in that specific event year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount shown below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each event year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for the claims reserve in current year will be different from that in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by this chart.

C. Cathay life (Vietnam)

Direct business development trend (and retained business development trend)

Accident year	Development year NT\$			
	1	2	3	4
2009Q2~2010Q1	150	157	157	157
2010Q2~2011Q1	156	176	176	176
2011Q2~2012Q1	631	847	847	847
2012Q2~2013Q1	1,103	1,388	1,388	1,388

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Accident year	Development year			
	US\$			
	1	2	3	4
2009Q2~2010Q1	5	5	5	5
2010Q2~2011Q1	5	6	6	6
2011Q2~2012Q1	21	28	28	28
2012Q2~2013Q1	37	47	47	47

The chart above has shown the development trend of claim payments. The event year is the actual year for the occurrence of the insurance claim events; The x-axis is the year of the development for the settlement cases; the dollar amount shown above the diagonal line represents the settlement cases in that specific event year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount shown below the diagonal line represents the accumulated estimated dollar amounts that need to be paid for each event year as time passes.

Cathay Life (Vietnam) recognizes claims reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). The estimation method of unreported claims is earned premium multiplied by the loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by Vietnam local authorities. Thus, the expected future payment amount for the settlement cases cannot be determined by this chart. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experiences. Thus, uncertainty exists that the estimated claims reserve for claim payments on the balance sheet date will not be equal to the final settled amount of claim payments.

43. 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.

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Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of concentration of credit risk in reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company's "Reinsurance Risk Management Plan" and "Evaluation Standards for Reinsurers."

The credit ratings of the Company's reinsurers are satisfactory and above certain level, complying with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company in terms of assets; therefore, no significant credit risks exist.

(2) Liquidity risk

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

31 March 2013	Unit: Billion		
NT\$	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments			
with discretionary participation features	(75.6)	134.7	10,043

31 March 2013	Unit: Billion		
US\$	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments			
with discretionary participation features	(2.54)	4.52	336.9

Note: Separate account products are not included.

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(3) Market risk

When the Company measures insurance liabilities, the discounted rate required by the regulator is applied. The regulator reviews the discount rate assumption which has been used for reserves periodically. However, the discount rate assumption does not move at the same time in the same direction with the market price and interest rate, and is only applied to new businesses. Thus, those possible variables in market risk to the Company's valid insurance contracts have slight impact on profit and loss or equity. When the regulator 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 reasonably possible change on the market risk will probably have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonably possible changes of current market risk, it has little impact on the adequacy of current recognized insurance liabilities.

44. Credit risk, liquidity risk and market risk of financial instrument

(1) Credit risk analysis

A. Sources of credit risk

Credit risks from financial transactions include issuer credit risk, counterparty risk and underlying assets credit risk:

- a. Issuer credit risk represents a risk that the Company may encounter financial losses because the issuers (guarantors) or banks are not able to pay where it is obligated to do on financial liabilities instruments or bank savings which the Company holds.
- b. Counterparty credit risk represents the risk that the counterparty will not live up to its obligations to perform or pay on the designated dates and the Company is exposed to the risk of financial losses.
- c. Underlying asset credit risk represents the risk that the Company may encounter the losses from the fact that the credit quality turns weak and credit risk premium increases, credit rating is downgraded, or the terms of contract are violated from underlying asset which is related to a certain financial instruments.

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B. Concentration risk

Regional distribution of credit risk exposure for financial assets of the Company:

31 March 2013

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$188,212,088	\$600,044	\$-	\$59,357,559	\$54,899,181	\$303,068,872
Financial assets at fair value through profit or loss	25,512,283	154,698	1,903,699	581,853	-	28,152,533
Available-for-sale financial assets	459,899,951	17,971,067	89,366,280	217,614,973	32,610,500	817,462,771
Derivative financial assets for hedging	246,639	28,543	545,250	126,827	-	947,259
Bond investments for which no active market exists	39,984,287	48,200,893	208,956,655	312,868,426	260,451,706	870,461,967
Other financial assets	22,400,000	-	3,500,000	-	-	25,900,000
Total	\$736,255,248	\$66,955,245	\$304,271,884	\$590,549,638	\$347,961,387	\$2,045,993,402
Proportion	36.0%	3.3%	14.9%	28.8%	17.0%	100.0%

31 March 2013

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$6,313,723	\$20,129	\$-	\$1,991,196	\$1,841,637	\$10,166,685
Financial assets at fair value through profit or loss	855,830	5,189	63,861	19,519	-	944,399
Available-for-sale financial assets	15,427,707	602,854	2,997,862	7,300,066	1,093,945	27,422,434
Derivative financial assets for hedging	8,274	957	18,291	4,255	-	31,777
Bond investments for which no active market exists	1,341,304	1,616,937	7,009,616	10,495,419	8,737,058	29,200,334
Other financial assets	751,426	-	117,410	-	-	868,836
Total	\$24,698,264	\$2,246,066	\$10,207,040	\$19,810,455	\$11,672,640	\$68,634,465
Proportion	36.0%	3.3%	14.9%	28.8%	17.0%	100.0%

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31 December 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$258,810,176	\$584,173	\$-	\$58,326,827	\$45,054,311	\$362,775,487
Financial assets at fair value through profit or loss	21,526,712	539,836	2,428,269	1,266,554	-	25,761,371
Available-for-sale financial assets	459,194,110	17,971,724	101,366,905	224,125,202	37,659,604	840,317,545
Derivative financial assets for hedging	292,518	33,903	661,251	154,422	-	1,142,094
Bond investments for which no active market exists	46,944,287	45,480,295	198,308,459	288,690,084	235,030,705	814,453,830
Other financial assets	19,000,000	-	4,500,000	-	-	23,500,000
Total	\$805,767,803	\$64,609,931	\$307,264,884	\$572,563,089	\$317,744,620	\$2,067,950,327
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

31 December 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,909,128	\$20,109	\$-	\$2,007,808	\$1,550,923	\$12,487,968
Financial assets at fair value through profit or loss	741,023	18,583	83,589	43,600	-	886,795
Available-for-sale financial assets	15,807,026	618,648	3,489,394	7,715,153	1,296,372	28,926,593
Derivative financial assets for hedging	10,069	1,167	22,763	5,316	-	39,315
Bond investments for which no active market exists	1,615,982	1,565,587	6,826,453	9,937,696	8,090,558	28,036,276
Other financial assets	654,045	-	154,905	-	-	808,950
Total	\$27,737,273	\$2,224,094	\$10,577,104	\$19,709,573	\$10,937,853	\$71,185,897
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

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31 March 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$308,702,043	\$-	\$2,954,187	\$93,168,941	\$1,421,945	\$406,247,116
Financial assets at fair value through profit or loss	13,786,373	313,765	4,355,495	1,774,639	-	20,230,272
Available-for-sale financial assets	438,084,568	16,866,236	120,126,713	290,509,409	45,696,867	911,283,793
Derivative financial assets for hedging	402,494	50,449	976,192	227,714	-	1,656,849
Bond investments for which no active market exists	36,068,000	35,403,832	151,077,200	210,744,058	146,423,185	579,716,275
Other financial assets	17,500,000	-	2,500,000	-	-	20,000,000
Total	\$814,543,478	\$52,634,282	\$281,989,787	\$596,424,761	\$193,541,997	\$1,939,134,305
Proportion	42.0%	2.7%	14.5%	30.8%	10.0%	100.0%

31 March 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$10,464,476	\$-	\$100,142	\$3,158,269	\$48,202	\$13,771,089
Financial assets at fair value through profit or loss	467,335	10,636	147,644	60,157	-	685,772
Available-for-sale financial assets	14,850,324	571,737	4,072,092	9,847,777	1,549,046	30,890,976
Derivative financial assets for hedging	13,644	1,710	33,091	7,719	-	56,164
Bond investments for which no active market exists	1,222,644	1,200,130	5,121,261	7,143,866	4,963,498	19,651,399
Other financial assets	593,220	-	84,746	-	-	677,966
Total	\$27,611,643	\$1,784,213	\$9,558,976	\$20,217,788	\$6,560,746	\$65,733,366
Proportion	42.0%	2.7%	14.5%	30.8%	10.0%	100.0%

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1 January 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$249,754,244	\$2,272,850	\$-	\$77,704,927	\$42,321,940	\$372,053,961
Financial assets at fair value through profit or loss	13,226,453	149,567	3,082,507	1,772,838	-	18,231,365
Available-for-sale financial assets	425,780,216	17,290,834	141,002,858	319,162,107	59,602,578	962,838,593
Derivative financial assets for hedging	476,092	58,573	1,153,942	269,239	-	1,957,846
Bond investments for which no active market exists	19,908,000	31,273,782	161,572,591	177,478,409	121,571,482	511,804,264
Other financial assets	10,800,000	-	2,500,000	-	-	13,300,000
Total	\$719,945,005	\$51,045,606	\$309,311,898	\$576,387,520	\$223,496,000	\$1,880,186,029
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

1 January 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,250,883	\$75,086	\$-	\$2,567,061	\$1,398,148	\$12,291,178
Financial assets at fair value through profit or loss	436,950	4,941	101,834	58,567	-	602,292
Available-for-sale financial assets	14,066,079	571,220	4,658,172	10,543,843	1,969,031	31,808,345
Derivative financial assets for hedging	15,728	1,935	38,121	8,895	-	64,679
Bond investments for which no active market exists	657,681	1,033,161	5,337,714	5,863,178	4,016,237	16,907,971
Other financial assets	356,789	-	82,590	-	-	439,379
Total	\$23,784,110	\$1,686,343	\$10,218,431	\$19,041,544	\$7,383,416	\$62,113,844
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

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C. Credit Quality

Classification of credit quality for financial assets of the Company:

31 March 2013

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$303,066,803	\$2,069	\$-	\$-	\$-	\$303,068,872
Financial assets at fair value through profit or loss	27,643,443	509,090	-	-	-	28,152,533
Available-for-sale financial assets	806,941,001	10,415,211	-	841,559	(735,000)	817,462,771
Derivative financial assets for hedging	947,259	-	-	-	-	947,259
Bond investments for which no active market exists	863,701,741	6,760,226	-	388,375	(388,375)	870,461,967
Other financial assets	25,900,000	-	-	-	-	25,900,000
Total	\$2,028,200,247	\$17,686,596	\$-	\$1,229,934	\$(1,123,375)	\$2,045,993,402
Proportion	99.1%	0.9%	-	0.1%	(0.1)%	100.0%

31 March 2013

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$10,166,615	\$70	\$-	\$-	\$-	\$10,166,685
Financial assets at fair value through profit or loss	927,321	17,078	-	-	-	944,399
Available-for-sale financial assets	27,069,473	349,386	-	28,231	(24,656)	27,422,434
Derivative financial assets for hedging	31,777	-	-	-	-	31,777
Bond investments for which no active market exists	28,973,557	226,777	-	13,028	(13,028)	29,200,334
Other financial assets	868,836	-	-	-	-	868,836
Total	\$68,037,579	\$593,311	\$-	\$41,259	\$(37,684)	\$68,634,465
Proportion	99.1%	0.9%	-	0.1%	(0.1)%	100.0%

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31 December 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$362,773,418	\$2,069	\$-	\$-	\$-	\$362,775,487
Financial assets at fair value through profit or loss	25,123,049	638,322	-	-	-	25,761,371
Available-for-sale financial assets	828,187,237	12,024,780	-	840,528	(735,000)	840,317,545
Derivative financial assets for hedging	1,142,094	-	-	-	-	1,142,094
Bond investments for which no active market exists	809,745,213	4,708,617	-	378,768	(378,768)	814,453,830
Other financial assets	23,500,000	-	-	-	-	23,500,000
Total	\$2,050,471,011	\$17,373,788	\$-	\$1,219,296	\$(1,113,768)	\$2,067,950,327
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

31 December 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$12,487,897	\$71	\$-	\$-	\$-	\$12,487,968
Financial assets at fair value through profit or loss	864,821	21,974	-	-	-	886,795
Available-for-sale financial assets	28,509,027	413,933	-	28,934	(25,301)	28,926,593
Derivative financial assets for hedging	39,315	-	-	-	-	39,315
Bond investments for which no active market exists	27,874,190	162,086	-	13,038	(13,038)	28,036,276
Other financial assets	808,950	-	-	-	-	808,950
Total	\$70,584,200	\$598,064	\$-	\$41,972	\$(38,339)	\$71,185,897
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

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31 March 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$406,245,050	\$2,066	\$-	\$-	\$-	\$406,247,116
Financial assets at fair value through profit or loss	19,416,898	813,374	-	-	-	20,230,272
Available-for-sale financial assets	900,621,462	10,521,193	-	876,138	(735,000)	911,283,793
Derivative financial assets for hedging	1,656,849	-	-	-	-	1,656,849
Bond investments for which no active market exists	569,548,327	10,167,948	-	383,890	(383,890)	579,716,275
Other financial assets	20,000,000	-	-	-	-	20,000,000
Total	\$1,917,488,586	\$21,504,581	\$-	\$1,260,028	\$(1,118,890)	\$1,939,134,305
Proportion	98.9%	1.1%	-	0.1%	(0.1)%	100.0%

31 March 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$13,771,019	\$70	\$-	\$-	\$-	\$13,771,089
Financial assets at fair value through profit or loss	658,200	27,572	-	-	-	685,772
Available-for-sale financial assets	30,529,541	356,651	-	29,699	(24,915)	30,890,976
Derivative financial assets for hedging	56,164	-	-	-	-	56,164
Bond investments for which no active market exists	19,306,723	344,676	-	13,013	(13,013)	19,651,399
Other financial assets	677,966	-	-	-	-	677,966
Total	\$64,999,613	\$728,969	\$-	\$42,712	\$(37,928)	\$65,733,366
Proportion	98.9%	1.1%	-	0.1%	(0.1)%	100.0%

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1 January 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Noninvestment grade and unrated				
Cash and cash equivalents	\$372,051,895	\$2,066	\$-	\$-	\$-	\$372,053,961
Financial assets at fair value through profit or loss	17,427,130	804,235	-	-	-	18,231,365
Available-for-sale financial assets	953,687,768	9,010,797	-	875,028	(735,000)	962,838,593
Derivative financial assets for hedging	1,957,846	-	-	-	-	1,957,846
Bond investments for which no active market exists	499,911,200	11,893,064	-	393,770	(393,770)	511,804,264
Other financial assets	13,300,000	-	-	-	-	13,300,000
Total	\$1,858,335,839	\$21,710,162	\$-	\$1,268,798	\$(1,128,770)	\$1,880,186,029
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

1 January 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$12,291,109	\$69	\$-	\$-	\$-	\$12,291,178
Financial assets at fair value through profit or loss	575,723	26,569	-	-	-	602,292
Available-for-sale financial assets	31,506,038	297,681	-	28,907	(24,281)	31,808,345
Derivative financial assets for hedging	64,679	-	-	-	-	64,679
Bond investments for which no active market exists	16,515,072	392,899	-	13,009	(13,009)	16,907,971
Other financial assets	439,379	-	-	-	-	439,379
Total	\$61,392,000	\$717,218	\$-	\$41,916	\$(37,290)	\$62,113,844
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

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Investment grade assets refer to those with credit rating of at least BBB- granted by a credit rating agency; non-investment grade assets are those with credit rating lower than BBB- granted by a credit rating agency.

D. Regional distribution of credit risk exposure for secured loans and overdue receivables:

31 March 2013				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$244,551,001	\$43,908,642	\$81,166,854	\$369,626,497
Overdue receivables	48,164	417,661	64,369	530,194
Total	\$244,599,165	\$44,326,303	\$81,231,223	\$370,156,691
Proportion	66%	12%	22%	100%

31 March 2013				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$8,203,657	\$1,472,950	\$2,722,806	\$12,399,413
Overdue receivables	1,616	14,011	2,159	17,786
Total	\$8,205,273	\$1,486,961	\$2,724,965	\$12,417,199
Proportion	66%	12%	22%	100%

31 December 2012				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$213,209,485	\$42,689,731	\$80,842,510	\$336,741,726
Overdue receivables	60,188	425,950	72,737	558,875
Total	\$213,269,673	\$43,115,681	\$80,915,247	\$337,300,601
Proportion	63%	13%	24%	100%

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31 December 2012				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$7,339,397	\$1,469,526	\$2,782,875	\$11,591,798
Overdue receivables	2,072	14,662	2,504	19,238
Total	\$7,341,469	\$1,484,188	\$2,785,379	\$11,611,036
Proportion	63%	13%	24%	100%

31 March 2012				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$179,493,016	\$43,057,755	\$82,007,567	\$304,558,338
Overdue receivables	94,893	87,909	118,502	301,304
Total	\$179,587,909	\$43,145,664	\$82,126,069	\$304,859,642
Proportion	59%	14%	27%	100%

31 March 2012				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$6,084,509	\$1,459,585	\$2,779,917	\$10,324,011
Overdue receivables	3,216	2,980	4,017	10,213
Total	\$6,087,725	\$1,462,565	\$2,783,934	\$10,334,224
Proportion	59%	14%	27%	100%

1 January 2012				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$172,316,301	\$46,878,325	\$83,321,975	\$302,516,601
Overdue receivables	100,706	96,439	127,842	324,987
Total	\$172,417,007	\$46,974,764	\$83,449,817	\$302,841,588
Proportion	57%	15%	28%	100%

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1 January 2012				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$5,692,643	\$1,548,673	\$2,752,625	\$9,993,941
Overdue receivables	3,327	3,186	4,223	10,736
Total	\$5,695,970	\$1,551,859	\$2,756,848	\$10,004,677
Proportion	57%	15%	28%	100%

E. Secured loans and overdue receivables

31 March 2013

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$167,769,287	\$116,709,069	\$32,665,854	\$145,047	\$4,457,735	\$321,746,992	\$1,405,439	\$320,341,553
Corporate finance	32,337,152	7,055,528	2,009,216	-	7,007,803	48,409,699	1,555,059	46,854,640
Total	\$200,106,439	\$123,764,597	\$34,675,070	\$145,047	\$11,465,538	\$370,156,691	\$2,960,498	\$367,196,193

31 March 2013

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$5,627,953	\$3,915,098	\$1,095,802	\$4,865	\$149,538	\$10,793,256	\$47,146	\$10,746,110
Corporate finance	1,084,775	236,683	67,401	-	235,083	1,623,942	52,166	1,571,776
Total	\$6,712,728	\$4,151,781	\$1,163,203	\$4,865	\$384,621	\$12,417,198	\$99,312	\$12,317,886

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31 December 2012

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$160,007,455	\$111,309,534	\$31,154,571	\$183,942	\$2,199,549	\$304,855,051	\$1,225,852	\$303,629,199
Corporate finance	15,399,631	7,254,616	2,541,775	-	7,249,528	32,445,550	1,481,761	30,963,789
Total	\$175,407,086	\$118,564,150	\$33,696,346	\$183,942	\$9,449,077	\$337,300,601	\$2,707,613	\$334,592,988

31 December 2012

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$5,508,002	\$3,831,654	\$1,072,446	\$6,332	\$75,716	\$10,494,150	\$42,198	\$10,451,952
Corporate finance	530,108	249,728	87,497	-	249,553	1,116,886	51,007	1,065,879
Total	\$6,038,110	\$4,081,382	\$1,159,943	\$6,332	\$325,269	\$11,611,036	\$93,205	\$11,517,831

31 March 2012

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$146,542,370	\$101,942,518	\$28,532,824	\$194,825	\$3,519,745	\$280,732,282	\$906,688	\$279,825,594
Corporate finance	6,354,151	6,686,153	3,369,873	-	7,717,183	24,127,360	900,537	23,226,823
Total	\$152,896,521	\$108,628,671	\$31,902,697	\$194,825	\$11,236,928	\$304,859,642	\$1,807,225	\$303,052,417

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31 March 2012

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$4,967,538	\$3,455,679	\$967,214	\$6,604	\$119,313	\$9,516,348	\$30,735	\$9,485,613
Corporate finance	215,395	226,649	114,233	-	261,600	817,877	30,527	787,350
Total	\$5,182,933	\$3,682,328	\$1,081,447	\$6,604	\$380,913	\$10,334,225	\$61,262	\$10,272,963

1 January 2012

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$146,316,092	\$101,785,108	\$28,488,767	\$179,570	\$3,635,491	\$280,405,028	\$794,405	\$279,610,623
Corporate finance	4,264,375	6,898,548	3,549,871	-	7,723,766	22,436,560	606,027	21,830,533
Total	\$150,580,467	\$108,683,656	\$32,038,638	\$179,570	\$11,359,257	\$302,841,588	\$1,400,432	\$301,441,156

1 January 2012

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$4,833,700	\$3,362,574	\$941,155	\$5,932	\$120,102	\$9,263,463	\$26,244	\$9,237,219
Corporate finance	140,878	227,900	117,274	-	255,162	741,214	20,020	721,194
Total	\$4,974,578	\$3,590,474	\$1,058,429	\$5,932	\$375,264	\$10,004,677	\$46,264	\$9,958,413

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F. Ageing analysis of past due but not impaired secured loans and overdue receivables:

Based on the historical default rate, the Company believes that provision for loans past due within a month is not necessary unless indicator of impairment exists.

