Cathay Life Insurance Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For The Years Ended
31 December 2013 and 2012
With Independent Auditors' 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 and TIFRS as endorsed by the FSC. 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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Index to consolidated financial statements

Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. (the "Company") and its subsidiaries (the "Subsidiaries") as of 31 December 2013, 31 December 2012, and 1 January 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Rules Governing Auditing and Certification of Financial Statement by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("R.O.C."). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2013, 31 December 2012, and 1 January 2012, and the results of its operations and its cash flows for the years then ended in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

In addition, we have also audited the financial statements of the Company as of and for the years ended December 31, 2013 and 2012, on which we have expressed an unqualified opinion.

EY
Certified Public Accountants
Taipei, Taiwan, R.O.C.
14 March 2014

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 audit 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

Audited consolidated balance sheets

As at 31 December 2013, 31 December 2012 and 1 January 2012

(Expressed in thousands of dollars)

		31 December 2013		31 December 2012		1 January 2012	
Assets	Notes	NT$	US$	NT$	US$	NT$	US$
Cash and cash equivalents	4,6,49,50	$282,058,256	$9,455,523	$366,121,804	$12,603,160	$374,053,580	$12,357,237
Receivables	4,7,49,50,55	47,633,306	1,596,825	57,726,314	1,987,137	43,842,919	1,448,395
Financial assets at fair value through profit or loss	4,5,8,15,49,50	73,892,698	2,477,127	72,964,811	2,511,697	60,150,749	1,987,141
Available-for-sale financial assets	4,5,9,15,49	1,277,352,123	42,821,057	1,227,321,172	42,248,577	1,292,029,178	42,683,488
Derivative financial assets for hedging	4,5,10,49	453,713	15,210	1,142,094	39,315	1,957,846	64,679
Investments accounted for using the equity method - Net	4,5,11,49	1,432,832	48,033	947,731	32,624	1,423,015	47,011
Bond investments for which no active market exists	4,5,12,49,50	1,023,349,976	34,306,067	816,904,617	28,120,641	515,028,639	17,014,491
Held-to-maturity financial assets	4,5,13,49	1,619,138	54,279	-	-	-	-
Other financial assets - Net	4,5,14,49	40,900,000	1,371,103	23,500,010	808,950	13,300,000	439,379
Investment property	4,5,16,49,50	212,362,358	7,119,087	203,104,729	6,991,557	203,756,847	6,731,313
Investment property under construction	4,5,16,49,50	15,570,122	521,962	7,519,477	258,846	5,459,223	180,351
Prepayments for buildings and land - Investments	4,5,16,49,50	5,173,152	173,421	1,581,767	54,450	20,469	676
Loans	4,17,49,50,55	635,863,840	21,316,253	518,210,946	17,838,587	491,420,622	16,234,577
Reinsurance assets	4,18,49	683,457	22,912	9,170,196	315,669	9,174,128	303,076
Property and equipment	4,19,49,50	36,669,572	1,229,285	48,356,882	1,664,609	23,618,343	780,256
Intangible assets	4,20,49	184,090	6,171	254,878	8,774	396,833	13,110
Deferred tax assets	4,5,40,49	12,221,216	409,696	16,106,670	554,446	11,989,836	396,096
Other assets	21,22,49,50,51	18,459,723	618,831	16,739,474	576,230	18,231,605	602,300
Separate account product assets	4,42,49	376,252,736	12,613,233	329,557,246	11,344,484	294,051,012	9,714,272
Total assets		$4,062,132,308	$136,176,075	$3,717,230,818	$127,959,753	$3,359,904,844	$110,997,848

(The exchange rates provided by the Federal Reserve Bank of New York on 31 December 2013, 31 December 2012 and 1 January 2012 were NT$29.83, NT$29.05 and NT$30.27 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Audited consolidated balance sheets - (continued)

As at 31 December 2013, 31 December 2012 and 1 January 2012

(Expressed in thousands of dollars)