	Past due but not impaired		
	NT\$		
	Due in 1~2 months	Due in 2~3 months	Total
31 March 2013	\$138,446	\$6,601	\$145,047
31 December 2012	157,700	26,242	183,942
31 March 2012	162,686	32,139	194,825
1 January 2012	162,914	16,656	179,570

	Past due but not impaired		
	US\$		
	Due in 1~2 months	Due in 2~3 months	Total
31 March 2013	\$4,644	\$221	\$4,865
31 December 2012	5,429	903	6,332
31 March 2012	5,515	1,089	6,604
1 January 2012	5,382	550	5,932

(2) Liquidity risk analysis

A. Sources of liquidity risk

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

B. Liquidity risk management

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

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

C. Maturity Analysis of non-derivative financial liabilities:

The analysis of cash outflows to the Company and its subsidiaries is listed below and based on the residual term to maturity on balance sheet date. The disclosed amounts are in conformity of contract cash flows and the results of the differences from the disclosed amounts on consolidated balance sheet.

31 March 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$125,063	\$4,195	\$-	\$-	\$-	\$-
Payables	40,066,869	1,344,075	-	-	2,774,885	93,086
Preferred stock liability	-	-	-	-	-	-

31 March 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$125,063	\$4,195
Payables	-	-	-	-	42,841,754	1,437,161
Preferred stock liability	25,000,000	838,645	5,000,000	167,729	30,000,000	1,006,374

31 December 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$297,268	\$10,233	\$-	\$-	\$-	\$-
Payables	35,522,661	1,222,811	-	-	2,550,994	87,814
Preferred stock liability	-	-	-	-	-	-

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For the three-month periods ended 31 March 2013 and 2012

31 December 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$297,268	\$10,233
Payables	-	-	-	-	38,073,655	1,310,625
Preferred stock liability	25,000,000	860,585	5,000,000	172,117	30,000,000	1,032,702

31 March 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$62,829	\$2,130	\$-	\$-	\$-	\$-
Payables	67,748,428	2,296,557	-	-	1,868,754	63,347
Preferred stock liability	-	-	-	-	-	-

31 March 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$62,829	\$2,130
Payables	-	-	-	-	69,617,182	2,359,904
Preferred stock liability	25,000,000	847,458	5,000,000	169,491	30,000,000	1,016,949

1 January 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$201,158	\$6,646	\$-	\$-	\$-	\$-
Payables	20,968,257	692,708	-	-	1,642,994	54,278
Preferred stock liability	-	-	-	-	-	-

1 January 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$201,158	\$6,646
Payables	-	-	-	-	22,611,251	746,986
Preferred stock liability	25,000,000	825,900	5,000,000	165,180	30,000,000	991,080

D. Maturity analysis of derivative financial liability:

31 March 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$54,280	\$1,821	\$55,059	\$1,847	\$62,579	\$2,099
Forward	802,250	26,912	4,138,625	138,833	-	-
CS	6,944,518	232,959	5,846,888	196,138	2,184,671	73,287

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31 March 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$10,620	\$356	\$-	\$-	\$182,538	\$6,123
Forward	-	-	-	-	4,940,875	165,745
CS	-	-	-	-	14,976,077	502,384

31 December 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$58,699	\$2,021	\$49,783	\$1,714	\$85,971	\$2,959
Forward	1,844,950	63,509	-	-	-	-
CS	4,047,504	139,329	2,333,184	80,316	370,735	12,762

31 December 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$18,019	\$620	\$-	\$-	\$212,472	\$7,314
Forward	-	-	-	-	1,844,950	63,509
CS	-	-	-	-	6,751,423	232,407

31 March 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$85,680	\$2,904	\$83,772	\$2,840	\$153,150	\$5,192
Forward	445,588	15,105	35,000	1,186	-	-
CS	5,472,222	185,499	71,510	2,424	-	-

31 March 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$123,999	\$4,203	\$-	\$-	\$446,601	\$15,139
Forward	-	-	-	-	480,588	16,291
CS	-	-	-	-	5,543,732	187,923

1 January 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$125,651	\$4,151	\$124,034	\$4,097	\$223,693	\$7,390
Forward	1,285,060	42,453	234,750	7,755	-	-
CS	16,388,288	541,404	(8,290)	(274)	-	-

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1 January 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$251,996	\$8,325	\$-	\$-	\$725,374	\$23,963
Forward	-	-	-	-	1,519,810	50,208
CS	-	-	-	-	16,379,998	541,130

(3) Market risk analysis

A. Sources of market risk

Market risk is the risk of losses or decrease in value of portfolio in positions arising from movements in exchange rate, product price, interest rate, credit spread, and stock price.

B. The Company assesses, monitors, and manages market risks completely and effectively by applying Value at Risk (“VaR”) and stress testing consistently.

a. Value at Risk

Value-at-Risk (“VaR”) is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. The Company uses one-week 95% and 99% VaR to measure market risk.

b. Stress testing

The Company measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models.

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

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(A) Simple Sensitivity

Simple Sensitivity is to measure the dollar amount change for the portfolio value from the movement of specific risk factors.

(B) Scenario Analysis

Scenario Analysis is to measure the dollar amount changes for the total value of investment positions if possible future events occur. The types of scenario include:

(a) Historical scenario

In consideration of the fluctuation of risk factors when a specific historical event happened, the Company simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

(b) Hypothetical scenario

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

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

Table of Stress Testing
For the three-month period ended 31 March 2013

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(37,193,762)	\$(1,247,694)
Interest rate risk (Yield curve)	+20bps	(9,569,779)	(321,026)
Exchange risk (Foreign Exchange rate)	USD weakens against NTD by \$1	(12,425,170)	(416,812)
Commodity risk (Price)	-10%	-	-

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Table of Stress Testing
For the three-month period ended 31 March 2012

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(29,335,746)	\$(994,432)
Interest rate risk (Yield curve)	+20bps	(10,973,538)	(371,984)
Exchange risk (Foreign Exchange rate)	USD weakens against NTD by \$1	(10,742,530)	(364,154)
Commodity risk (Price)	-10%	-	-

c. Simple Sensitivity

Summarization of Simple Sensitivity
For the three-month period ended 31 March 2013
NT\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$1,666,151	\$2,041,005
	CNY appreciates 1%	1,111,713	62,530
	HKD appreciates 1%	8,745	411,716
	EUR appreciates 1%	297,189	19,591
	GBP appreciates 1%	266,646	43,076
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(192,735)
	Yield curve (AUD) shifts up 1 bp	-	(1,257)
	Yield curve (EUR) shifts up 1 bp	-	(1,900)
	Yield curve (NTD) shifts up 1 bp	(360)	(281,016)
Equity price risk	Equity price increases 1%	145,694	3,573,682

Summarization of Simple Sensitivity
For the three-month period ended 31 March 2013
US\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$55,892	\$68,467
	CNY appreciates 1%	37,293	2,098
	HKD appreciates 1%	293	13,811
	EUR appreciates 1%	9,969	657
	GBP appreciates 1%	8,945	1,445
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(6,465)
	Yield curve (AUD) shifts up 1 bp	-	(42)
	Yield curve (EUR) shifts up 1 bp	-	(64)
	Yield curve (NTD) shifts up 1 bp	(12)	(9,427)
Equity price risk	Equity price increases 1%	4,887	119,882

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Summarization of Simple Sensitivity

For the three-month period 31 March 2012

NT\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$2,017,212	\$1,236,484
	CNY appreciates 1%	170,112	6,328
	HKD appreciates 1%	30,729	304,654
	EUR appreciates 1%	215,867	40,714
	GBP appreciates 1%	167,787	55,800
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(308,775)
	Yield curve (AUD) shifts up 1 bp	-	(3,252)
	Yield curve (EUR) shifts up 1 bp	-	(2,646)
	Yield curve (NTD) shifts up 1 bp	(505)	(230,964)
Equity price risk	Equity price increases 1%	71,490	2,862,084

Summarization of Simple Sensitivity

For the three-month period ended 31 March 2012

US\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$68,380	\$41,915
	CNY appreciates 1%	5,767	215
	HKD appreciates 1%	1,042	10,327
	EUR appreciates 1%	7,318	1,380
	GBP appreciates 1%	5,688	1,892
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(10,467)
	Yield curve (AUD) shifts up 1 bp	-	(110)
	Yield curve (EUR) shifts up 1 bp	-	(90)
	Yield curve (NTD) shifts up 1 bp	(17)	(7,829)
Equity price risk	Equity price increases 1%	2,423	97,020

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45. Information of financial instruments

The Company and Subsidiaries

(1) Fair value

Item	31 March 2013			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets – non-derivative				
Cash and cash equivalents	\$309,253,895	\$309,253,895	\$10,374,166	\$10,374,166
Receivables	66,114,284	66,114,284	2,217,856	2,217,856
Financial assets at fair value through profit or loss	63,478,959	63,478,959	2,129,452	2,129,452
Available-for-sale financial assets	1,295,943,343	1,295,943,343	43,473,443	43,473,443
Bond investments for which no active market exists	871,161,210	904,329,137	29,223,791	30,336,435
Other financial assets	25,900,253	25,900,253	868,844	868,844
Guarantee deposits paid	14,508,174	14,508,174	486,688	486,688
Liabilities – non-derivative				
Short-term debts	125,063	125,063	4,195	4,195
Payables	42,841,754	42,841,754	1,437,161	1,437,161
Preferred stock liability	30,000,000	30,641,642	1,006,374	1,027,898
Guarantee deposits received	2,082,477	2,082,477	69,858	69,858
Assets – derivative				
Financial assets at fair value through profit or loss				
Options	279	279	9	9
Forward, CS and CCS	2,464,629	2,464,629	82,678	82,678
IRS and CDS	77,827	77,827	2,611	2,611
Derivative financial assets for hedging				
IRS and CDS	947,259	947,259	31,777	31,777
Liabilities – derivative				
Financial liabilities at fair value through profit or loss				
Forward, CS and CCS	16,284,083	16,284,083	546,263	546,263
IRS and CDS	91,815	91,815	3,080	3,080

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For the three-month periods ended 31 March 2013 and 2012

Item	31 December 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets – non-derivative				
Cash and cash equivalents	\$366,121,804	\$366,121,804	\$12,603,160	\$12,603,160
Receivables	60,991,054	60,991,054	2,099,520	2,099,520
Financial assets at fair value				
through profit or loss	67,997,447	67,997,447	2,340,703	2,340,703
Available-for-sale financial assets	1,227,321,172	1,227,321,172	42,248,577	42,248,577
Bond investments for which no				
active market exists	816,904,617	867,272,570	28,120,641	29,854,477
Other financial assets	23,500,010	23,500,010	808,950	808,950
Guarantee deposits paid	14,376,119	14,376,119	494,875	494,875
Liabilities – non-derivative				
Short-term debts	297,268	297,268	10,233	10,233
Payables	38,073,655	38,073,655	1,310,625	1,310,625
Preferred stock liability	30,000,000	30,464,799	1,032,702	1,048,702
Guarantee deposits received	2,077,752	2,077,752	71,523	71,523
Assets – derivative				
Financial assets at fair value				
through profit or loss				
Forward, CS and CCS	4,725,696	4,725,696	162,675	162,675
IRS and CDS	241,668	241,668	8,319	8,319
Derivative financial assets for				
hedging				
IRS and CDS	1,142,094	1,142,094	39,315	39,315
Liabilities – derivative				
Financial liabilities at fair value				
through profit or loss				
Forward, CS and CCS	1,972,792	1,972,792	67,910	67,910
IRS and CDS	106,665	106,665	3,672	3,672

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For the three-month periods ended 31 March 2013 and 2012

Item	31 March 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets – non-derivative</u>				
Cash and cash equivalents	\$407,648,892	\$407,648,892	\$13,818,607	\$13,818,607
Receivables	87,348,858	87,348,858	2,960,978	2,960,978
Financial assets at fair value				
through profit or loss	78,028,254	78,028,254	2,645,026	2,645,026
Available-for-sale financial assets	1,275,210,475	1,275,210,475	43,227,474	43,227,474
Bond investments for which no				
active market exists	582,998,436	591,538,635	19,762,659	20,052,157
Other financial assets	20,000,000	20,000,000	677,966	677,966
Guarantee deposits paid	14,950,918	14,950,918	506,811	506,811
<u>Liabilities – non-derivative</u>				
Short-term debts	62,829	62,829	2,130	2,130
Payables	69,617,182	69,617,182	2,359,904	2,359,904
Preferred stock liability	30,000,000	30,846,640	1,016,949	1,045,649
Guarantee deposits received	1,981,381	1,981,381	67,165	67,165
<u>Assets – derivative</u>				
Financial assets at fair value				
through profit or loss				
Options	10,819	10,819	367	367
Forward, CS and CCS	6,009,789	6,009,789	203,721	203,721
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
<u>Liabilities – derivative</u>				
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

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For the three-month periods ended 31 March 2013 and 2012

Item	1 January 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets – non-derivative</u>				
Cash and cash equivalents	\$374,053,580	\$374,053,580	\$12,357,237	\$12,357,237
Receivables	46,488,157	46,488,157	1,535,783	1,535,783
Financial assets at fair value				
through profit or loss	55,966,373	55,966,373	1,848,906	1,848,906
Available-for-sale financial assets	1,292,029,178	1,292,029,178	42,683,488	42,683,488
Bond investments for which no				
active market exists	515,028,639	515,895,424	17,014,491	17,043,126
Other financial assets	13,300,000	13,300,000	439,379	439,379
Guarantee deposits paid	15,695,921	15,695,921	518,531	518,531
<u>Liabilities – non-derivative</u>				
Short-term debts	201,158	201,158	6,646	6,646
Payables	22,611,251	22,611,251	746,986	746,986
Preferred stock liability	30,000,000	30,580,870	991,080	1,010,270
Guarantee deposits received	1,960,914	1,960,914	64,781	64,781
<u>Assets – derivative</u>				
Financial assets at fair value				
through profit or loss				
Options	152,025	152,025	5,022	5,022
Forward, CS and CCS	3,775,175	3,775,175	124,717	124,717
IRS and CDS	257,176	257,176	8,496	8,496
Derivative financial assets for				
hedging				
IRS and CDS	1,957,846	1,957,846	64,679	64,679
<u>Liabilities – derivative</u>				
Financial liabilities at fair value				
through profit or loss				
Forward, CS and CCS	17,101,960	17,101,960	564,981	564,981
IRS and CDS	366,941	366,941	12,122	12,122

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

- A. The fair value of the Company and subsidiaries' short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. Short-term financial instruments include cash, cash equivalents, resale bonds and notes, receivables and payables.
- B. The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as the Company and subsidiaries predict the future cash inflow or outflow will be of similar amount to the carrying value.
- C. Quoted market price, if available, is utilized as estimates of the fair value of financial instruments at fair value through profit or loss, available-for-sale financial assets, bond investments for which no active market exists and derivative financial instruments for hedging. If no quoted market prices exist for the Company and subsidiaries' financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that is available to market participants, such as yield curves, exchange rates, etc., and takes into account characteristics of financial instruments, including credit ratings, residual periods of debt securities, currencies and fair value of similar instruments. The Company and subsidiaries thus adopt the methods and assumptions that market participants would use in setting prices.

(2) The three levels of fair value hierarchy

To provide disclosure of information, the Company and Subsidiaries use the three levels of fair value hierarchy to reflect the significance of fair value inputs during measurement. The three levels of fair value hierarchy is shown below:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use unobservable inputs or inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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For the three-month periods ended 31 March 2013 and 2012

A. Fair value hierarchy

Item	31 March 2013			
	Total	Level 1	Level 2	Level 3
NT\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$14,411,026	\$14,411,026	\$-	\$-
Bonds	2,572,338	941,400	1,630,938	-
Other	46,495,595	23,453,294	23,042,301	-
Available-for-sale financial assets				
Stocks	327,316,531	322,082,217	5,234,314	-
Bonds	815,876,821	39,325,661	776,551,160	-
Other	152,749,991	121,772,118	22,826,415	8,151,458
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	2,542,735	279	2,542,456	-
Derivative financial assets for hedging	947,259	-	947,259	-
Liabilities				
Financial liabilities at fair value through profit or loss	16,375,898	-	16,375,898	-
Total	\$1,379,288,194	\$521,985,995	\$849,150,741	\$8,151,458

Item	31 March 2013			
	Total	Level 1	Level 2	Level 3
US\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$483,429	\$483,429	\$-	\$-
Bonds	86,291	31,580	54,711	-
Other	1,559,732	786,760	772,972	-
Available-for-sale financial assets				
Stocks	10,980,092	10,804,503	175,589	-
Bonds	27,369,232	1,319,210	26,050,022	-
Other	5,124,119	4,084,942	765,730	273,447
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	85,298	9	85,289	-
Derivative financial assets for hedging	31,777	-	31,777	-
Liabilities				
Financial liabilities at fair value through profit or loss	549,343	-	549,343	-
Total	\$46,269,313	\$17,510,433	\$28,485,433	\$273,447

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For the three-month periods ended 31 March 2013 and 2012

Item	31 December 2012			
	Total	Level 1	Level 2	Level 3
NT\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$10,883,272	\$10,883,272	\$-	\$-
Bonds	2,459,664	810,122	1,649,542	-
Other	54,654,511	36,311,221	18,343,290	-
Available-for-sale financial assets				
Stocks	278,706,999	273,346,288	5,360,711	-
Bonds	838,550,417	39,891,903	798,658,514	-
Other	110,063,756	82,471,511	19,951,630	7,640,615
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,967,364	-	4,967,364	-
Derivative financial assets for hedging	1,142,094	-	1,142,094	-
Liabilities				
Financial liabilities at fair value through profit or loss	2,079,457	-	2,079,457	-
Total	\$1,303,507,534	\$443,714,317	\$852,152,602	\$7,640,615

Item	31 December 2012			
	Total	Level 1	Level 2	Level 3
US\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$374,639	\$374,639	\$-	\$-
Bonds	84,670	27,887	56,783	-
Other	1,881,394	1,249,956	631,438	-
Available-for-sale financial assets				
Stocks	9,594,045	9,409,511	184,534	-
Bonds	28,865,762	1,373,215	27,492,547	-
Other	3,788,770	2,838,950	686,804	263,016
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	170,994	-	170,994	-
Derivative financial assets for hedging	39,315	-	39,315	-
Liabilities				
Financial liabilities at fair value through profit or loss	71,582	-	71,582	-
Total	\$44,871,171	\$15,274,158	\$29,333,997	\$263,016

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For the three-month periods ended 31 March 2013 and 2012

Item	31 March 2012			
	Total	Level 1	Level 2	Level 3
NT\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$5,633,313	\$5,633,313	\$-	\$-
Bonds	3,155,849	1,332,287	1,823,562	-
Other	69,239,092	69,212,482	26,610	-
Available-for-sale financial assets				
Stocks	272,947,180	266,321,828	6,625,352	-
Bonds	907,580,401	14,636,554	892,943,847	-
Other	94,682,894	69,271,688	20,068,959	5,342,247
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	6,236,666	-	6,236,666	-
Derivative financial assets for hedging	1,656,849	-	1,656,849	-
Liabilities				
Financial liabilities at fair value through profit or loss	5,925,636	-	5,925,636	-
Total	\$1,367,057,880	\$426,408,152	\$935,307,481	\$5,342,247

Item	31 March 2012			
	Total	Level 1	Level 2	Level 3
US\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$190,960	\$190,960	\$-	\$-
Bonds	106,978	45,162	61,816	-
Other	2,347,088	2,346,186	902	-
Available-for-sale financial assets				
Stocks	9,252,447	9,027,859	224,588	-
Bonds	30,765,437	496,154	30,269,283	-
Other	3,209,590	2,348,193	680,304	181,093
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	211,412	-	211,412	-
Derivative financial assets for hedging	56,164	-	56,164	-
Liabilities				
Financial liabilities at fair value through profit or loss	200,869	-	200,869	-
Total	\$46,340,945	\$14,454,514	\$31,705,338	\$181,093

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For the three-month periods ended 31 March 2013 and 2012

Item	1 January 2012			
	Total	Level 1	Level 2	Level 3
NT\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$7,245,860	\$7,245,860	\$-	\$-
Bonds	3,143,357	1,318,628	1,824,729	-
Other	45,577,156	45,545,961	31,195	-
Available-for-sale financial assets				
Stocks	244,756,040	237,523,681	7,232,359	-
Bonds	959,309,354	14,583,532	944,725,822	-
Other	87,963,784	61,343,433	20,427,218	6,193,133
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,184,376	-	4,184,376	-
Derivative financial assets for hedging	1,957,846	-	1,957,846	-
Liabilities				
Financial liabilities at fair value through profit or loss	17,468,901	-	17,468,901	-
Total	\$1,371,606,674	\$367,561,095	\$997,852,446	\$6,193,133

Item	1 January 2012			
	Total	Level 1	Level 2	Level 3
US\$				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Stocks	\$239,375	\$239,375	\$-	\$-
Bonds	103,844	43,562	60,282	-
Other	1,505,687	1,504,657	1,030	-
Available-for-sale financial assets				
Stocks	8,085,763	7,846,835	238,928	-
Bonds	31,691,753	481,782	31,209,971	-
Other	2,905,972	2,026,542	674,834	204,596
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	138,235	-	138,235	-
Derivative financial assets for hedging	64,679	-	64,679	-
Liabilities				
Financial liabilities at fair value through profit or loss	577,103	-	577,103	-
Total	\$45,312,411	\$12,142,753	\$32,965,062	\$204,596

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For the three-month periods ended 31 March 2013 and 2012

B. Reconciliation for fair value measurements in level 3 of the fair value hierarchy

a. Financial assets

For the three-month period ended 31 March 2013						
NT\$						
Item	Beginning balance (cost)	Gains on valuation	Increase	Decrease	Ending balance (cost)	Book value
Available-for-sale financial assets	\$7,077,704	\$641,667	\$1,069,041	\$(636,954)	\$7,509,791	\$8,151,458

For the three-month period ended 31 March 2013						
US\$						
Item	Beginning balance (cost)	Gains on valuation	Increase	Decrease	Ending balance (cost)	Book value
Available-for-sale financial assets	\$237,427	\$21,525	\$35,862	\$(21,367)	\$251,922	\$273,447

For the three-month period ended 31 March 2012						
NT\$						
Item	Beginning balance (cost)	Gains on valuation	Increase	Decrease	Ending balance (cost)	Book value
Available-for-sale financial assets	\$4,771,878	\$398,668	\$561,149	\$(389,448)	\$4,943,579	\$5,342,247

For the three-month period ended 31 March 2012						
US\$						
Item	Beginning balance (cost)	Gains on valuation	Increase	Decrease	Ending balance (cost)	Book value
Available-for-sale financial assets	\$161,759	\$13,514	\$19,022	\$(13,202)	\$167,579	\$181,093

b. Transfers between Level 1 and Level 2

During the three-month periods ended 31 March 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

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For the three-month periods ended 31 March 2013 and 2012

(3) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at 31 March 2013 and 2012:

A. 31 March 2013

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$214,387	\$7,192	\$78,611	\$2,637	\$1,802,932	\$60,481	\$10,286,548	\$345,070
Available-for-sale financial assets	29,570,812	991,976	32,591,079	1,093,294	41,965,040	1,407,750	40,373,624	1,354,365
Bond investments for which no active market exists	9,021,456	302,632	29,254,226	981,356	39,015,695	1,308,812	9,910,332	332,450
Preferred stock liability	-	-	-	-	15,000,000	503,187	10,000,000	335,458

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$13,205,208	\$442,979	\$2	\$-	\$25,587,688	\$858,359
Available-for-sale financial assets	60,719,578	2,036,886	451,669,299	15,151,604	656,889,432	22,035,875
Bond investments for which no active market exists	16,717,634	560,806	701,766,532	23,541,313	805,685,875	27,027,369
Preferred stock liability	-	-	5,000,000	167,729	30,000,000	1,006,374

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$21,906	\$735	\$197	\$7	\$3	\$-	\$4	\$-
Available-for-sale financial assets	122,180,746	4,098,650	233,964	7,848	518,714	17,401	1,747,897	58,635
Bond investments for which no active market exists	700,000	23,482	1,404,025	47,099	110,381	3,703	-	-

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For the three-month periods ended 31 March 2013 and 2012

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$22,110	\$742
Available-for-sale financial assets	2,692,156	90,310	33,199,863	1,113,716	160,573,340	5,386,560
Bond investments for which no active market exists	-	-	54,258,686	1,820,150	56,473,092	1,894,434

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$3,011	\$101	\$-	\$-	\$31,195	\$1,046	\$-	\$-
Derivative financial assets for hedging	134,255	4,504	590,697	19,815	18,507	621	120,838	4,054
Financial liabilities at fair value through profit or loss	-	-	56,814	1,906	25,916	869	9,085	305

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$7,771	\$261	\$35,850	\$1,203	\$77,827	\$2,611
Derivative financial assets for hedging	63,406	2,127	19,556	656	947,259	31,777
Financial liabilities at fair value through profit or loss	-	-	-	-	91,815	3,080

B. 31 March 2012

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	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	1,125,099	35,697,476	1,210,084	50,069,086	1,697,257
Bond investments for which no active market exists	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	508,474

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Item	Due in 4~5 years		Over 5 years		Total	
	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	25,141,000
Bond investments for which no active market exists	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	169,492	30,000,000	1,016,949

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	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	-	-	-	-
Bond investments for which no active market exists	6,428,623	217,919	-	-	344,910	11,692	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	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
Bond investments for which no active market exists	-	-	23,081,631	782,428	29,855,164	1,012,039

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	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

Item	Due in 4~5 years		Over 5 years		Total	
	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

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(4) Hedged accounting disclosures

Cash flow hedges

The following table summarizes the terms of the Company's interest rate swaps for bonds used as hedging instruments as of 31 March 2013 and 2012:

A. 31 March 2013

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$2,425,000	\$81,349	90DCP	Quarterly	2013.4.24
3,600,000	120,765	90DCP	Quarterly	2013.6.8
2,700,000	90,574	90DCP+25bps	Quarterly	2013.8.24
3,000,000	100,637	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	67,092	90DCP	Yearly	2013.11.3
1,000,000	33,546	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,773	90DCP+23bps	Yearly	2013.12.14
1,500,000	50,319	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,546	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,191	90DCP	Yearly	2014.3.12
1,000,000	33,546	90DCP	Yearly	2014.6.12
3,000,000	100,637	90DCP	Quarterly	2014.6.25
1,810,000	60,718	90DCP	Quarterly	2014.6.26
2,000,000	67,092	90DCP	Yearly	2014.6.29
5,000,000	167,729	90DCP	Yearly	2014.8.23
1,000,000	33,546	90DCP	Yearly	2014.9.20
3,200,000	107,347	90DCP	Yearly	2014.9.27
2,000,000	67,092	90DCP	Quarterly	2014.9.28
1,500,000	50,319	90DCP	Yearly	2014.9.29
2,500,000	83,864	90DCP	Yearly	2014.12.20
2,000,000	67,092	90DCP	Yearly	2014.12.24
2,300,000	77,155	90DCP	Quarterly	2015.3.25
1,500,000	50,319	90DCP	Quarterly	2015.5.9
2,543,500	85,324	90DCP	Quarterly	2016.10.23
900,000	30,191	90DCP	Quarterly	2016.10.24
1,200,000	40,255	90DCP	Quarterly	2017.10.25
1,400,000	46,964	90DCP	Quarterly	2017.12.9
600,000	20,127	90DCP	Quarterly	2020.9.23

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B. 31 March 2012

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$1,000,000	\$33,898	90DCP	Quarterly	2012.6.26
2,000,000	67,797	90DCP	Quarterly	2012.9.9
2,000,000	67,797	90DCP	Quarterly	2012.10.11
700,000	23,729	90DCP	Quarterly	2012.11.24
2,000,000	67,797	90DCP	Yearly	2013.3.26
2,425,000	82,203	90DCP	Quarterly	2013.4.24
3,600,000	122,034	90DCP	Quarterly	2013.6.8
2,700,000	91,525	90DCP+25bps	Quarterly	2013.8.24
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	Quarterly	2014.6.25
1,810,000	61,356	90DCP	Quarterly	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	Quarterly	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	Quarterly	2015.3.25
1,500,000	50,847	90DCP	Quarterly	2015.5.9
2,543,500	86,220	90DCP	Quarterly	2016.10.23
900,000	30,508	90DCP	Quarterly	2016.10.24
1,200,000	40,678	90DCP	Quarterly	2017.10.25
1,400,000	47,458	90DCP	Quarterly	2017.12.9
600,000	20,339	90DCP	Quarterly	2020.9.23

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

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The Company's interest rate swap agreements are considered to be highly effective cash flow hedges. As of 31 March 2013 and 2012, unrealized gains on these financial instruments recognized in equity were NT\$794,322 (US\$26,646) thousands and NT\$1,401,476 (US\$47,508) thousands, respectively.

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

	31 March 2013			31 December 2012		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	37,401,286	29.875000	1,117,363,425	36,845,654	29.136000	1,073,534,986
AUD	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)
EUR	765,605	38.277344	29,305,339	717,803	38.609570	27,714,068
GBP	592,841	45.380125	26,903,192	526,696	46.975973	24,742,075
CNH	22,183,611	4.815131	106,816,999	19,422,188	4.679730	90,890,601

Note: On 31 March 2013 and 31 December 2012, the amount did not have significant influence.

Non-Monetary Items

USD	4,702,475	29.875000	140,486,434	3,188,552	29.136000	93,069,180
HKD	11,590,679	3.848656	44,608,536	7,588,075	3.758611	28,520,621

Investments

accounted for using

the equity method

CNY	54,760	4.810200	263,405	64,246	4.674100	300,290
USD	3,479	29.875000	103,943	3,493	29.136000	101,761

	31 March 2012			1 January 2012		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	34,334,150	29.530000	1,013,887,455	33,563,805	30.290000	1,016,647,662
AUD	1,146,311	30.718600	35,213,035	1,549,838	30.751923	47,660,512
EUR	572,502	39.432900	22,575,423	515,132	39.199804	20,193,085
GBP	369,959	47.276100	17,490,189	332,656	46.751101	15,552,022
CNH	2,963,562	4.679300	13,867,336	2,765,935	4.774590	13,206,205

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	31 March 2012			1 January 2012		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Non-Monetary Items</u>						
USD	2,579,905	29.53000	76,290,404	2,407,923	30.290000	72,972,587
HKD	7,995,929	3.80353	30,412,719	8,310,042	3.898503	32,396,719
<u>Investments</u>						
<u>accounted for using</u>						
<u>the equity method</u>						
CNY	122,806	4.68880	575,811	130,716	4.812500	629,070
USD	4,050	29.53000	119,606	4,184	30.290000	126,731

47. 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:

Item	31 March 2013 NT\$		
	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	\$309,253,895	\$-	\$309,253,895
Receivables	65,874,721	239,563	66,114,284
Financial assets at fair value through profit or loss	303,593	65,718,101	66,021,694
Available-for-sale financial assets	151,751,557	1,144,191,786	1,295,943,343
Derivative financial assets for hedging	134,255	813,004	947,259
Investments accounted for using the equity method - Net	-	951,794	951,794
Bond investments for which no active market exists	9,721,456	861,439,754	871,161,210
Other financial assets - Net	253	25,900,000	25,900,253
Investment property	-	200,798,354	200,798,354
Investment property under construction	-	8,711,676	8,711,676
Prepayments for buildings and land - Investments	-	1,587,676	1,587,676
Loans	-	545,910,412	545,910,412
Reinsurance assets	-	6,837,743	6,837,743
Property and equipment	-	48,324,150	48,324,150
Intangible assets	-	246,530	246,530
Deferred tax assets	-	13,896,261	13,896,261
Other assets	286,394	16,587,378	16,873,772
Separate account product assets	9,757,200	349,618,092	359,375,292
Total assets			<u>\$3,838,855,598</u>

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Item	31 March 2013 NT\$		Total
	Settlement within 12 months	Settlement more than 12 months	
Short-term debts	\$125,063	\$-	\$125,063
Payables	40,066,662	2,775,092	42,841,754
Financial liabilities at fair value through profit or loss	-	16,375,898	16,375,898
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	3,152,043,135	3,152,043,135
Reserve for insurance contracts with feature of financial instruments	-	60,026,735	60,026,735
Foreign exchange volatility reserve	-	7,478,930	7,478,930
Provisions	-	3,856,947	3,856,947
Deferred tax liabilities	-	13,806,781	13,806,781
Other liabilities	205,452	10,893,968	11,099,420
Separate account product liabilities	1,509,458	357,865,834	359,375,292
Total liabilities			<u>\$3,697,029,955</u>

Item	31 March 2013 US\$		Total
	Recovery within 12 months	Recovery more than 12 months	
Cash and cash equivalents	\$10,374,166	\$-	\$10,374,166
Receivables	2,209,820	8,036	2,217,856
Financial assets at fair value through profit or loss	10,184	2,204,566	2,214,750
Available-for-sale financial assets	5,090,626	38,382,817	43,473,443
Derivative financial assets for hedging	4,504	27,273	31,777
Investments accounted for using the equity method - Net	-	31,929	31,929
Bond investments for which no active market exists	326,114	28,897,677	29,223,791
Other financial assets - Net	8	868,836	868,844
Investment property	-	6,735,939	6,735,939
Investment property under construction	-	292,240	292,240
Prepayments for buildings and land - Investments	-	53,260	53,260
Loans	-	18,312,996	18,312,996
Reinsurance assets	-	229,378	229,378
Property and equipment	-	1,621,072	1,621,072
Intangible assets	-	8,270	8,270
Deferred tax assets	-	466,161	466,161
Other assets	9,607	556,437	566,044
Separate account product assets	327,313	11,728,215	12,055,528
Total assets			<u>\$128,777,444</u>

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Item	31 March 2013 US\$		Total
	Settlement within 12 months	Settlement more than 12 months	
Short-term debts	\$4,195	\$-	\$4,195
Payables	1,344,068	93,093	1,437,161
Financial liabilities at fair value through profit or loss	-	549,343	549,343
Preferred stock liability	-	1,006,374	1,006,374
Insurance liabilities	-	105,737,777	105,737,777
Reserve for insurance contracts with feature of financial instruments	-	2,013,644	2,013,644
Foreign exchange volatility reserve	-	250,887	250,887
Provisions	-	129,384	129,384
Deferred tax liabilities	-	463,159	463,159
Other liabilities	6,892	365,447	372,339
Separate account product liabilities	50,636	12,004,892	12,055,528
Total liabilities			<u>\$124,019,791</u>

Item	31 December 2012 NT\$		Total
	Recovery within 12 months	Recovery more than 12 months	
Cash and cash equivalents	\$366,121,804	\$-	\$366,121,804
Receivables	60,776,470	214,584	60,991,054
Financial assets at fair value through profit or loss	241,912	72,722,899	72,964,811
Available-for-sale financial assets	153,831,479	1,073,489,693	1,227,321,172
Derivative financial assets for hedging	185,211	956,883	1,142,094
Investments accounted for using the equity method - Net	-	947,731	947,731
Bond investments for which no active market exists	6,968,205	809,936,412	816,904,617
Other financial assets - Net	10	23,500,000	23,500,010
Investment property	-	201,293,052	201,293,052
Investment property under construction	-	7,519,477	7,519,477
Prepayments for buildings and land - Investments	-	1,581,767	1,581,767
Loans	-	516,503,876	516,503,876
Reinsurance assets	-	9,170,196	9,170,196
Property and equipment	-	48,356,882	48,356,882
Intangible assets	-	254,878	254,878
Deferred tax assets	-	16,106,670	16,106,670
Other assets	589,418	16,150,056	16,739,474
Separate account product assets	1,287,322	328,269,924	329,557,246
Total assets			<u>\$3,716,976,811</u>

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Item	31 December 2012		
	NT\$		
	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	\$297,268	\$-	\$297,268
Payables	35,522,453	2,551,202	38,073,655
Financial liabilities at fair value through profit or loss	-	2,079,457	2,079,457
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	3,082,659,251	3,082,659,251
Reserve for insurance contracts with feature of financial instruments	-	61,350,872	61,350,872
Foreign exchange volatility reserve	-	4,270,856	4,270,856
Provisions	-	3,812,483	3,812,483
Deferred tax liabilities	-	15,390,603	15,390,603
Other liabilities	209,870	11,315,940	11,525,810
Separate account product liabilities	1,440,241	328,117,005	329,557,246
Total liabilities			<u>\$3,579,017,501</u>

Item	31 December 2012		
	US\$		
	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	\$12,603,160	\$-	\$12,603,160
Receivables	2,092,133	7,387	2,099,520
Financial assets at fair value through profit or loss	8,327	2,503,370	2,511,697
Available-for-sale financial assets	5,295,404	36,953,173	42,248,577
Derivative financial assets for hedging	6,376	32,939	39,315
Investments accounted for using the equity method - Net	-	32,624	32,624
Bond investments for which no active market exists	239,870	27,880,771	28,120,641
Other financial assets - Net	-	808,950	808,950
Investment property	-	6,929,193	6,929,193
Investment property under construction	-	258,846	258,846
Prepayments for buildings and land - Investments	-	54,450	54,450
Loans	-	17,779,824	17,779,824
Reinsurance assets	-	315,669	315,669
Property and equipment	-	1,664,609	1,664,609
Intangible assets	-	8,774	8,774
Deferred tax assets	-	554,446	554,446
Other assets	20,290	555,940	576,230
Separate account product assets	44,314	11,300,170	11,344,484
Total assets			<u>\$127,951,009</u>

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Item	31 December 2012		
	US\$		
	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	\$10,233	\$-	\$10,233
Payables	1,222,804	87,821	1,310,625
Financial liabilities at fair value through profit or loss	-	71,582	71,582
Preferred stock liability	-	1,032,702	1,032,702
Insurance liabilities	-	106,115,637	106,115,637
Reserve for insurance contracts with feature of financial instruments	-	2,111,906	2,111,906
Foreign exchange volatility reserve	-	147,017	147,017
Provisions	-	131,239	131,239
Deferred tax liabilities	-	529,797	529,797
Other liabilities	7,225	389,533	396,758
Separate account product liabilities	49,578	11,294,906	11,344,484
Total liabilities			<u>\$123,201,980</u>

Item	31 March 2012		
	NT\$		
	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	\$407,648,892	\$-	\$407,648,892
Receivables	87,132,108	216,750	87,348,858
Financial assets at fair value through profit or loss	3,095,099	81,169,821	84,264,920
Available-for-sale financial assets	188,060,299	1,087,150,176	1,275,210,475
Derivative financial assets for hedging	47,746	1,609,103	1,656,849
Investments accounted for using the equity method - Net	-	1,400,813	1,400,813
Bond investments for which no active market exists	16,969,596	566,028,840	582,998,436
Other financial assets - Net	-	20,000,000	20,000,000
Investment property	-	201,423,289	201,423,289
Investment property under construction	-	6,114,022	6,114,022
Prepayments for buildings and land - Investments	-	1,108,341	1,108,341
Loans	-	487,712,891	487,712,891
Reinsurance assets	-	8,636,043	8,636,043
Property and equipment	-	23,522,434	23,522,434
Intangible assets	-	372,662	372,662
Deferred tax assets	-	14,097,935	14,097,935
Other assets	601,478	17,968,583	18,570,061
Separate account product assets	742,785	299,401,785	300,144,570
Total assets			<u>\$3,522,231,491</u>

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Item	31 March 2012 NT\$		Total
	Settlement within 12 months	Settlement more than 12 months	
Short-term debts	\$62,829	\$-	\$62,829
Payables	67,748,090	1,869,092	69,617,182
Financial liabilities at fair value through profit or loss	-	5,925,636	5,925,636
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	2,882,388,611	2,882,388,611
Reserve for insurance contracts with feature of financial instruments	-	65,814,791	65,814,791
Foreign exchange volatility reserve	-	4,663,734	4,663,734
Provisions	-	3,693,606	3,693,606
Deferred tax liabilities	-	14,685,817	14,685,817
Other liabilities	202,495	8,093,779	8,296,274
Separate account product liabilities	2,436,962	297,707,608	300,144,570
Total liabilities			<u>\$3,385,293,050</u>

Item	31 March 2012 US\$		Total
	Recovery within 12 months	Recovery more than 12 months	
Cash and cash equivalents	\$13,818,607	\$-	\$13,818,607
Receivables	2,953,631	7,347	2,960,978
Financial assets at fair value through profit or loss	104,919	2,751,519	2,856,438
Available-for-sale financial assets	6,374,926	36,852,548	43,227,474
Derivative financial assets for hedging	1,618	54,546	56,164
Investments accounted for using the equity method - Net	-	47,485	47,485
Bond investments for which no active market exists	575,241	19,187,418	19,762,659
Other financial assets - Net	-	677,966	677,966
Investment property	-	6,827,908	6,827,908
Investment property under construction	-	207,255	207,255
Prepayments for buildings and land - Investments	-	37,571	37,571
Loans	-	16,532,640	16,532,640
Reinsurance assets	-	292,747	292,747
Property and equipment	-	797,371	797,371
Intangible assets	-	12,633	12,633
Deferred tax assets	-	477,896	477,896
Other assets	20,389	609,105	629,494
Separate account product assets	25,179	10,149,213	10,174,392
Total assets			<u>\$119,397,678</u>

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to unaudited consolidated 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 31 March 2013 and 2012

Item	31 March 2012 US\$		Total
	Settlement within 12 months	Settlement more than 12 months	
Short-term debts	\$2,130	\$-	\$2,130
Payables	2,296,545	63,359	2,359,904
Financial liabilities at fair value through profit or loss	-	200,869	200,869
Preferred stock liability	-	1,016,949	1,016,949
Insurance liabilities	-	97,708,089	97,708,089
Reserve for insurance contracts with feature of financial instruments	-	2,231,010	2,231,010
Foreign exchange volatility reserve	-	158,093	158,093
Provisions	-	125,207	125,207
Deferred tax liabilities	-	497,824	497,824
Other liabilities	6,864	274,366	281,230
Separate account product liabilities	82,609	10,091,783	10,174,392
Total liabilities			<u>\$114,755,697</u>

Item	1 January 2012 NT\$		Total
	Recovery within 12 months	Recovery more than 12 months	
Cash and cash equivalents	\$374,053,580	\$-	\$374,053,580
Receivables	46,262,417	225,740	46,488,157
Financial assets at fair value through profit or loss	1,748,069	58,402,680	60,150,749
Available-for-sale financial assets	203,645,633	1,088,383,545	1,292,029,178
Derivative financial assets for hedging	20,940	1,936,906	1,957,846
Investments accounted for using the equity method - Net	-	1,423,015	1,423,015
Bond investments for which no active market exists	37,617,866	477,410,773	515,028,639
Other financial assets - Net	-	13,300,000	13,300,000
Investment property	-	201,945,170	201,945,170
Investment property under construction	-	5,459,223	5,459,223
Prepayments for buildings and land - Investments	-	20,469	20,469
Loans	-	489,801,740	489,801,740
Reinsurance assets	-	9,174,128	9,174,128
Property and equipment	-	23,618,343	23,618,343
Intangible assets	-	396,833	396,833
Deferred tax assets	-	11,989,836	11,989,836
Other assets	201,451	18,030,154	18,231,605
Separate account product assets	884,443	293,166,569	294,051,012
Total assets			<u>\$3,359,119,523</u>

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For the three-month periods ended 31 March 2013 and 2012

Item	1 January 2012 NT\$		Total
	Settlement within 12 months	Settlement more than 12 months	
Short-term debts	\$201,158	\$-	\$201,158
Payables	20,967,886	1,643,365	22,611,251
Financial liabilities at fair value through profit or loss	-	17,468,901	17,468,901
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	2,787,557,192	2,787,557,192
Reserve for insurance contracts with feature of financial instruments	-	66,884,712	66,884,712
Provisions	-	3,645,727	3,645,727
Deferred tax liabilities	-	12,916,045	12,916,045
Other liabilities	278,236	6,202,479	6,480,715
Separate account product liabilities	2,438,256	291,612,756	294,051,012
Total liabilities			<u>\$3,241,816,713</u>

Item	1 January 2012 US\$		Total
	Recovery within 12 months	Recovery more than 12 months	
Cash and cash equivalents	\$12,357,237	\$-	\$12,357,237
Receivables	1,528,326	7,457	1,535,783
Financial assets at fair value through profit or loss	57,749	1,929,392	1,987,141
Available-for-sale financial assets	6,727,639	35,955,849	42,683,488
Derivative financial assets for hedging	692	63,987	64,679
Investments accounted for using the equity method - Net	-	47,011	47,011
Bond investments for which no active market exists	1,242,744	15,771,747	17,014,491
Other financial assets - Net	-	439,379	439,379
Investment property	-	6,671,463	6,671,463
Investment property under construction	-	180,351	180,351
Prepayments for buildings and land - Investments	-	676	676
Loans	-	16,181,095	16,181,095
Reinsurance assets	-	303,076	303,076
Property and equipment	-	780,256	780,256
Intangible assets	-	13,110	13,110
Deferred tax assets	-	396,096	396,096
Other assets	6,655	595,645	602,300
Separate account product assets	29,218	9,685,054	9,714,272
Total assets			<u>\$110,971,904</u>

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For the three-month periods ended 31 March 2013 and 2012

Item	1 January 2012		
	US\$		
	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	\$6,646	\$-	\$6,646
Payables	692,696	54,290	746,986
Financial liabilities at fair value			
through profit or loss	-	577,103	577,103
Preferred stock liability	-	991,080	991,080
Insurance liabilities	-	92,089,765	92,089,765
Reserve for insurance contracts			
with feature of financial instruments	-	2,209,604	2,209,604
Provisions	-	120,440	120,440
Deferred tax liabilities	-	426,695	426,695
Other liabilities	9,192	204,905	214,097
Separate account product liabilities	80,550	9,633,722	9,714,272
Total liabilities			<u>\$107,096,688</u>

48. Related party transactions

Significant transactions with related parties

(1) Property transactions

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

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For the three-month periods ended 31 March 2013 and 2012

A. Significant transactions of undertaking contracted projects with related parties are listed below:

Name	For the three-month period ended 31 March 2013		
	Item	NT\$	US\$
Other related parties			
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	\$4,033	\$135
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	286,811	9,622
Total		<u>\$290,844</u>	<u>\$9,757</u>

Name	For the three-month period ended 31 March 2012		
	Item	NT\$	US\$
Other related parties			
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
Total		<u>\$483,266</u>	<u>\$16,382</u>

The total amounts of contracted projects for real estate as of 31 March 2013 , 31 December 2012 , 31 March 2012 and 1 January 2012, between the Company and Lin Yuan Property Management Co., Ltd. were NT\$6,095 (US\$204) thousands , NT\$3,408 (US\$117) thousands, NT\$0 (US\$0) thousands and NT\$0 (US\$0) thousands, respectively.

The total amounts of contracted projects for real estate as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, between the Company and San Ching Engineering Co., Ltd. were NT\$5,474,727 (US\$183,654) thousands, NT\$5,483,615 (US\$188,765) thousands, NT\$5,483,615 (US\$185,885) thousands and NT\$5,483,615 (US\$181,157) thousands, respectively.

The total amounts of contracted projects for real estate of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, between the Company and Cathay Real Estate Development Co., Ltd. were NT\$49,306 (US\$1,654) thousands, NT\$49,306 (US\$1,697) thousands, NT\$49,306 (US\$1,671) thousands and NT\$49,306 (US\$1,629) thousands, respectively.

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For the three-month periods ended 31 March 2013 and 2012

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

Name	Rental income			
	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd.	\$7,696	\$258	\$6,763	\$229
Other related parties				
Cathay United Bank	99,684	3,344	107,304	3,637
Cathay Century Insurance Co., Ltd.	25,894	869	23,543	798
Cathay Securities Investment Trust Co., Ltd.	9,923	333	9,745	330
Cathay Securities Co., Ltd.	6,288	211	5,620	191
Cathay General Hospital	43,552	1,461	43,676	1,481
Cathay Real Estate Development Co., Ltd.	4,343	146	4,322	147
Cathay Healthcare Inc.	8,603	288	-	-
Subtotal	198,287	6,652	194,210	6,584
Total	\$205,983	\$6,910	\$200,973	\$6,813

Name	Guarantee deposits received			
	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd.	\$7,115	\$239	\$6,604	\$227
Other related parties				
Cathay United Bank	85,466	2,867	85,466	2,942
Cathay Century Insurance Co., Ltd.	23,725	796	22,678	781
Cathay Securities Investment Trust Co., Ltd.	8,903	298	8,903	306
Cathay Securities Co., Ltd.	6,708	225	5,853	201
Cathay General Hospital	10,166	341	10,166	350
Cathay Real Estate Development Co., Ltd.	4,028	135	4,028	139
Cathay Healthcare Inc.	8,012	269	8,012	276
Subtotal	147,008	4,931	145,106	4,995
Total	\$154,123	\$5,170	\$151,710	\$5,222

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For the three-month periods ended 31 March 2013 and 2012

Name	Guarantee deposits received			
	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd.	\$5,816	\$197	\$5,816	\$192
Other related parties				
Cathay United Bank	71,897	2,437	71,365	2,358
Cathay Century Insurance Co., Ltd.	22,420	760	23,234	768
Cathay Securities Investment Trust Co., Ltd.	8,903	302	8,903	294
Cathay Securities Co., Ltd.	4,972	168	5,182	171
Cathay General Hospital	10,166	345	13,194	436
Cathay Real Estate Development Co., Ltd.	4,028	137	4,028	133
Cathay Healthcare Inc.	-	-	6,894	228
Subtotal	122,386	4,149	132,800	4,388
Total	<u>\$128,202</u>	<u>\$4,346</u>	<u>\$138,616</u>	<u>\$4,580</u>

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

C. Real-estate rental expenses (to related parties):

Name	Rental expense			
	For the three-month periods ended 31 March			
	2013		2012	
NT\$	US\$	NT\$	US\$	
Other related parties				
Cathay United Bank	<u>\$12,118</u>	<u>\$407</u>	<u>\$9,320</u>	<u>\$316</u>

Name	Guarantee deposits paid			
	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay United Bank	<u>\$14,790</u>	<u>\$496</u>	<u>\$14,790</u>	<u>\$509</u>

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For the three-month periods ended 31 March 2013 and 2012

Name	Guarantee deposits paid			
	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay United Bank	\$8,921	\$303	\$8,921	\$295

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

(2) Cash in banks

Name	Item	For the three-month period ended 31 March 2013		
		Interest income		Ending balance
		NT\$	Rate	NT\$
Other related parties				
Cathay United Bank	Time deposit	\$124,414	0.17%~1.40%	\$57,072,545
	Cash in bank	4,006	0.01%~0.75%	14,982,020
Indovina Bank Limited	Time deposit	1,319	9%~14%	409,819
	Cash in bank	118	-	6,734
Total		\$129,857		\$72,471,118

Name	Item	For the three-month period ended 31 March 2013		
		Interest income		Ending balance
		US\$	Rate	US\$
Other related parties				
Cathay United Bank	Time deposit	\$4,174	0.17%~1.40%	\$1,914,543
	Cash in bank	134	0.01%~0.75%	502,584
Indovina Bank Limited	Time deposit	44	9%~14%	13,748
	Cash in bank	4	-	226
Total		\$4,356		\$2,431,101

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For the three-month periods ended 31 March 2013 and 2012

Name	Item	For the three-month period ended 31 March 2012		
		Interest income		Ending balance
		NT\$	Rate	NT\$
Other related parties				
Cathay United Bank	Time deposit	\$109,759	0.17%~1.40%	\$56,536,726
	Cash in bank	4,161	0.02%~1.05%	9,178,638
Indovina Bank Limited	Time deposit	843	13%~14%	19,344
	Cash in bank	18	-	1,556
Total		<u>\$114,781</u>		<u>\$65,736,264</u>

Name	Item	For the three-month period ended 31 March 2012		
		Interest income		Ending balance
		US\$	Rate	US\$
Other related parties				
Cathay United Bank	Time deposit	\$3,721	0.17%~1.40%	\$1,916,499
	Cash in bank	141	0.02%~1.05%	311,140
Indovina Bank Limited	Time deposit	28	13%~14%	656
	Cash in bank	1	-	53
Total		<u>\$3,891</u>		<u>\$2,228,348</u>

(3) Secured loans

Name	For the three-month period ended 31 March 2013			
	Maximum amount	Interest income	Rate	Ending balance
	NT\$	NT\$		NT\$
Other related parties				
Cathay General Hospital	\$3,210,519	\$19,742	2.43%~2.55%	\$3,140,680
Other	528,879	804	1.34%~3.88%	517,507
Total		<u>\$20,546</u>		<u>\$3,658,187</u>

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For the three-month periods ended 31 March 2013 and 2012

Name	For the three-month period ended 31 March 2013			
	Maximum amount	Interest income	Rate	Ending balance
	US\$	US\$		US\$
Other related parties				
Cathay General Hospital	\$107,699	\$662	2.43%~2.55%	\$105,357
Other	17,742	27	1.34%~3.88%	17,360
Total		<u>\$689</u>		<u>\$122,717</u>

Name	For the three-month period ended 31 March 2012			
	Maximum amount	Interest income	Rate	Ending balance
	NT\$	NT\$		NT\$
Other related parties				
Cathay General Hospital	\$3,485,571	\$21,458	2.43%~2.55%	\$3,417,448
Other	127,338	574	1.53%~3.78%	112,946
Total		<u>\$22,032</u>		<u>\$3,530,394</u>

Name	For the three-month period ended 31 March 2012			
	Maximum amount	Interest income	Rate	Ending balance
	US\$	US\$		US\$
Other related parties				
Cathay General Hospital	\$118,155	\$727	2.43%~2.55%	\$115,845
Other	4,317	20	1.53%~3.78%	3,829
Total		<u>\$747</u>		<u>\$119,674</u>

(4) Financial assets at fair value through profit or loss (beneficiary certificates)

Name		31 March 2013		31 December 2012	
		NT\$	US\$	NT\$	US\$
Other related parties					
Cathay Securities Investment	Market value	<u>\$2,324,561</u>	<u>\$77,979</u>	<u>\$2,319,889</u>	<u>\$79,858</u>
Trust Co., Ltd. managed funds	Cost	<u>\$2,133,838</u>	<u>\$71,581</u>	<u>\$2,152,997</u>	<u>\$74,113</u>

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For the three-month periods ended 31 March 2013 and 2012

Name		31 March 2012		1 January 2012	
		NT\$	US\$	NT\$	US\$
Other related parties					
Cathay Securities Investment Trust Co., Ltd. managed funds	Market value	\$1,668,954	\$56,575	\$1,666,355	\$55,050
	Cost	\$1,548,938	\$52,506	\$1,548,899	\$51,169

(5) Discretionary account management balance

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$212,277,615	\$7,121,020	\$204,663,888	\$7,045,229

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Securities Investment Trust Co., Ltd.	\$228,467,099	\$7,744,647	\$121,139,793	\$4,001,975

(6) Other receivables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd. (Note)	\$5,996,798	\$201,167	\$5,235,287	\$180,216
Subsidiary company				
Cathay Insurance (Bermuda) Co., Ltd.	8,162	274	-	-
Other related parties				
Cathay United Bank	16,382	550	12,396	427
Cathay Century Insurance Co., Ltd.	178,929	6,002	141,412	4,868
Cathay Securities Investment Trust Co., Ltd.	24,716	829	22,594	778
Cathay General Hospital	33,730	1,131	-	-

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For the three-month periods ended 31 March 2013 and 2012

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd. (Note)	\$2,936,991	\$99,559	\$3,055,618	\$100,945
Subsidiary company				
Cathay Insurance (Bermuda) Co., Ltd.	1,035	35	1,035	34
Other related parties				
Cathay United Bank	14,163	480	10,272	339
Cathay Century Insurance Co., Ltd.	152,937	5,184	217,861	7,197
Cathay Securities Investment Trust Co., Ltd.	22,457	761	21,131	698
Cathay General Hospital	35,921	1,218	-	-

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

(7) Guarantee deposits paid

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Futures Co., Ltd.	<u>\$936,007</u>	<u>\$31,399</u>	<u>\$364,739</u>	<u>\$12,556</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Futures Co., Ltd.	<u>\$264,815</u>	<u>\$8,977</u>	<u>\$511,844</u>	<u>\$16,909</u>

As of 31 March 2013 and 2012, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were NT\$156 (US\$5) thousands and NT\$113 (US\$4) thousands, respectively.

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(8) Guarantee deposits received

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Healthcare Inc.	\$3,534	\$118	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	168	5,000	172
Total	<u>\$8,534</u>	<u>\$286</u>	<u>\$5,000</u>	<u>\$172</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Healthcare Inc.	\$-	\$-	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	169	5,000	165
Total	<u>\$5,000</u>	<u>\$169</u>	<u>\$5,000</u>	<u>\$165</u>

(9) Other payables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd. (Note)	\$2,774,885	\$93,086	\$2,550,995	\$87,814
Other related parties				
Cathay Century Insurance Co., Ltd.	4,332	145	5,732	197
Cathay Securities Investment Trust Co., Ltd.	10,694	359	-	-
Lin Yuan Property Management Co., Ltd.	42,591	1,429	3,580	123
San Ching Engineering Co., Ltd.	326	11	326	11

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd. (Note)	\$1,868,754	\$63,348	\$1,642,995	\$54,278
Other related parties				
Cathay Century Insurance Co., Ltd.	5,769	196	1,635	54
Lin Yuan Property Management Co., Ltd.	41,008	1,390	5,294	175
San Ching Engineering Co., Ltd.	3,696	125	23,331	771

Note: The payables consist of interest expenses accrued from preferred stock liability.

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(10) Preferred stock liability

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd.	<u>\$30,000,000</u>	<u>\$1,006,374</u>	<u>\$30,000,000</u>	<u>\$1,032,702</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd.	<u>\$30,000,000</u>	<u>\$1,016,949</u>	<u>\$30,000,000</u>	<u>\$991,080</u>

(11) Accounts collected in advance

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Century Insurance Co., Ltd.	\$10,973	\$368	\$10,859	\$374
Cathay United Bank	25,180	845	26,517	913
Cathay Securities Co., Ltd.	4,130	139	3,993	137

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Century Insurance Co., Ltd.	\$10,249	\$347	\$9,645	\$319
Cathay United Bank	30,258	1,026	32,817	1,084
Cathay Securities Co., Ltd.	3,704	126	3,627	120

(12) Premium income

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay United Bank	\$170,640	\$5,724	\$160,037	\$5,425
Cathay General Hospital	9,972	335	10,088	342
Other	34,424	1,155	28,114	953
Total	<u>\$215,036</u>	<u>\$7,214</u>	<u>\$198,239</u>	<u>\$6,720</u>

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(13) Insurance expenses

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Century Insurance Co., Ltd.	<u>\$75,594</u>	<u>\$2,536</u>	<u>\$81,694</u>	<u>\$2,769</u>

The insurance expenses were related to insurance for fixed assets, cash, public accident, etc. Amounts of NT\$2,550 (US\$86) thousands and NT\$2,838 (US\$96) thousands paid by the Company on behalf of its employees for fidelity bond insurance were included in the above insurance expenses for the three-month periods ended 31 March 2013 and 2012, respectively.

(14) Reinsurance income

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Subsidiary company				
Cathay Insurance (Bermuda) Co., Ltd.	<u>\$40,166</u>	<u>\$1,347</u>	<u>\$34,471</u>	<u>\$1,169</u>

On 1 April 2000, Cathay Insurance (Bermuda) Co., Ltd. engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the three-months periods ended 31 March 2013 and 2012, the Company assumed 90% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd.

(15) Reinsurance service expenses

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Subsidiary company				
Cathay Insurance (Bermuda) Co., Ltd.	<u>\$4,038</u>	<u>\$135</u>	<u>\$4,110</u>	<u>\$139</u>

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(16) Reinsurance claim payments

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Subsidiary company				
Cathay Insurance (Bermuda) Co., Ltd.	\$30,021	\$1,007	\$33,399	\$1,132

(17) Other operating income

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Century Insurance Co., Ltd.	\$7,263	\$244	\$5,513	\$187
Cathay United Bank	106,807	3,583	110,904	3,759
Cathay General Hospital	46	1	26,123	886
Total	\$114,116	\$3,828	\$142,540	\$4,832

(18) Miscellaneous income

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Century Insurance Co., Ltd.	\$321,171	\$10,774	\$287,546	\$9,747
Cathay United Bank	21,964	737	20,508	695
Cathay Securities Investment Trust Co., Ltd.	27,732	930	25,868	877
Total	\$370,867	\$12,441	\$333,922	\$11,319

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

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(19) Operating expenses

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Subsidiary company				
Cathay Securities Investment Consulting Co., Ltd.	\$3,294	\$111	\$3,294	\$112
Other related parties				
Seaward Card Co., Ltd.	29,330	984	19,347	656
Cathay United Bank	543,697	18,239	538,300	18,248
Cathay Venture Inc.	6,021	202	7,466	253
Cathay Securities Investment Trust Co., Ltd.	31,726	1,064	-	-
Lin Yuan Property Management Co., Ltd.	168,198	5,642	151,372	5,131
Cathay Real Estate Development Co., Ltd.	4,027	135	3,330	113
Subtotal	782,999	26,266	719,815	24,401
Total	\$786,293	\$26,377	\$723,109	\$24,513

(20) Non-operating income and expenses

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Parent company				
Cathay Financial Holding Co., Ltd.	\$223,890	\$7,511	\$225,760	\$7,653

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

(21) Other

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

Item	31 March 2013	31 December 2012	31 March 2012	1 January 2012
CS contracts	USD 1,235,000	USD 985,000	USD 1,867,000	USD 1,900,000

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(22) Key management personnel compensation

	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$29,853	\$1,001	\$30,039	\$1,018
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
Total	<u>\$29,853</u>	<u>\$1,001</u>	<u>\$30,039</u>	<u>\$1,018</u>

The management of the Company includes directors, supervisors, vice general managers and the above.

49. Pledged assets

(1) The Company

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the Company provided cash, time deposits and government bonds to its lessees as guarantees for the guarantee deposits received and bonds pledged with courts in legal as guarantee of litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the “Guaranteed Depository Insurance”. Details are as follows:

Item	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Guarantee deposits paid -				
Government bonds	\$9,605,929	\$322,239	\$9,523,306	\$327,825
Guarantee deposits paid - Time				
deposits	627,782	21,059	118,698	4,086
Guarantee deposits paid - Others	9,364	314	8,807	303
Total	<u>\$10,243,075</u>	<u>\$343,612</u>	<u>\$9,650,811</u>	<u>\$332,214</u>

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Item	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Guarantee deposits paid -				
Government bonds	\$10,597,453	\$359,236	\$10,615,126	\$350,682
Guarantee deposits paid - Time				
deposits	112,498	3,813	124,298	4,106
Guarantee deposits paid - Others	10,167	345	10,837	358
Total	<u>\$10,720,118</u>	<u>\$363,394</u>	<u>\$10,750,261</u>	<u>\$355,146</u>

Pledged assets are summarized based on the net carrying amounts.

(2) Symphox information

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the pledged property details are as follows:

Item	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Cash in bank (recognized as other				
financial assets)	\$253	\$8	\$10	\$-
Financial assets at fair value				
through profit and loss	44,150	1,481	45,103	1,553
Total	<u>\$44,403</u>	<u>\$1,489</u>	<u>\$45,113</u>	<u>\$1,553</u>

Item	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Cash in bank (recognized as other				
financial assets)	\$-	\$-	\$-	\$-
Financial assets at fair value				
through profit and loss	40,579	1,376	39,313	1,299
Total	<u>\$40,579</u>	<u>\$1,376</u>	<u>\$39,313</u>	<u>\$1,299</u>

Symphonx Information maintains a trust account at Cathay United Bank for its electronic gift certificates. As of 31 March 2013 and 31 December 2012, the account balance was NT\$253 (US\$8) thousands and NT\$10 (US\$0) thousands.

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The pledged assets, such as cash, time deposits or bond funds, are used to strengthen the financial operation of electronic gift certificates and to protect the clients' interests.

(3) Cathay life (China)

Item	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Guarantee deposits paid	<u>\$1,335,376</u>	<u>\$44,796</u>	<u>\$1,157,835</u>	<u>\$39,857</u>

Item	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Guarantee deposits paid	<u>\$1,190,383</u>	<u>\$40,352</u>	<u>\$1,192,563</u>	<u>\$39,398</u>

According to the requirement of the China Insurance Regulatory Commission, the guaranteed deposit is 20% of the registered capital. The guaranteed deposits of Cathay Life (China) are time deposits.

50. Commitment and Contingencies

Legal claim contingency

The Company has its own response policies to legal claims. Once the losses can be reasonable estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial affairs resulting from the claims.

51. Significant disaster damages

None.

52. Significant subsequent events

None.

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53. Others matters

(1) Discretionary account management

Item	31 March 2013			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$112,766,260	\$3,782,833	\$112,766,260	\$3,782,833
Overseas stocks	32,438,001	1,088,158	32,438,001	1,088,158
Repurchase bonds	2,400,000	80,510	2,400,000	80,510
Cash in banks	27,900,641	935,949	27,900,641	935,949
Beneficiary certificates	35,077,916	1,176,717	35,077,916	1,176,717
Futures and options	967,185	32,445	967,185	32,445
Corporate bonds	727,612	24,408	727,612	24,408
Total	<u>\$212,277,615</u>	<u>\$7,121,020</u>	<u>\$212,277,615</u>	<u>\$7,121,020</u>

Item	31 December 2012			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$100,690,134	\$3,466,098	\$100,690,134	\$3,466,098
Overseas stocks	28,173,078	969,813	28,173,078	969,813
Repurchase bonds	6,336,804	218,134	6,336,804	218,134
Cash in banks	38,106,426	1,311,753	38,106,426	1,311,753
Beneficiary certificates	29,184,078	1,004,616	29,184,078	1,004,616
Futures and options	1,482,600	51,036	1,482,600	51,036
Corporate bonds	690,768	23,779	690,768	23,779
Total	<u>\$204,663,888</u>	<u>\$7,045,229</u>	<u>\$204,663,888</u>	<u>\$7,045,229</u>

Item	31 March 2012			
	Carrying amount		Fair value	
	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
Repurchase bonds	2,887,674	97,887	2,887,674	97,887
Cash in banks	30,612,778	1,037,721	30,612,778	1,037,721
Beneficiary certificates	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	<u>\$228,467,099</u>	<u>\$7,744,647</u>	<u>\$228,467,099</u>	<u>\$7,744,647</u>

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Item	1 January 2012			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$90,957,252	\$3,004,865	\$90,957,252	\$3,004,865
Repurchase bonds	1,989,703	65,732	1,989,703	65,732
Cash in banks	25,585,086	845,229	25,585,086	845,229
Beneficiary certificates	748,618	24,731	748,618	24,731
Futures and options	1,859,134	61,418	1,859,134	61,418
Total	<u>\$121,139,793</u>	<u>\$4,001,975</u>	<u>\$121,139,793</u>	<u>\$4,001,975</u>

As of 31 March 2013, the Company entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,696,411) thousands, US\$2,090,000 thousands, and HK\$2,000,000 (US\$257,636) thousands. As of 31 December 2012, the Company entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,819,277) thousands, US\$2,090,000 thousands and HK\$2,000,000 (US\$258,041) thousands. As of 31 March 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 1 January 2012, the amount was NT\$139,500,000 (US\$4,608,523) thousands.

(2) 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.

(3) Capital management

A. Objectives

In order to enhance the Company's capital structure and business growth, the Company has established a set of capital adequacy management standards and complies with laws and regulation to maintain its capital adequacy ratio in a certain range in order to reduce all types of risks.

B. Policies

In order to assume all types of risks, the Company applies capital adequacy ratio as the indicator for capital adequacy. The Company calculates capital adequacy ratio periodically and aperiodically to monitor the status of capital adequacy in the short- and mid-term. The Company sets business objectives and plans asset allocation based on the ratio.

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C. Procedures

a. Periodically

The Company regularly reviews the capital adequacy ratio. The Company uses assets and liabilities model based on cash flow of current contracts and assets, expected new contracts, and the best estimated scenario to estimate the capital adequacy ratio in the future year and analyzes solvency. If the expected ratio deviates from related control standards, the Company decreases the risk exposures or increases capital.

b. Aperiodically

The Company conducts scenario analysis for capital adequacy ratio focusing on the Company's use of funding, business development, reinsurance arrangement, or changes of the financial environment including updates of laws and regulations.

D. Capital adequacy ratio

Capital adequacy ratio of the Company, which is defined by Insurance Act and Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past two years, and complies with the regulations.

54. Information regarding investment in Mainland China

On 25 December 2002 and 24 July 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 20 December 2010. Also, MOEAIC authorized the Company to remit US\$59,000 thousands as the registered capital again on 16 May 2008. The total registered capital was US \$107,330 thousands. On 25 September 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 29 December 2004. The Company has remitted US\$48,330 thousands to Cathay Life Insurance Ltd. (China) as of 31 December 2009, and injected another US\$29,880 thousands on 29 September 2010. As of 31 March 2013, the Company's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US\$78,210 thousands.

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On 17 October 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 the form of a joint venture with Cathay Century Insurance). On 6 March 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 26 August 2008. As of 31 March 2013, the Company's remittances to this general insurance company totaled approximately US\$28,140 thousands.

On 1 November 2011 and 11 April 2012, MOEAIC authorized the Company to remit US\$47,000 thousands and US\$80,000 thousands, respectively, as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on 15 August 2012. As of 31 March 2013, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US\$126,064 thousands.

55. Segment information

The Company abides by the provisions of insurance law for insurance business operations. In accordance with IFRS 8, the Company provides insurance policy products and the overall business decision-makers make decisions based on resource allocation of the company as a whole, making the entire company one functioning entity.

56. First-time adoption of TIFRS

For all periods up to and including the year ended 31 December 2012, the Company and Subsidiaries prepared their financial statements in accordance with generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The consolidated financial statements for the three-month period ended 31 March 2013 are the first the Company and Subsidiaries have prepared in accordance with TIFRS.

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Accordingly, the Company and Subsidiaries have prepared financial statements which comply with TIFRS and the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises for periods beginning 1 January 2013 as described in the accounting policies under Note 4. Furthermore, the first interim financial statements prepared under TIFRS also comply with the requirements under IFRS 1 First-time Adoption of International Financial Reporting Standards. The Company and Subsidiaries' opening balance sheet were prepared as at 1 January 2012, the Company and Subsidiaries' date of transition to TIFRS.

Exemptions applied in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company and Subsidiaries have applied the following exemptions:

- (1) The Company and Subsidiaries have elected to use previous GAAP revaluation of certain land and buildings under property and equipment as their deemed costs at the date of the revaluation.
- (2) The Company and Subsidiaries have elected to use the fair value of certain investment properties on transition date to TIFRS as their deemed costs.
- (3) The Company and Subsidiaries have recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.
- (4) The Company and Subsidiaries have elected to disclose amounts required by Paragraph 120A (p) of IAS 19 prospectively, from the date of transition to TIFRS.
- (5) The Company and Subsidiaries designate financial instruments which were recognized as financial assets carried at cost previously as available-for-sale financial assets at the date of transition.

Impacts of transitioning to TIFRS

The following tables contain reconciliation of balance sheets as at 1 January 2012 (the date of transition to TIFRS), 31 March 2012 and 31 December 2012 and statements of comprehensive income for the three-month period ended 31 March 2012 and the year ended 31 December 2012:

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(1) Reconciliation of consolidated balance sheet items as at 1 January 2012 (the date of transition to TIFRS)

R.O.C. GAAP Items	Amounts	NT\$ Impact of transitioning to TIFRS		Amounts	TIFRS Items	Notes
		Remeasurements	Presentation			
Cash and cash equivalents	379,048,580		(4,995,000)	374,053,580	Cash and cash equivalents	10
Notes receivables - Net	3,419,095			3,419,095	Notes receivables - Net	
Premiums receivables - Net	78,939			78,939	Premiums receivables - Net	
Claims recoverable from reinsurers - Net	2,940		(2,940)	-		- 10
Due from reinsurers and ceding companies - Net	2,755		(2,755)	-		- 10
Other receivables - Net	42,627,187	362,936		42,990,123	Other receivables - Net	1
Subtotal	46,130,916			46,488,157	Receivables	
Financial assets at fair value through profit or loss	60,150,749			60,150,749	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	1,281,414,028	10,615,150		1,292,029,178	Available-for-sale financial assets	2
Derivative financial assets for hedging	1,957,846			1,957,846	Derivative financial assets for hedging	
Financial assets carried at cost	10,191,832	(10,191,832)		-	Financial assets carried at cost	2
Investments under the equity method - Net	1,423,015			1,423,015	Investments accounted for using the equity method - Net	
Investments in debt securities with no active market	510,033,639		4,995,000	515,028,639	Bond investments for which no active market exists	10
Other financial assets	13,300,000			13,300,000	Other financial assets - Net	
Investments in real estate - Net	146,085,831	61,339,031		207,424,862	Investment property - Net	3
Loans	489,801,740			489,801,740	Loans	
Subtotal	2,514,358,680					
Reinsurance reserve assets - Net	9,168,433		5,695	9,174,128	Reinsurance assets	10
Land	5,622,358	6,812,944		12,435,302	Land	3
Buildings and construction	11,314,685	9,211,625		20,526,310	Buildings and construction	3
Computer equipment	2,537,202			2,537,202	Computer equipment	
Communication and transportation equipment	13,500			13,500	Communication and transportation equipment	
Other equipment	3,824,645			3,824,645	Other equipment	
Leasehold improvements	115,912			115,912	Leasehold improvements	
Revaluation increments	620	(620)		-		- 3
Subtotal of cost and revaluation	23,428,922			39,452,871		-
Less: Accumulated depreciation	(10,000,566)	(5,614,323)		(15,614,889)	Less: Accumulated depreciation	3, 4
Less: Accumulated impairment	(140,412)	(118,096)		(258,508)	Less: Accumulated impairment	3
Construction in progress and prepayment for real estate equipment	38,869			38,869	Construction in progress and prepayment for real estate equipment	
Subtotal	13,326,813			23,618,343	Property and equipment	
Intangible assets	396,833			396,833	Intangible assets	
-	-		11,989,836	11,989,836	Deferred tax assets	10
Prepayment	335,000			335,000	Prepayment	
Guarantee deposits paid	15,695,921			15,695,921	Guarantee deposits paid	
Deferred income tax assets	15,023,186	(3,033,350)	(11,989,836)	-		- 9, 10
Other assets - Other	2,261,166	(60,482)		2,200,684	Other assets - Other	7
Subtotal	33,315,273			18,231,605	Other assets	
Separate account product assets	294,051,012			294,051,012	Separate account product assets	
Total assets	3,289,796,540			3,359,119,523	Total assets	

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R.O.C. GAAP Items	Amounts	NT\$ Impact of transitioning to TIFRS		Amounts	TIFRS Items	Notes
		Remeasurements	Presentation			
-	-		201,158	201,158	Short-term debts	10
Notes payable	2,428			2,428	Notes payable	
Life insurance proceeds payable	153,489			153,489	Life insurance proceeds payable	
Commissions payable	1,250,897			1,250,897	Commissions payable	
Due to reinsurers and ceding companies	6,214,729			6,214,729	Due to reinsurers and ceding companies	
Others payable	14,989,708			14,989,708	Others payable	
Subtotal	<u>22,611,251</u>			<u>22,611,251</u>	Payables	
Short-term debts	201,158		(201,158)	-		- 10
Financial liabilities at fair value through profit or loss	17,468,901			17,468,901	Financial liabilities at fair value through profit or loss	
Preferred stock liability	30,000,000			30,000,000	Preferred stock liability	
Subtotal	<u>47,670,059</u>					
Unearned premium reserve	12,260,033			12,260,033	Unearned premium reserve	
Reserve for claims	4,300,083			4,300,083	Reserve for claims	
Reserve for life insurance liabilities	2,697,468,563			2,697,468,563	Reserve for life insurance liabilities	
Special reserve	9,023,572	50,905,214		59,928,786	Special reserve	5, 6
Premium deficiency reserve	13,599,727			13,599,727	Premium deficiency reserve	
Reserve for insurance contracts with feature of financial instruments	66,884,712		(66,884,712)	-		- 10
Subtotal	<u>2,803,536,690</u>			<u>2,787,557,192</u>	Insurance liabilities	
-	-		66,884,712	66,884,712	Reserve for insurance contracts with feature of financial instruments	10
-	-	346,155	3,299,572	3,645,727	Provisions	7, 10
-	-		12,916,045	12,916,045	Deferred tax liabilities	10
Accounts collected in advance	397,555			397,555	Accounts collected in advance	
Guarantee deposits received	1,960,914			1,960,914	Guarantee deposits received	
Reserve for land revaluation increment tax	3,487	7,007,814	(7,011,301)	-		- 3, 10
Accrued pension liability	1,884,983	1,414,589	(3,299,572)	-		- 8, 10
Deferred income tax liabilities	-	5,904,744	(5,904,744)	-		- 9
Other liabilities - Other	4,122,246			4,122,246	Other liabilities - Other	
Subtotal	<u>8,369,185</u>			<u>6,480,715</u>	Other liabilities	
Separate account product liabilities	294,051,012			294,051,012	Separate account product liabilities	
Total liabilities	<u>3,176,238,197</u>			<u>3,241,816,713</u>	Total liabilities	
Capital stock					Capital stock	
Common stock	53,065,274			53,065,274	Common stock	
Capital surplus	13,009,649			13,009,649	Capital surplus	
Retained earnings					Retained earnings	
Legal capital reserve	9,150,054			9,150,054	Legal capital reserve	
Special capital reserve	27,624,972	3,744,467		31,369,439	Special capital reserve	5
Unappropriated retained earnings	(286,071)	2,994,565		2,708,494	Unappropriated retained earnings	1-9
Equity adjustments			6,866,131	6,866,131	Other equity	10
Unrealized revaluation increments	1,462	(1,462)		-		- 4
Unrealized gains on financial instruments	10,673,438	(3,502,777)	(7,170,661)	-		2, 9, 10
Cumulative conversion adjustments	(304,530)		304,530	-		- 10
Net loss not recognized as pension cost	(509,674)	509,674		-		- 8
Minority interests	1,133,769			1,133,769	Non-controlling interests	
Total stockholders' equity	<u>113,558,343</u>			<u>117,302,810</u>	Total equity	
Total liabilities and stockholders' equity	<u>3,289,796,540</u>			<u>3,359,119,523</u>	Total liabilities and equity	

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

For the three-month periods ended 31 March 2013 and 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	12,522,252		(165,015)	12,357,237	Cash and cash equivalents	10
Notes receivables - Net	112,953			112,953	Notes receivables - Net	
Premiums receivables - Net	2,608			2,608	Premiums receivables - Net	
Claims recoverable from reinsurers - Net	97		(97)	-		10
Due from reinsurers and ceding companies - Net	91		(91)	-		10
Other receivables - Net	1,408,232	11,990		1,420,222	Other receivables - Net	1
Subtotal	<u>1,523,981</u>			<u>1,535,783</u>	Receivables	
Financial assets at fair value through profit or loss	1,987,141			1,987,141	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	42,332,806	350,682		42,683,488	Available-for-sale financial assets	2
Derivative financial assets for hedging	64,679			64,679	Derivative financial assets for hedging	
Financial assets carried at cost	336,697	(336,697)		-	Financial assets carried at cost	2
Investments under the equity method - Net	47,011			47,011	Investments accounted for using the equity method - Net	
Investments in debt securities with no active market	16,849,476		165,015	17,014,491	Bond investments for which no active market exists	10
Other financial assets	439,379			439,379	Other financial assets - Net	
Investments in real estate - Net	4,826,093	2,026,397		6,852,490	Investment property - Net	3
Loans	16,181,095			16,181,095	Loans	
Subtotal	<u>83,064,377</u>					
Reinsurance reserve assets-Net	302,888		188	303,076	Reinsurance assets	10
Land	185,740	225,073		410,813	Land	3
Buildings and construction	373,792	304,315		678,107	Buildings and construction	3
Computer equipment	83,819			83,819	Computer equipment	
Communication and transportation equipment	446			446	Communication and transportation equipment	
Other equipment	126,351			126,351	Other equipment	
Leasehold improvements	3,829			3,829	Leasehold improvements	
Revaluation increments	21	(21)		-		3
Subtotal of cost and revaluation	773,998			1,303,365		
Less: Accumulated depreciation	(330,378)	(185,475)		(515,853)	Less: Accumulated depreciation	3, 4
Less: Accumulated impairment	(4,639)	(3,901)		(8,540)	Less: Accumulated impairment	3
Construction in progress and prepayment for real estate equipment	1,284			1,284	Construction in progress and prepayment for real estate equipment	
Subtotal	<u>440,265</u>			<u>780,256</u>	Property and equipment	
Intangible assets	13,110			13,110	Intangible assets	
-	-		396,096	396,096	Deferred tax assets	10
Prepayment	11,067			11,067	Prepayment	
Guarantee deposits paid	518,531			518,531	Guarantee deposits paid	
Deferred income tax assets	496,306	(100,210)	(396,096)	-		9, 10
Other assets - Other	74,700	(1,998)		72,702	Other assets - Other	7
Subtotal	<u>1,100,604</u>			<u>602,300</u>	Other assets	
Separate account product assets	9,714,272			9,714,272	Separate account product assets	
Total assets	<u>108,681,749</u>			<u>110,971,904</u>	Total assets	

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For the three-month periods ended 31 March 2013 and 2012

R.O.C. GAAP		US\$		TIFRS		Notes
Items	Amounts	Impact of transitioning to TIFRS Remeasurements	Presentation	Amounts	Items	
-	-		6,646	6,646	Short-term debts	10
Notes payable	80			80	Notes payable	
Life insurance proceeds payable	5,071			5,071	Life insurance proceeds payable	
Commissions payable	41,325			41,325	Commissions payable	
Due to reinsurers and ceding companies	205,310			205,310	Due to reinsurers and ceding companies	
Others payable	495,200			495,200	Others payable	
Subtotal	746,986			746,986	Payables	
Short-term debts	6,646		(6,646)	-		- 10
Financial liabilities at fair value through profit or loss	577,103			577,103	Financial liabilities at fair value through profit or loss	
Preferred stock liability	991,080			991,080	Preferred stock liability	
Subtotal	1,574,829					
Unearned premium reserve	405,023			405,023	Unearned premium reserve	
Reserve for claims	142,058			142,058	Reserve for claims	
Reserve for life insurance liabilities	89,113,596	1,681,705		89,113,596	Reserve for life insurance liabilities	5, 6
Special reserve	298,103			1,979,808	Special reserve	
Premium deficiency reserve	449,280			449,280	Premium deficiency reserve	
Reserve for insurance contracts with feature of financial instruments	2,209,604		(2,209,604)	-		- 10
Subtotal	92,617,664			92,089,765	Insurance liabilities	
-	-		2,209,604	2,209,604	Reserve for insurance contracts with feature of financial instruments	10
-	-	11,436	109,004	120,440	Provisions	7, 10
-	-		426,695	426,695	Deferred tax liabilities	10
Accounts collected in advance	13,134			13,134	Accounts collected in advance	
Guarantee deposits received	64,781			64,781	Guarantee deposits received	
Reserve for land revaluation increment tax	115	231,511	(231,626)	-		- 3, 10
Accrued pension liability	62,272	46,732	(109,004)	-		- 8, 10
Deferred income tax liabilities	-	195,069	(195,069)	-		- 9
Other liabilities - Other	136,182			136,182	Other liabilities - Other	
Subtotal	276,484			214,097	Other liabilities	
Separate account product liabilities	9,714,272			9,714,272	Separate account product liabilities	
Total liabilities	104,930,235			107,096,688	Total liabilities	
Capital stock					Capital stock	
Common stock	1,753,065			1,753,065	Common stock	
Capital surplus	429,787			429,787	Capital surplus	
Retained earnings					Retained earnings	
Legal capital reserve	302,281			302,281	Legal capital reserve	
Special capital reserve	912,619	123,702		1,036,321	Special capital reserve	5
Unappropriated retained earnings	(9,451)	98,928		89,477	Unappropriated retained earnings	1~9
Equity adjustments			226,830	226,830	Other equity	10
Unrealized revaluation increments	48	(48)		-		- 4
Unrealized gains on financial instruments	352,608	(115,718)	(236,890)	-		- 2, 9, 10
Cumulative conversion adjustments	(10,060)		10,060	-		- 10
Net loss not recognized as pension cost	(16,838)	16,838		-		- 8
Minority interests	37,455			37,455	Non-controlling interests	
Total stockholders' equity	3,751,514			3,875,216	Total equity	
Total liabilities and stockholders' equity	108,681,749			110,971,904	Total liabilities and equity	

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For the three-month periods ended 31 March 2013 and 2012

(2) Reconciliation of consolidated balance sheet items as at 31 March 2012

R.O.C. GAAP Items	NT\$				TIFRS Items	Notes
	Amounts	Impact of transitioning to TIFRS		Amounts		
		Remeasurements	Presentation			
Cash and cash equivalents	426,875,284		(19,226,392)	407,648,892	Cash and cash equivalents	10
Notes receivables - Net	2,466,268			2,466,268	Notes receivables - Net	
Premiums receivables - Net	72,082			72,082	Premiums receivables - Net	
Claims recoverable from reinsurers - Net	1,440		(1,440)	-		10
Due from reinsurers and ceding companies - Net	16,020		(16,020)	-		10
Other receivables - Net	84,195,643	614,865		84,810,508	Other receivables - Net	1, 7
Subtotal	86,751,453			87,348,858	Receivables	
Financial assets at fair value through profit or loss	84,264,920			84,264,920	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	1,265,216,663	9,993,812		1,275,210,475	Available-for-sale financial assets	2
Derivative financial assets for hedging	1,656,849			1,656,849	Derivative financial assets for hedging	
Financial assets carried at cost	9,316,982	(9,316,982)		-	Financial assets carried at cost	2
Investments under the equity method - Net	1,400,813			1,400,813	Investments accounted for using the equity method - Net	
Investments in debt securities with no active market	563,772,044		19,226,392	582,998,436	Bond investments for which no active market exists	10
Other financial assets	20,000,000			20,000,000	Other financial assets - Net	
Investments in real estate - Net	147,075,083	61,570,569		208,645,652	Investment property - Net	3
Loans	487,712,891			487,712,891	Loans	
Subtotal	2,580,416,245					
Reinsurance reserve assets - Net	8,618,583		17,460	8,636,043	Reinsurance assets	10
Land	5,811,433	6,623,869		12,435,302	Land	3
Buildings and construction	11,459,801	9,081,207		20,541,008	Buildings and construction	3
Computer equipment	2,538,680			2,538,680	Computer equipment	
Communication and transportation equipment	13,060			13,060	Communication and transportation equipment	
Other equipment	3,856,421			3,856,421	Other equipment	
Leasehold improvements	114,660			114,660	Leasehold improvements	
Revaluation increments	620	(620)		-		3
Subtotal of cost and revaluation	23,794,675			39,499,131		
Less: Accumulated depreciation	(10,124,212)	(5,646,273)		(15,770,485)	Less: Accumulated depreciation	3, 4
Less: Accumulated impairment	(140,412)	(118,096)		(258,508)	Less: Accumulated impairment	3
Construction in progress and prepayment for real estate equipment	52,296			52,296	Construction in progress and prepayment for real estate equipment	
Subtotal	13,582,347			23,522,434	Property and equipment	
Intangible assets	372,662			372,662	Intangible assets	
-	-		14,097,935	14,097,935	Deferred tax assets	10
Prepayment	170,312			170,312	Prepayment	
Guarantee deposits paid	14,950,918			14,950,918	Guarantee deposits paid	
Deferred income tax assets	16,144,017	(2,046,082)	(14,097,935)	-		9, 10
Other assets - Other	3,448,831			3,448,831	Other assets - Other	
Subtotal	34,714,078			18,570,061	Other assets	
Separate account product assets	300,144,570			300,144,570	Separate account product assets	
Total assets	3,451,475,222			3,522,231,491	Total assets	

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

For the three-month periods ended 31 March 2013 and 2012

R.O.C. GAAP		NT\$		TIFRS		Notes
Items	Amounts	Impact of transitioning to TIFRS Remeasurements	Presentation	Amounts	Items	
-	-		62,829	62,829	Short-term debts	
Notes payable	1,128			1,128	Notes payable	
Life insurance proceeds payable	169,157			169,157	Life insurance proceeds payable	
Commissions payable	1,902,075			1,902,075	Commissions payable	
Due to reinsurers and ceding companies	6,396,627			6,396,627	Due to reinsurers and ceding companies	
Others payable	61,148,195			61,148,195	Others payable	
Subtotal	69,617,182			69,617,182	Payables	
Short-term debts	62,829		(62,829)	-		- 10
Financial liabilities at fair value through profit or loss	5,925,636			5,925,636	Financial liabilities at fair value through profit or loss	
Preferred stock liability	30,000,000			30,000,000	Preferred stock liability	
Subtotal	35,988,465					
Unearned premium reserve	11,503,581			11,503,581	Unearned premium reserve	
Reserve for claims	4,395,931			4,395,931	Reserve for claims	
Reserve for life insurance liabilities	2,796,664,763			2,796,664,763	Reserve for life insurance liabilities	
Special reserve	4,489,993	50,927,854		55,417,847	Special reserve	5, 6
Premium deficiency reserve	14,406,489			14,406,489	Premium deficiency reserve	
Reserve for insurance contracts with feature of financial instruments	65,814,791		(65,814,791)	-		- 10
Foreign exchange volatility reserve	4,663,734		(4,663,734)	-		- 10
Subtotal	2,901,939,282			2,882,388,611	Insurance liabilities	
-	-		65,814,791	65,814,791	Reserve for insurance contracts with feature of financial instruments	10
-	-		4,663,734	4,663,734	Foreign exchange volatility reserve	10
-	-	346,155	3,347,451	3,693,606	Provisions	7, 10
-	-		14,685,817	14,685,817	Deferred tax liabilities	10
Accounts collected in advance	416,088			416,088	Accounts collected in advance	
Guarantee deposits received	1,981,381			1,981,381	Guarantee deposits received	
Reserve for land revaluation increment tax	3,487	7,007,814	(7,011,301)	-		- 9, 10
Accrued pension liability	1,944,511	1,402,940	(3,347,451)	-		- 8, 10
Deferred income tax liabilities	-	7,674,516	(7,674,516)	-		- 9, 10
Other liabilities - Other	5,898,805			5,898,805	Other liabilities - Other	
Subtotal	10,244,272			8,296,274	Other liabilities	
Separate account product liabilities	300,144,570			300,144,570	Separate account product liabilities	
Total liabilities	3,317,933,771			3,385,293,050	Total liabilities	
Capital stock					Capital stock	
Common stock	53,065,274			53,065,274	Common stock	
Capital surplus	13,009,649			13,009,649	Capital surplus	
Retained earnings					Retained earnings	
Legal capital reserve	9,150,054			9,150,054	Legal capital reserve	
Special capital reserve	27,624,972	3,744,467		31,369,439	Special capital reserve	5
Unappropriated retained earnings	(1,992,424)	3,203,653		1,211,229	Unappropriated retained earnings	1~4, 6~9
Equity adjustments			27,936,948	27,936,948	Other equity	10
Unrealized revaluation increments	1,462	(1,462)		-		- 4
Unrealized gains on financial instruments	32,363,602	(4,059,342)	(28,304,260)	-		2, 9, 10
Cumulative conversion adjustments	(367,312)		367,312	-		- 10
Net loss not recognized as pension cost	(509,674)	509,674		-		- 8
Minority interests	1,195,848			1,195,848	Non-controlling interests	
Total stockholders' equity	133,541,451			136,938,441	Total equity	
Total liabilities and stockholders' equity	3,451,475,222			3,522,231,491	Total liabilities and equity	

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R.O.C. GAAP		US\$			TIFRS		Notes
		Impact of transitioning to TIFRS					
Items	Amounts	Remeasurements	Presentation	Amounts	Items		
Cash and cash equivalents	14,470,349		(651,742)	13,818,607	Cash and cash equivalents		10
Notes receivables - Net	83,602			83,602	Notes receivables - Net		
Premiums receivables - Net	2,443			2,443	Premiums receivables - Net		
Claims recoverable from reinsurers - Net	49		(49)	-		-	10
Due from reinsurers and ceding companies - Net	543		(543)	-		-	10
Other receivables - Net	2,854,090	20,843		2,874,933	Other receivables - Net		1, 7
Subtotal	<u>2,940,727</u>			<u>2,960,978</u>	Receivables		
Financial assets at fair value through profit or loss	2,856,438			2,856,438	Financial assets at fair value through profit or loss		
Available-for-sale financial assets	42,888,701	338,773		43,227,474	Available-for-sale financial assets		2
Derivative financial assets for hedging	56,164			56,164	Derivative financial assets for hedging		
Financial assets carried at cost	315,830	(315,830)		-	Financial assets carried at cost		2
Investments under the equity method - Net	47,485			47,485	Investments accounted for using the equity method - Net		
Investments in debt securities with no active market	19,110,917		651,742	19,762,659	Bond investments for which no active market exists		10
Other financial assets	677,966			677,966	Other financial assets - Net		
Investments in real estate - Net	4,985,596	2,087,138		7,072,734	Investment property - Net		3
Loans	16,532,640			16,532,640	Loans		
Subtotal	<u>87,471,737</u>						
Reinsurance reserve assets - Net	292,155		592	292,747	Reinsurance assets		10
Land	196,997	224,538		421,535	Land		3
Buildings and construction	388,468	307,837		696,305	Buildings and construction		3
Computer equipment	86,057			86,057	Computer equipment		
Communication and transportation equipment	443			443	Communication and transportation equipment		
Other equipment	130,726			130,726	Other equipment		
Leasehold improvements	3,887			3,887	Leasehold improvements		
Revaluation increments	21	(21)		-		-	3
Subtotal of cost and revaluation	806,599			1,338,953		-	
Less: Accumulated depreciation	(343,194)	(191,399)		(534,593)	Less: Accumulated depreciation		3, 4
Less: Accumulated impairment	(4,760)	(4,002)		(8,762)	Less: Accumulated impairment		3
Construction in progress and prepayment for real estate equipment	1,773			1,773	Construction in progress and prepayment for real estate equipment		
Subtotal	<u>460,418</u>			<u>797,371</u>	Property and equipment		
Intangible assets	12,633			12,633	Intangible assets		
-	-		477,896	477,896	Deferred tax assets		10
Prepayment	5,773			5,773	Prepayment		
Guarantee deposits paid	506,811			506,811	Guarantee deposits paid		
Deferred income tax assets	547,255	(69,359)	(477,896)	-		-	9, 10
Other assets - Other	116,910			116,910	Other assets - Other		
Subtotal	<u>1,176,749</u>			<u>629,494</u>	Other assets		
Separate account product assets	10,174,392			10,174,392	Separate account product assets		
Total assets	<u>116,999,160</u>			<u>119,397,678</u>	Total assets		

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R.O.C. GAAP		US\$		TIFRS		Notes
Items	Amounts	Impact of transitioning to TIFRS Remeasurements	Presentation	Amounts	Items	
-	-		2,130	2,130	Short-term debts	
Notes payable	38			38	Notes payable	
Life insurance proceeds payable	5,734			5,734	Life insurance proceeds payable	
Commissions payable	64,477			64,477	Commissions payable	
Due to reinsurers and ceding companies	216,835			216,835	Due to reinsurers and ceding companies	
Others payable	2,072,820			2,072,820	Others payable	
Subtotal	2,359,904			2,359,904	Payables	
Short-term debts	2,130		(2,130)	-		- 10
Financial liabilities at fair value through profit or loss	200,869			200,869	Financial liabilities at fair value through profit or loss	
Preferred stock liability	1,016,949			1,016,949	Preferred stock liability	
Subtotal	1,219,948					
Unearned premium reserve	389,952			389,952	Unearned premium reserve	
Reserve for claims	149,015			149,015	Reserve for claims	
Reserve for life insurance liabilities	94,802,196			94,802,196	Reserve for life insurance liabilities	
Special reserve	152,202	1,726,369		1,878,571	Special reserve	5, 6
Premium deficiency reserve	488,355			488,355	Premium deficiency reserve	
Reserve for insurance contracts with feature of financial instruments	2,231,010		(2,231,010)	-		- 10
Foreign exchange volatility reserve	158,093		(158,093)	-		- 10
Subtotal	98,370,823			97,708,089	Insurance liabilities	
-	-		2,231,010	2,231,010	Reserve for insurance contracts with feature of financial instruments	10
-	-		158,093	158,093	Foreign exchange volatility reserve	10
-	-	11,734	113,473	125,207	Provisions	7, 10
-	-		497,824	497,824	Deferred tax liabilities	10
Accounts collected in advance	14,105			14,105	Accounts collected in advance	
Guarantee deposits received	67,165			67,165	Guarantee deposits received	
Reserve for land revaluation increment tax	118	237,553	(237,671)	-		- 9, 10
Accrued pension liability	65,916	47,557	(113,473)	-		- 8, 10
Deferred income tax liabilities	-	260,153	(260,153)	-		- 9, 10
Other liabilities - Other	199,960			199,960	Other liabilities - Other	
Subtotal	347,264			281,230	Other liabilities	
Separate account product liabilities	10,174,392			10,174,392	Separate account product liabilities	
Total liabilities	112,472,331			114,755,697	Total liabilities	
Capital stock					Capital stock	
Common stock	1,798,823			1,798,823	Common stock	
Capital surplus	441,005			441,005	Capital surplus	
Retained earnings					Retained earnings	
Legal capital reserve	310,171			310,171	Legal capital reserve	
Special capital reserve	936,440	126,931		1,063,371	Special capital reserve	5
Unappropriated retained earnings	(67,540)	108,599		41,059	Unappropriated retained earnings	1-4 6-9
Equity adjustments			947,015	947,015	Other equity	10
Unrealized revaluation increments	50	(50)		-		- 4
Unrealized gains on financial instruments	1,097,071	(137,605)	(959,466)	-		2, 9, 10
Cumulative conversion adjustments	(12,451)		12,451	-		- 10
Net loss not recognized as pension cost	(17,277)	17,277		-		- 8
Minority interests	40,537			40,537	Non-controlling interests	
Total stockholders' equity	4,526,829			4,641,981	Total equity	
Total liabilities and stockholders' equity	116,999,160			119,397,678	Total liabilities and equity	

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

For the three-month periods ended 31 March 2013 and 2012

(3) Reconciliation of consolidated balance sheet items as at 31 December 2012

R.O.C. GAAP		NT\$ Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	385,001,185		(18,879,381)	366,121,804	Cash and cash equivalents	10
Notes receivables - Net	2,960,789			2,960,789	Notes receivables - Net	
Premiums receivables - Net	76,735			76,735	Premiums receivables - Net	
Claims recoverable from reinsurers - Net	1,014		(1,014)	-		-
Due from reinsurers and ceding companies - Net	3,547		(3,547)	-		-
Other receivables - Net	57,491,290	462,240		57,953,530	Other receivables - Net	1, 7
Subtotal	60,533,375			60,991,054	Receivables	
Financial assets at fair value through profit or loss	72,964,811			72,964,811	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	1,216,317,031	11,004,141		1,227,321,172	Available-for-sale financial assets	2
Derivative financial assets for hedging	1,142,094			1,142,094	Derivative financial assets for hedging	
Financial assets carried at cost	10,707,797	(10,707,797)		-	Financial assets carried at cost	2
Investments under the equity method - Net	947,731			947,731	Investments accounted for using the equity method - Net	
Investments in debt securities with no active market	798,025,236		18,879,381	816,904,617	Bond investments for which no active market exists	10
Other financial assets	23,500,010			23,500,010	Other financial assets - Net	
Investments in real estate - Net	163,800,328	46,983,690	(389,722)	210,394,296	Investment property - Net	3, 10
Loans	516,503,876			516,503,876	Loans	
Subtotal	2,803,908,914					
Reinsurance reserve assets - Net	9,165,635		4,561	9,170,196	Reinsurance assets	10
Land	12,025,710	17,555,077		29,580,787	Land	3
Buildings and construction	16,053,269	14,705,952		30,759,221	Buildings and construction	3
Computer equipment	2,517,668			2,517,668	Computer equipment	
Communication and transportation equipment	15,879			15,879	Communication and transportation equipment	
Other equipment	3,965,944			3,965,944	Other equipment	
Leasehold improvements	124,080			124,080	Leasehold improvements	
Leased assets	275,652			275,652	Leased assets	
Revaluation increments	620	(620)		-		3
Subtotal of cost and revaluation	34,978,822			67,239,231		-
Less: Accumulated depreciation	(10,893,954)	(7,850,563)		(18,744,517)	Less: Accumulated depreciation	3, 4
Less: Accumulated impairment	(140,412)	(118,096)		(258,508)	Less: Accumulated impairment	3
Construction in progress and prepayment for real estate equipment	120,676			120,676	Construction in progress and prepayment for real estate equipment	
Subtotal	24,065,132			48,356,882	Property and equipment	
Intangible assets	254,878			254,878	Intangible assets	
-	-		16,106,670	16,106,670	Deferred tax assets	10
Prepayment	301,107		389,722	690,829	Prepayment	10
Deferred acquisition costs	51,659			51,659	Deferred acquisition costs	
Guarantee deposits paid	14,376,119			14,376,119	Guarantee deposits paid	
Deferred income tax assets	17,830,685	(1,724,015)	(16,106,670)	-		9, 10
Other assets - Other	1,620,867			1,620,867	Other assets - Other	
Subtotal	34,180,437			16,739,474	Other assets	
Separate account product assets	329,557,246			329,557,246	Separate account product assets	
Total assets	3,646,666,802			3,716,976,811	Total assets	

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to unaudited consolidated 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 31 March 2013 and 2012

R.O.C. GAAP		NT\$		TIFRS		Notes
Items	Amounts	Impact of transitioning to TIFRS Remeasurements	Presentation	Amounts	Items	
-	-		297,268	297,268	Short-term debts	10
Notes payable	1,103			1,103	Notes payable	
Life insurance proceeds payable	243,714			243,714	Life insurance proceeds payable	
Commissions payable	644,891			644,891	Commissions payable	
Due to reinsurers and ceding companies	8,056,342			8,056,342	Due to reinsurers and ceding companies	
Others payable	29,127,605			29,127,605	Others payable	
Subtotal	38,073,655			38,073,655	Payables	
Short-term debts	297,268		(297,268)	-		- 10
Financial liabilities at fair value through profit or loss	2,079,457			2,079,457	Financial liabilities at fair value through profit or loss	
Preferred stock liability	30,000,000			30,000,000	Preferred stock liability	
Subtotal	32,376,725					
Unearned premium reserve	12,104,776			12,104,776	Unearned premium reserve	
Reserve for claims	4,551,254			4,551,254	Reserve for claims	
Reserve for life insurance liabilities	2,993,462,480			2,993,462,480	Reserve for life insurance liabilities	
Special reserve	4,380,371	51,038,735		55,419,106	Special reserve	5, 6
Premium deficiency reserve	17,121,635			17,121,635	Premium deficiency reserve	
Reserve for insurance contracts with feature of financial instruments	61,350,872		(61,350,872)	-		- 10
Foreign exchange volatility reserve	4,270,856		(4,270,856)	-		- 10
Subtotal	3,097,242,244			3,082,659,251	Insurance liabilities	
-	-		61,350,872	61,350,872	Reserve for insurance contracts with feature of financial instruments	10
-	-		4,270,856	4,270,856	Foreign exchange volatility reserve	10
-	-	333,439	3,479,044	3,812,483	Provisions	7, 10
-	-		15,390,603	15,390,603	Deferred tax liabilities	10
Accounts collected in advance	300,819			300,819	Accounts collected in advance	
Deferred handling fees	100,202			100,202	Deferred handling fees	
Guarantee deposits received	2,077,752			2,077,752	Guarantee deposits received	
Reserve for land revaluation increment tax	3,487	7,007,814	(7,011,301)	-		- 9, 10
Accrued pension liability	1,601,379	1,877,665	(3,479,044)	-		- 8, 10
Deferred income tax liabilities	-	8,379,302	(8,379,302)	-		- 9, 10
Other liabilities - Other	9,047,037			9,047,037	Other liabilities - Other	
Subtotal	13,130,676			11,525,810	Other liabilities	
Separate account product liabilities	329,557,246			329,557,246	Separate account product liabilities	
Total liabilities	3,510,380,546			3,579,017,501	Total liabilities	
Capital stock					Capital stock	
Common stock	53,065,274			53,065,274	Common stock	
Capital surplus	13,009,649			13,009,649	Capital surplus	
Retained earnings					Retained earnings	
Legal capital reserve	9,241,230			9,241,230	Legal capital reserve	
Special capital reserve	28,367,452	3,744,467		32,111,919	Special capital reserve	5
Unappropriated retained earnings	2,160,262	2,888,244		5,048,506	Unappropriated retained earnings	1~9
Equity adjustments			24,469,760	24,469,760	Other equity	10
Unrealized revaluation increments	1,462	(1,462)		-		- 4
Unrealized gains on financial instruments	29,856,213	(4,958,195)	(24,898,018)	-		- 2,9, 10
Cumulative conversion adjustments	(428,258)		428,258	-		- 10
Minority interests	1,012,972			1,012,972	Non-controlling interests	
Total stockholders' equity	136,286,256			137,959,310	Total equity	
Total liabilities and stockholders' equity	3,646,666,802			3,716,976,811	Total liabilities and equity	

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to unaudited consolidated 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 31 March 2013 and 2012

R.O.C. GAAP		US\$				Notes
		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Cash and cash equivalents	13,253,053		(649,893)	12,603,160	Cash and cash equivalents	10
Notes receivables - Net	101,920			101,920	Notes receivables - Net	
Premiums receivables - Net	2,642			2,642	Premiums receivables - Net	
Claims recoverable from reinsurers - Net	35		(35)	-		-
Due from reinsurers and ceding companies - Net	122		(122)	-		-
Other receivables - Net	1,979,046	15,912		1,994,958	Other receivables - Net	1, 7
Subtotal	2,083,765			2,099,520	Receivables	
Financial assets at fair value through profit or loss	2,511,697			2,511,697	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	41,869,777	378,800		42,248,577	Available-for-sale financial assets	2
Derivative financial assets for hedging	39,315			39,315	Derivative financial assets for hedging	
Financial assets carried at cost	368,599	(368,599)		-	Financial assets carried at cost	2
Investments under the equity method - Net	32,624			32,624	Investments accounted for using the equity method - Net	
Investments in debt securities with no active market	27,470,748		649,893	28,120,641	Bond investments for which no active market exists	10
Other financial assets	808,950			808,950	Other financial assets - Net	
Investments in real estate - Net	5,638,566	1,617,339	(13,416)	7,242,489	Investment property - Net	3, 10
Loans	17,779,824			17,779,824	Loans	
Subtotal	96,520,100					
Reinsurance reserve assets - Net	315,512		157	315,669	Reinsurance contract assets	10
Land	413,966	604,305		1,018,271	Land	3
Buildings and construction	552,608	506,229		1,058,837	Buildings and construction	3
Computer equipment	86,667			86,667	Computer equipment	
Communication and transportation equipment	547			547	Communication and transportation equipment	
Other equipment	136,521			136,521	Other equipment	
Leasehold improvements	4,271			4,271	Leasehold improvements	
Leased assets	9,489			9,489	Leased assets	
Revaluation increments	21	(21)		-		- 3
Subtotal of cost and revaluation	1,204,090			2,314,603		-
Less: Accumulated depreciation	(375,007)	(270,243)		(645,250)	Less: Accumulated depreciation	3, 4
Less: Accumulated impairment	(4,833)	(4,065)		(8,898)	Less: Accumulated impairment	3
Construction in progress and prepayment for real estate equipment	4,154			4,154	Construction in progress and prepayment for real estate equipment	
Subtotal	828,404			1,664,609	Property and equipment	
Intangible assets	8,774			8,774	Intangible assets	
-	-		554,446	554,446	Deferred tax assets	10
Prepayment	10,365		13,416	23,781	Prepayment	10
Deferred acquisition costs	1,778			1,778	Deferred acquisition costs	
Guarantee deposits paid	494,875			494,875	Guarantee deposits paid	
Deferred income tax assets	613,793	(59,347)	(554,446)	-		- 9, 10
Other assets - Other	55,796			55,796	Other assets - Other	
Subtotal	1,176,607			576,230	Other assets	
Separate account product assets	11,344,484			11,344,484	Separate account product assets	
Total assets	125,530,699			127,951,009	Total assets	

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Notes to unaudited consolidated 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 31 March 2013 and 2012

R.O.C. GAAP		US\$		TIFRS		Notes
Items	Amounts	Impact of transitioning to TIFRS Remeasurements	Presentation	Amounts	Items	
-			10,233	10,233	Short-term debts	10
Notes payable	38			38	Notes payable	
Life insurance proceeds payable	8,390			8,390	Life insurance proceeds payable	
Commissions payable	22,199			22,199	Commissions payable	
Due to reinsurers and ceding companies	277,327			277,327	Due to reinsurers and ceding companies	
Others payable	1,002,671			1,002,671	Others payable	
Subtotal	1,310,625			1,310,625	Payables	
Short-term debts	10,233		(10,233)	-		- 10
Financial liabilities at fair value through profit or loss	71,582			71,582	Financial liabilities at fair value through profit or loss	
Preferred stock liability	1,032,702			1,032,702	Preferred stock liability	
Subtotal	1,114,517					
Unearned premium reserve	416,688			416,688	Unearned premium reserve	
Reserve for claims	156,670			156,670	Reserve for claims	
Reserve for life insurance liabilities	103,045,180			103,045,180	Reserve for life insurance liabilities	
Special reserve	150,787	1,756,927		1,907,714	Special reserve	5, 6
Premium deficiency reserve	589,385			589,385	Premium deficiency reserve	
Reserve for insurance contracts with feature of financial instruments	2,111,906		(2,111,906)	-		- 10
Foreign exchange volatility reserve	147,017		(147,017)	-		- 10
Subtotal	106,617,633			106,115,637	Insurance liabilities	
-	-		2,111,906	2,111,906	Reserve for insurance contracts with feature of financial instruments	10
-	-		147,017	147,017	Foreign exchange volatility reserve	10
-	-	11,478	119,761	131,239	Provisions	7, 10
-	-		529,797	529,797	Deferred tax liabilities	10
Accounts collected in advance	10,355			10,355	Accounts collected in advance	
Deferred handling fees	3,449			3,449	Deferred handling fees	
Guarantee deposits received	71,524			71,524	Guarantee deposits received	
Reserve for land revaluation increment tax	120	241,233	(241,353)	-		- 9, 10
Accrued pension liability	55,125	64,636	(119,761)	-		- 8, 10
Deferred income tax liabilities	-	288,444	(288,444)	-		- 9, 10
Other liabilities - Other	311,430			311,430	Other liabilities - Other	
Subtotal	452,003			396,758	Other liabilities	
Separate account product liabilities	11,344,484			11,344,484	Separate account product liabilities	
Total liabilities	120,839,262			123,201,980	Total liabilities	
Capital stock					Capital stock	
Common stock	1,826,688			1,826,688	Common stock	
Capital surplus	447,836			447,836	Capital surplus	
Retained earnings					Retained earnings	
Legal capital reserve	318,115			318,115	Legal capital reserve	
Special capital reserve	976,504	128,897		1,105,401	Special capital reserve	5
Unappropriated retained earnings	74,364	99,423		173,787	Unappropriated retained earnings	1~9
Equity adjustments			842,332	842,332	Other equity	10
Unrealized revaluation increments	50	(50)		-		- 4
Unrealized gains on financial instruments	1,027,752	(170,678)	(857,074)	-		- 2,9,10
Cumulative conversion adjustments	(14,742)		14,742	-		- 10
Minority interests	34,870			34,870	Non-controlling interests	
Total stockholders' equity	4,691,437			4,749,029	Total equity	
Total liabilities and stockholders' equity	125,530,699			127,951,009	Total liabilities and equity	

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Notes to unaudited consolidated 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 31 March 2013 and 2012

(4) Reconciliation of statement of comprehensive income items for the three-month period ended 31 March 2012

R.O.C. GAAP		NT\$		TIFRS		Notes
		Impact of transitioning to TIFRS				
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Operating revenue					Operating revenue	
Direct premium income	141,412,807			141,412,807	Direct premium income	
Reinsurance premium income	46,349			46,349	Reinsurance premium income	
Premium income	141,459,156			141,459,156	Premium income	
Deduct : Premiums ceded to reinsurers	(6,570,742)			(6,570,742)	Deduct : Premiums ceded to reinsurers	
Changes in unearned premium reserve	138,227			138,227	Changes in unearned premium reserve	
Retained earned premium	135,026,641			135,026,641	Retained earned premium	
Reinsurance commission earned	3,684,212			3,684,212	Reinsurance commission earned	
Handling fees earned	530,995			530,995	Handling fees earned	
Net investment profits and losses					Net investment profits and losses	
Interest income	22,777,372		(224,917)	22,552,455	Interest income	10
Gains from valuation on financial assets	3,244,161		(3,244,161)	-		- 10
Gains from valuation on financial liabilities	11,796,568		(11,796,568)	-		- 10
Losses on equity investments	(21,020)		21,020	-		- 10
-	-		19,042,177	19,042,177	Gains from financial assets and liabilities at fair value through profit or loss	10
-	-		4,902,408	4,902,408	Realized gains from available-for-sale financial assets	10
-	-		398,982	398,982	Realized gains from bond investments for which no active market exists	10
-	-		(21,020)	(21,020)	Share of the losses of associates and joint ventures accounted for using the equity method	10
Foreign exchange losses	(21,739,319)			(21,739,319)	Foreign exchange losses	
Gains on disposal of investments	9,277,139		(9,277,139)	-		- 10
Changes in foreign exchange volatility reserve	(152,328)			(152,328)	Changes in foreign exchange volatility reserve	
Gains on investments - Real estate	1,820,197	51,221		1,871,418	Gains from investment property	1
Other operating revenue	466,488			466,488	Other operating revenue	
Separate account product revenue	21,683,453			21,683,453	Separate account product revenue	
Subtotal	188,394,559			188,246,562	Subtotal	

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For the three-month periods ended 31 March 2013 and 2012

NT\$						
R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Operating costs					Operating costs	
Insurance claim payments	(54,933,549)			(54,933,549)	Insurance claim payments	
Deduct : Claims recovered from reinsures	<u>2,549,922</u>			<u>2,549,922</u>	Deduct : Claims recovered from reinsures	
Retained claim payments	(52,383,627)			(52,383,627)	Retained claim payments	
Changes in liability reserves			(103,092,622)	(103,092,622)	Changes in insurance liabilities	10
Changes in provision claim reserve	(55,501)		55,501	-		- 10
Changes in provision for life insurance	(102,102,988)		102,102,988	-		- 10
Changes in provision for special reserve	22,165	(22,641)	476	-		- 5, 10
Changes in provision for premium deficiency reserve	(933,657)		933,657	-		- 10
Changes in reserve for insurance contracts with feature of financial instruments	(51,846)			(51,846)	Changes in reserve for insurance contracts with feature of financial instruments	
Brokerage expenses	(3,913,033)			(3,913,033)	Brokerage expenses	
Commission expenses	(4,725,693)			(4,725,693)	Commission expenses	
Other operating costs	(1,271,255)			(1,271,255)	Other operating costs	
-	-		199,218	199,218	Finance costs	10
Separate account product expenses	<u>(21,683,453)</u>			<u>(21,683,453)</u>	Separate account product expenses	
Subtotal	<u>(187,098,888)</u>			<u>(186,922,311)</u>	Subtotal	
Operating expenses	<u>(3,734,006)</u>	(108,256)		<u>(3,842,262)</u>	Operating expenses	3, 4, 8
Operating loss	<u>(2,438,335)</u>			<u>(2,518,011)</u>	Operating loss	
-	-		225,608	225,608	Non-operating income and expenses	10
Non-operating revenues and gains	<u>452,220</u>		(452,220)	<u>-</u>		- 10

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NT\$						
R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Non-operating expenses and losses	(226,612)		226,612	-		- 10
Loss from continuing operations before income tax	(2,212,727)			(2,292,403)	Loss from continuing operations before income tax	
Income tax benefit	552,352	288,765		841,117	Income tax benefit	1, 3~5, 7~9
Consolidated income	<u>(1,660,375)</u>			<u>(1,451,286)</u>	Net loss from continuing operations	
				<u>(1,451,286)</u>	Net loss	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of foreign operations	
				(68,420)		
					Unrealized valuation gains from available-for-sale financial assets	
				22,275,282		
					Effective portion of losses on hedging instruments in cash flow hedges	
				(308,687)		
					Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	
				(1,181)		
					Income taxes relating to components of other comprehensive income	
				<u>(810,077)</u>		
					Other comprehensive income, net of tax	
				<u>21,086,917</u>		
				<u>19,635,631</u>	Total comprehensive income	

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R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Operating revenue					Operating revenue	
Direct premium income	4,793,654			4,793,654	Direct premium income	
Reinsurance premium income	1,571			1,571	Reinsurance premium income	
Premium income	4,795,225			4,795,225	Premium income	
Deduct: Premiums ceded to reinsurers	(222,737)			(222,737)	Deduct: Premiums ceded to reinsurers	
Changes in unearned premium reserve	4,686			4,686	Changes in unearned premium reserve	
Retained earned premium	4,577,174			4,577,174	Retained earned premium	
Reinsurance commission earned	124,889			124,889	Reinsurance commission earned	
Handling fees earned	18,000			18,000	Handling fees earned	
Net investment profits and losses					Net investment profits and losses	
Interest income	772,114		(7,624)	764,490	Interest income	10
Gains from valuation on financial assets	109,972		(109,972)	-		- 10
Gains from valuation on financial liabilities	399,884		(399,884)	-		- 10
Losses on equity investments	(713)		713	-		- 10
-	-		645,498	645,498	Gains from financial assets and liabilities at fair value through profit or loss	10
-	-		166,183	166,183	Realized gains from available-for-sale financial assets	10
-	-		13,525	13,525	Realized gains from bond investments for which no active market exists	10
-	-		(713)	(713)	Share of the losses of associates and joint ventures accounted for using the equity method	10
Foreign exchange losses	(736,926)			(736,926)	Foreign exchange losses	
Gains on disposal of investments	314,479		(314,479)	-		- 10
Changes in foreign exchange volatility reserve	(5,164)			(5,164)	Changes in foreign exchange volatility reserve	
Gains on investments - Real estate	61,702	1,736		63,438	Gains from investment property	1
Other operating revenue	15,813			15,813	Other operating revenue	
Separate account product revenue	735,032			735,032	Separate account product revenue	
Subtotal	6,386,256			6,381,239	Subtotal	

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For the three-month periods ended 31 March 2013 and 2012

US\$						
R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Operating costs					Operating costs	
Insurance claim payments	(1,862,154)			(1,862,154)	Insurance claim payments	
Deduct : Claims recovered from reinsures	<u>86,438</u>			<u>86,438</u>	Deduct : Claims recovered from reinsures	
Retained claim payments	(1,775,716)			(1,775,716)	Retained claim payments	
Changes in liability reserves			(3,494,665)	(3,494,665)	Changes in insurance liabilities	10
Changes in provision claim reserve	(1,881)		1,881	-		- 10
Changes in provision for life insurance	(3,461,118)		3,461,118	-		- 10
Changes in provision for special reserve	751	(767)	16	-		- 5, 10
Changes in provision for premium deficiency reserve	(31,650)		31,650	-		- 10
Changes in reserve for insurance contracts with feature of financial instruments	(1,757)			(1,757)	Changes in reserve for insurance contracts with feature of financial instruments	
Brokerage expenses	(132,645)			(132,645)	Brokerage expenses	
Commission expenses	(160,193)			(160,193)	Commission expenses	
Other operating costs	(43,094)			(43,094)	Other operating costs	
-	-		6,753	6,753	Finance costs	10
Separate account product expenses	<u>(735,032)</u>			<u>(735,032)</u>	Separate account product expenses	
Subtotal	<u>(6,342,335)</u>			<u>(6,336,349)</u>	Subtotal	
Operating expenses	<u>(126,577)</u>	(3,669)		<u>(130,246)</u>	Operating expenses	3, 4, 8
Operating loss	<u>(82,656)</u>			<u>(85,356)</u>	Operating loss	
-	-		7,648	7,648	Non-operating income and expenses	10

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For the three-month periods ended 31 March 2013 and 2012

US\$						
R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Non-operating revenues and gains	15,330		(15,330)	-		- 10
Non-operating expenses and losses	(7,682)		7,682	-		- 10
Loss from continuing operations before income tax	(75,008)			(77,708)	Loss from continuing operations before income tax	
Income tax benefit	18,724	9,788		28,512	Income tax benefit	1, 3~5, 7~9
Consolidated income	<u>(56,284)</u>			<u>(49,196)</u>	Net loss from continuing operations	
				<u>(49,196)</u>	Net loss	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of foreign operations	
				(2,319)		
					Unrealized valuation gains from available-for-sale financial assets	
				755,094		
					Effective portion of losses on hedging instruments in cash flow hedges	
				(10,464)		
					Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	
				(40)		
					Income taxes relating to components of other comprehensive income	
				<u>(27,460)</u>		
				714,811	Other comprehensive income, net of tax	
				<u>665,615</u>	Total comprehensive income	

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For the three-month periods ended 31 March 2013 and 2012

(5) Reconciliation of statement of comprehensive income items for the year ended 31 December 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Operating revenue					Operating revenue	
Direct premium income	474,075,763			474,075,763	Direct premium income	
Reinsurance premium income	194,373			194,373	Reinsurance premium income	
Premium income	474,270,136			474,270,136	Premium income	
Deduct : Premiums ceded to reinsurers	(28,611,652)			(28,611,652)	Deduct : Premiums ceded to reinsurers	
Changes in unearned premium reserve	(85,006)			(85,006)	Changes in unearned premium reserve	
Retained earned premium	445,573,478			445,573,478	Retained earned premium	
Reinsurance commission earned	14,371,244			14,371,244	Reinsurance commission earned	
Handling fees earned	2,581,350			2,581,350	Handling fees earned	
Net investment profits and losses					Net investment profits and losses	
Interest income	92,377,810		(1,041,312)	91,336,498	Interest income	10
Gains from valuation on financial assets	1,521,073		(1,521,073)	-		- 10
Gains from valuation on financial liabilities	15,613,095		(15,613,095)	-		- 10
Losses on equity investments	(347,618)		347,618	-		- 10
-	-		25,210,403	25,210,403	Gains from financial assets and liabilities at fair value through profit or loss	10
-	-		26,445,589	26,445,589	Realized gains from available-for-sale financial assets	10
-	-		5,651,739	5,651,739	Realized gains from bond investments for which no active market exists	10
-	-		(347,618)	(347,618)	Share of the losses of associates and joint ventures accounted for using the equity method	10
Foreign exchange losses	(35,624,016)			(35,624,016)	Foreign exchange losses	
Gains on disposal of investments	39,877,689	24	(39,877,713)	-		- 2, 10
Changes in foreign exchange volatility reserve	240,550			240,550	Changes in foreign exchange volatility reserve	
Gains on investments - Real estate	6,514,108	(88,688)		6,425,420	Gains from investment property	1
Impairment loss on investment and gain on reversal of impairment loss	(41,436)			(41,436)	Impairment loss on investment and gain on reversal of impairment loss	
Other operating revenue	1,610,005			1,610,005	Other operating revenue	
Separate account product revenue	104,179,520			104,179,520	Separate account product revenue	
Subtotal	688,446,852			687,612,726	Subtotal	

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For the three-month periods ended 31 March 2013 and 2012

R.O.C. GAAP		NT\$				
		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Operating costs					Operating costs	
Insurance claim payments	(233,531,972)			(233,531,972)	Insurance claim payments	
Deduct : Claims recovered from reinsures	<u>11,778,148</u>			<u>11,778,148</u>	Deduct : Claims recovered from reinsures	
Retained claim payments	(221,753,824)			(221,753,824)	Retained claim payments	
Changes in liability reserves			(305,354,797)	(305,354,797)	Changes in insurance liabilities	10
Changes in provision claim reserve	(43,930)		43,930	-		- 10
Changes in provision for life insurance	(301,554,545)		301,554,545	-		- 10
Changes in provision for special reserve	131,779	(133,523)	1,744	-		- 5, 10
Changes in provision for premium deficiency reserve	(3,754,578)		3,754,578	-		- 10
Changes in reserve for insurance contracts with feature of financial instruments	(796,129)			(796,129)	Changes in reserve for insurance contracts with feature of financial instruments	
Brokerage expenses	(16,868,068)			(16,868,068)	Brokerage expenses	
Commission expenses	(16,854,133)			(16,854,133)	Commission expenses	
Other operating costs	(4,842,380)			(4,842,380)	Other operating costs	
-	-		745,462	745,462	Finance costs	10
Separate account product expenses	<u>(104,179,520)</u>			<u>(104,179,520)</u>	Separate account product expenses	
Subtotal	<u>(670,515,328)</u>			<u>(669,903,389)</u>	Subtotal	
Operating expenses	<u>(17,492,519)</u>	(308,522)		<u>(17,801,041)</u>	Operating expenses	3, 4, 8
Operating income	<u>439,005</u>			<u>(91,704)</u>	Operating loss	
-	-		965,281	965,281	Non-operating income and expenses	10
Non-operating revenues and gains	<u>1,882,337</u>		(1,882,337)	<u>-</u>		- 10

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For the three-month periods ended 31 March 2013 and 2012

R.O.C. GAAP		NT\$				
		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Non-operating expenses and losses	<u>(917,056)</u>		917,056	-		- 10
Income from continuing operations before income tax	1,404,286			873,577	Income from continuing operations before income tax	1, 3~5,
Income tax benefit	<u>1,752,287</u>	424,389		<u>2,176,676</u>	Income tax benefit	7~9
Consolidated income	<u><u>3,156,573</u></u>			<u>3,050,253</u>	Net income from continuing operations	
				<u>3,050,253</u>	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of foreign operations	
				(129,453)	Unrealized valuation gains from available-for-sale financial assets	
				19,955,699	Effective portion of losses on hedging instruments in cash flow hedges	
				(841,132)	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	
				(26,403)	Income taxes relating to components of other comprehensive income	
				<u>(1,328,420)</u>	Other comprehensive income, net of tax	
				<u>17,630,291</u>	Total comprehensive income	
				<u><u>20,680,544</u></u>		

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R.O.C. GAAP		US\$		TIFRS		Notes
		Impact of transitioning to TIFRS				
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Operating revenue					Operating revenue	
Direct premium income	16,319,303			16,319,303	Direct premium income	
Reinsurance premium income	6,691			6,691	Reinsurance premium income	
Premium income	16,325,994			16,325,994	Premium income	
Deduct : Premiums ceded to reinsurers	(984,911)			(984,911)	Deduct : Premiums ceded to reinsurers	
Changes in unearned premium reserve	(2,926)			(2,926)	Changes in unearned premium reserve	
Retained earned premium	15,338,157			15,338,157	Retained earned premium	
Reinsurance commission earned	494,707			494,707	Reinsurance commission earned	
Handling fees earned	88,859			88,859	Handling fees earned	
Net investment profits and losses					Net investment profits and losses	
Interest income	3,179,959		(35,846)	3,144,113	Interest income	10
Gains from valuation on financial assets	52,360		(52,360)	-		- 10
Gains from valuation on financial liabilities	537,456		(537,456)	-		- 10
Losses on equity investments	(11,966)		11,966	-		- 10
-	-		867,828	867,828	Gains from financial assets and liabilities at fair value through profit or loss	10
-	-		910,347	910,347	Realized gains from available-for-sale financial assets	10
-	-		194,552	194,552	Realized gains from bond investments for which no active market exists	10
-	-		(11,966)	(11,966)	Share of the losses of associates and joint ventures accounted for using the equity method	10
Foreign exchange losses	(1,226,300)			(1,226,300)	Foreign exchange losses	- 2, 10
Gains on disposal of investments	1,372,726	1	(1,372,727)	-		
Changes in foreign exchange volatility reserve	8,281			8,281	Changes in foreign exchange volatility reserve	
Gains on investments - Real estate	224,238	(3,053)		221,185	Gains from investment property	1
Impairment loss on investment and gain on reversal of impairment loss	(1,426)			(1,426)	Impairment loss on investment and gain on reversal of impairment loss	
Other operating revenue	55,422			55,422	Other operating revenue	
Separate account product revenue	3,586,214			3,586,214	Separate account product revenue	
Subtotal	23,698,687			23,669,973	Subtotal	
Operating costs					Operating costs	
Insurance claim payments	(8,038,966)			(8,038,966)	Insurance claim payments	
Deduct : Claims recovered from reinsures	405,444			405,444	Deduct : Claims recovered from reinsures	
Retained claim payments	(7,633,522)			(7,633,522)	Retained claim payments	
Changes in liability reserves			(10,511,352)	(10,511,352)	Changes in insurance liabilities	10
Changes in provision claim reserve	(1,512)		1,512	-		- 10
Changes in provision for life insurance	(10,380,535)		10,380,535	-		- 10
Changes in provision for special reserve	4,536	(4,596)	60	-		- 5, 10
Changes in provision for premium deficiency reserve	(129,245)		129,245	-		- 10
Changes in reserve for insurance contracts with feature of financial instruments	(27,406)			(27,406)	Changes in reserve for insurance contracts with feature of financial instruments	
Brokerage expenses	(580,657)			(580,657)	Brokerage expenses	
Commission expenses	(580,177)			(580,177)	Commission expenses	
Other operating costs	(166,691)			(166,691)	Other operating costs	
-	-		25,662	25,662	Finance costs	10
Separate account product expenses	(3,586,214)			(3,586,214)	Separate account product expenses	
Subtotal	(23,081,423)			(23,060,357)	Subtotal	

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R.O.C. GAAP		US\$		TIFRS		Notes
		Impact of transitioning to TIFRS				
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Operating expenses	<u>(602,152)</u>	(10,620)		<u>(612,772)</u>	Operating expenses	3, 4, 8
Operating income	<u>15,112</u>			<u>(3,156)</u>	Operating loss	
-	-		33,228	33,228	Non-operating income and expenses	10
Non-operating revenues and gains	<u>64,796</u>		(64,796)	<u>-</u>		- 10
Non-operating expenses and losses	<u>(31,568)</u>		31,568	<u>-</u>		- 10
Income from continuing operations before income tax	48,340			30,072	Income from continuing operations before income tax	1, 3~5,
Income tax benefit	<u>60,320</u>	14,608		<u>74,928</u>	Income tax benefit	7~9
Consolidated income	<u>108,660</u>			<u>105,000</u>	Net income from continuing operations	
				<u>105,000</u>	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of foreign operations	
				(4,456)		
					Unrealized valuation gains from available-for-sale financial assets	
				686,943		
					Effective portion of losses on hedging instruments in cash flow hedges	
				(28,954)		
					Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	
				(909)		
					Income taxes relating to components of other comprehensive income	
				<u>(45,729)</u>		
				<u>606,895</u>	Other comprehensive income, net of tax	
				<u>711,895</u>	Total comprehensive income	

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Material adjustments to the consolidated statement of cash flows for the three-month period ended 31 March 2012 and the year ended 31 December 2012

The transition from R.O.C. GAAP to TIFRS has not had a material impact on the statement of cash flows. The statement of cash flows prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and interest paid were classified as cash flows from operating activities and interest and dividends received were not disclosed separately. However, in accordance with the requirements under IAS 7 *Statement of Cash Flows*, the interest and dividends received for the three-month period ended 31 March 2012, and the year ended 31 December 2012, are separately disclosed in the statement of cash flows. Interest and dividends received and interest paid are classified as cash flows from operating activities.

Apart from the aforementioned differences and the reclassification of time deposits with a term of more than one year to bond investments for which no active market exists, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

(1) The Company and Subsidiaries adopted IAS 17 to recognize rent revenue under the straight-line method during the lease term. As of 1 January 2012, TIFRS adjustment resulted in increases of other receivables by NT\$362,936 (US\$11,990) thousands and retained earnings by NT\$301,236(US\$9,952) thousands.

As of 31 March 2012, TIFRS adjustment resulted in increases of other receivables by NT\$414,156 (US\$14,039) 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) thousands.

As of 31 December 2012, TIFRS adjustment resulted in increases of other receivables by NT\$274,247 (US\$9,441) thousands, retained earnings by NT\$301,236 (US\$10,370) thousands, income tax benefit by NT\$15,077 (US\$519) thousands and a decrease of rent revenue by NT\$88,688 (US\$3,053) thousands.

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- (2) According to IAS 39, the Company and Subsidiaries reclassified financial assets carried at cost to available-for-sale financial assets and measured at fair value. As of 1 January 2012, the reclassification adjustment resulted in increases of available-for-sale financial assets by NT\$10,615,150 (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.

As of 31 March 2012, the reclassification adjustment resulted in increases of available-for-sale financial assets by NT\$9,993,812 (US\$338,773) thousands and 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.

As of 31 December 2012, the reclassification adjustment resulted in increases of available-for-sale financial assets by NT\$11,004,141 (US\$378,800) thousands, unrealized gains on financial instruments by NT\$296,324 (US\$10,200) thousands and gains on disposal of investments by NT\$24 (US\$1) thousands. The adjustment also made decreases of financial assets carried at cost by NT\$10,707,797 (US\$368,599) thousands and retained earnings by NT\$37,960 (US\$1,307) thousands.

- (3) According to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRS 1, the Company and Subsidiaries identified deemed cost of some properties in accordance with the definition of investment property as optional exemptions. The others were retrospectively applied to IAS 40. Upon assessment, the Company and Subsidiaries' net increase in fair value of investment property was NT\$ 75,820,050 (US\$2,504,792) thousands as of 1 January 2012, and review of each significant components resulted in retrospectively recognizing accumulated depreciation by NT\$2,058,259 (US\$67,997) thousands and the increase in retained earnings by NT\$66,157,740 (US\$2,185,587) thousands. In addition, the Company and Subsidiaries reclassified investment property to property and equipment by NT\$12,422,760 (US\$410,398) thousands.

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The Company and Subsidiaries' net increase in fair value of investment property was NT\$75,820,050 (US\$2,570,171) thousands as of 31 March 2012, and review of each significant components resulted in retrospectively recognizing accumulated depreciation by NT\$2,146,214 (US\$72,753) thousands and increases in retained earnings by NT\$66,157,740 (US\$2,242,635) thousands, depreciation expense by NT\$87,955 (US\$2,981) thousands and income tax benefit by NT\$14,952 (US\$507) thousands. In addition, the Company reclassified investment property to property and equipment by NT\$12,103,267 (US\$410,280) thousands.

The Company and Subsidiaries' net increase in fair value of investment property was NT\$75,820,050 (US\$2,609,985) thousands as of 31 December 2012, and review of each significant components resulted in retrospectively recognizing accumulated depreciation by NT\$177,139 (US\$6,098) thousands and an increase in retained earnings by NT\$66,157,740 (US\$2,277,374) thousands. The adjustment also resulted in decreases of depreciation expense and income tax benefit by NT\$1,881,120 (US\$64,755) thousands and NT\$319,790 (US\$11,008) thousands, respectively. In addition, the Company reclassified investment property to property and equipment by NT\$28,659,221 (US\$986,548) thousands. Superficies of NT\$389,722 (US\$13,416) thousands represented a prepaid rent thus was reclassified to other assets.

- (4) The Company and Subsidiaries 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 and Subsidiaries assessed that significant components of property and equipment resulted in retrospectively recognizing accumulated depreciation by NT\$2,131,230 (US\$70,407) thousands, decreases of retained earnings and unrealized revaluation increments by NT\$1,767,459 (US\$58,390) thousands and NT\$1,462 (US\$48) thousands, respectively as of 1 January 2012.

The Company and Subsidiaries assessed that significant components of property and equipment resulted in retrospectively recognizing accumulated depreciation by NT\$2,163,180 (US\$73,327) thousands, decreases of retained earnings and unrealized revaluation increments by NT\$1,767,459 (US\$59,914) thousands and NT\$1,462 (US\$50) thousands, respectively as of 31 March 2012. In addition, the adjustment resulted in increases of depreciation expense and income tax benefit by NT\$31,950 (US\$1,083) thousands and NT\$5,432 (US\$184) thousands, respectively as of 31 March 2012.

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The Company and Subsidiaries assessed that significant components of property and equipment resulted in retrospectively recognizing accumulated depreciation by NT\$4,367,470 (US\$150,343) thousands, decreases of retained earnings and unrealized revaluation increments by NT\$1,767,459 (US\$60,842) thousands and NT\$1,462 (US\$50) thousands, respectively, as of 31 December 2012. The adjustment also resulted in increases of depreciation expense by NT\$2,236,240 (US\$76,979) thousands and income tax benefit by NT\$380,161 (US\$13,086) thousands as of 31 December 2012.

- (5) In accordance with 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 31 December 2012 should be reclassified to special capital reserve considering the reclassification of balance after tax according to IAS 12 to retained earnings on 1 January 2013. In addition, in order to maintain the consistency and sustainability, the amount should be adjusted retrospectively to 1 January 2012. As of 1 January 2012, the “Special Reserve for Major Incidents” and “Special Reserve for Fluctuation of Risks” amounted to NT\$9,022,812 (US\$298,078) thousands. Half of this amount was set aside to be reclassified as the opening balance of foreign exchange volatility reserve on 1 March 2012, and the rest of it in the amount of NT\$4,511,406 (US\$149,039) thousands after deducting the effect of income tax was diverted to special capital reserve under retained earnings, an increase of NT\$3,744,467 (US\$123,702) thousands.

As of 31 March 2012, the adjustment resulted in a decrease of “Special Reserve for Major Incidents” and “Special Reserve for Fluctuation of Risks” by NT\$4,488,765 (US\$152,162) thousands, a decrease of changes in provision for special reserves by NT\$22,641 (US\$767) thousands, an increase of income tax benefit by NT\$3,849 (US\$130) thousands and an increase of special capital reserve under retained earnings by NT\$3,744,467 (US\$126,931) thousands.

As of 31 December 2012, the adjustment resulted in a decrease of “Special Reserve for Major Incidents” and “Special Reserve for Fluctuation of Risks” by NT\$4,377,884 (US\$150,701) thousands, a decrease of changes in provision for special reserves by NT\$133,523 (US\$4,596) thousands, an increase of income tax benefit by NT\$22,699 (US\$781) thousands and an increase of special capital reserve under retained earnings by NT\$3,744,467 (US\$128,897) thousands.

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- (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 the first-time adoption of TIFRS on other accounts, the excess 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\$55,416,619 (US\$1,830,744 as of 1 January 2012, US\$1,878,529 as of 31 March 2012, and US\$1,907,628 as of 31 December 2012) thousands and a corresponding decrease of retained earnings.
- (7) The Company and Subsidiaries adopted IAS 37 to assess the provisions due to taxation administrative remedy. After assessment, as of 1 January 2012, the Company and Subsidiaries should increase provisions by NT\$346,155 (US\$11,436) thousands, decrease other assets by NT\$60,482 (US\$1,998) thousands and decrease retained earnings by NT\$406,637 (US\$13,434) thousands.

As of 31 March 2012, the Company and Subsidiaries should increase provisions by NT\$346,155 (US\$11,734) thousands and decrease retained earnings by NT\$406,637 (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 by NT\$261,192 (US\$8,854) thousands.

As of 31 December 2012, the Company and Subsidiaries should increase provisions by NT\$333,439 (US\$11,478) thousands and decrease retained earnings by NT\$406,637 (US\$13,998) thousands. In addition, the reversal recognition resulted in increases of tax receivables by NT\$187,993 (US\$6,471) thousands and income tax benefit by NT\$261,192 (US\$8,991) thousands.

- (8) The Company and Subsidiaries adopted IAS 19 to measure pension liability, and recognize all cumulative actuarial gains and losses according to IFRS 1. As of 1 January 2012, TIFRS adjustment resulted in an increase of accrual pension liability by NT\$1,414,589 (US\$46,732) thousands and decreases of retained earnings by NT\$1,597,139 (US\$52,763) thousands and net loss not recognized as pension cost by NT\$509,674 (US\$16,838) thousands.

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to unaudited consolidated 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 31 March 2013 and 2012

As of 31 March 2012, TIFRS adjustment resulted in an increase of accrual pension liability by NT\$1,402,940 (US\$47,557) thousands and a decrease of retained earnings by NT\$1,597,139 (US\$54,140) thousands. 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.

As of 31 December 2012, TIFRS adjustment resulted in an increase of accrual pension liability by NT\$1,877,665 (US\$64,636) thousands and a decrease of retained earnings by NT\$1,597,139 (US\$54,979) thousands. In addition, the adjustment resulted in decreases of pension expense and income tax benefit by NT\$46,598 (US\$1,604) thousands and NT\$7,922 (US\$273) thousands, respectively.

- (9) According to IAS 12, the Company and Subsidiaries reviewed income tax effects of the above adjustment items. The adjustments collectively resulted in recognizing deferred tax assets and deferred tax liabilities by NT\$1,039,338 (US\$34,335) thousands and NT\$8,817,269 (US\$291,288) thousands, respectively. In addition, upon assessing income tax effects directly recognized in other comprehensive incomes or equity items, the Company and Subsidiaries should increase in recognition of deferred tax liabilities and decrease unrealized gains or losses on financial instruments by NT\$3,929,380 (US\$129,811) thousands, respectively. In addition, the Company and Subsidiaries assessed that unused tax loss carryforward would not probably realize and resulted in decreases of deferred tax assets and retained earnings both by NT\$4,238,597 (US\$140,026) thousands. Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT\$165,909 (US\$5,481) thousands.

As of 31 March 2012, the above adjustments collectively resulted in recognizing deferred tax assets and deferred tax liabilities by NT\$1,057,741 (US\$35,856) thousands and NT\$8,796,716 (US\$298,194) thousands, respectively. In addition, upon assessing income tax effects directly recognized in other comprehensive incomes or equity items, the Company and Subsidiaries should increase in recognition of deferred tax liabilities and decrease unrealized gains or losses on financial instruments by NT\$4,764,868 (US\$161,521) thousands, respectively. In addition, the Company and Subsidiaries assessed that unused tax loss carryforward would not probably realize and resulted in decreases of deferred tax assets and retained earnings by NT\$4,224,569 (US\$143,206) thousands and NT\$4,238,597 (US\$143,681) thousands, and an increase of income tax benefit by NT\$14,028 (US\$475) thousands. Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT\$1,120,746 (US\$37,991) thousands.

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to unaudited consolidated 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 31 March 2013 and 2012

As of 31 December 2012, the above adjustments collectively resulted in recognizing deferred tax assets and deferred tax liabilities by NT\$1,411,577 (US\$48,590) thousands and NT\$9,102,563 (US\$313,341) thousands, respectively. In addition, upon assessing income tax effects directly recognized in other comprehensive incomes or equity items, the Company and Subsidiaries should decrease in recognition of deferred tax assets and unrealized gains or losses on financial instruments by NT\$5,254,519 (US\$180,878) thousands, respectively. In addition, the Company and Subsidiaries assessed that unused tax loss carryforward would not probably realize and resulted in decreases of deferred tax assets and retained earnings by NT\$4,165,625 (US\$143,395) thousands and NT\$4,238,597 (US\$145,907) thousands, and an increase of income tax benefit by NT\$72,972 (US\$2,512) thousands. Furthermore, deferred tax assets and liabilities were presented in gross amount and both increased by NT\$6,284,552 (US\$216,336) thousands.

(10) Presentation of consolidated balance sheet and consolidated statement of comprehensive income

The Company and Subsidiaries prepared its consolidate balance sheets as of 1 January 2012 (transition date), 31 March 2012 and 31 December 2012 and consolidated statements of income for the three-month period ended 31 March 2012 and the year ended 31 December 2012 under R.O.C. GAAP and the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises before revision. Upon transitioning to TIFRS, in order to comply with the presentation of financial statements under TIFRS and the revised Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, certain items have been reclassified. All other impact on the balance sheet and statement of comprehensive income as a result of adjustments upon transitioning to TIFRS has been described in Items (1)-(9) above.