Liabilities and equity	Notes	31 December 2013 NT$	31 December 2013 US$	31 December 2012 NT$	31 December 2012 US$	1 January 2012 NT$	1 January 2012 US$
Short-term debts	49	$-	$-	$297,268	$10,233	$201,158	$6,646
Payables	23,49,50	19,025,676	637,803	38,073,655	1,310,625	22,611,251	746,986
Financial liabilities at fair value through profit or loss	4,24,49	16,148,024	541,335	2,079,457	71,582	17,468,901	577,103
Derivative financial liabilities for hedging	4,25,49	5,148	173	-	-	-	-
Preferred stock liability	26,49,50	30,000,000	1,005,699	30,000,000	1,032,702	30,000,000	991,080
Insurance liabilities	4,5,27,49	3,380,579,907	113,328,190	3,082,659,251	106,115,637	2,787,557,192	92,089,765
Reserve for insurance contracts with feature of financial instruments	4,5,27,49	57,596,449	1,930,823	61,350,872	2,111,906	66,884,712	2,209,604
Foreign exchange volatility reserve	4,5,27,49	10,482,181	351,397	4,270,856	147,017	-	-
Provisions	4,5,28,29,49	3,919,223	131,385	3,812,483	131,239	3,645,727	120,440
Deferred tax liabilities	4,5,40,49	12,186,951	408,547	15,390,603	529,797	12,916,045	426,695
Other liabilities	30,31,49,50	8,632,437	289,388	11,525,810	396,758	6,480,715	214,097
Separate account product liabilities	4,42,49	376,252,736	12,613,233	329,557,246	11,344,484	294,051,012	9,714,272
Total liabilities		3,914,828,732	131,237,973	3,579,017,501	123,201,980	3,241,816,713	107,096,688
Equity attributable to equity holders of the parent							
Capital stock							
Common stock	32	53,065,274	1,778,923	53,065,274	1,826,688	53,065,274	1,753,065
Capital surplus	33	13,038,791	437,103	13,009,649	447,836	13,009,649	429,787
Retained earnings	34,55						
Legal capital reserve		9,897,228	331,788	9,241,230	318,115	9,150,054	302,281
Special capital reserve		38,050,593	1,275,581	32,111,919	1,105,401	31,369,439	1,036,321
Unappropriated retained earnings		14,162,534	474,775	5,302,513	182,531	3,493,815	115,421
Other equity		18,347,901	615,082	24,469,760	842,332	6,866,131	226,830
Non-controlling interests	34	741,255	24,850	1,012,972	34,870	1,133,769	37,455
Total equity		147,303,576	4,938,102	138,213,317	4,757,773	118,088,131	3,901,160
Total liabilities and equity		$4,062,132,308	$136,176,075	$3,717,230,818	$127,959,753	$3,359,904,844	$110,997,848

(The exchange rates provided by the Federal Reserve Bank of New York on 31 December 2013, 31 December 2012 and 1 January 2012 were NT$29.83, NT$29.05 and NT$30.27 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries
Audited consolidated statements of comprehensive income
For the years ended 31 December 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Item	Notes	1 January-31 December 2013		1 January-31 December 2012	
		NT$	US$	NT$	US$
Operating revenue	4,50				
Direct premium income	35	$442,744,478	$14,842,255	$474,075,763	$16,319,303
Reinsurance premium income	35	200,010	6,705	194,373	6,691
Premium income	35	442,944,488	14,848,960	474,270,136	16,325,994
Deduct: Premiums ceded to reinsurers	35	(16,140,410)	(541,080)	(28,611,652)	(984,911)
Changes in unearned premium reserve	35	(8,542,145)	(286,361)	(85,006)	(2,926)
Retained earned premium	35	418,261,933	14,021,519	445,573,478	15,338,157
Reinsurance commission earned		11,610,177	389,211	14,371,244	494,707
Handling fees earned	42	3,090,080	103,590	2,581,350	88,859
Net investment profits and losses					
Interest income	55	93,294,506	3,127,539	91,115,535	3,136,507
(Losses) gains from financial assets and liabilities at fair value through profit or loss		(30,971,548)	(1,038,268)	25,210,403	867,828
Realized gains from available-for-sale financial assets		32,575,366	1,092,034	26,445,589	910,347
Realized gains from bond investments for which no active market exists		11,206,604	375,682	5,651,739	194,552
Share of the losses of associates and joint ventures accounted for using the equity method		(364,048)	(12,204)	(347,618)	(11,966)
Foreign exchange gains (losses)		34,503,788	1,156,681	(35,624,016)	(1,226,300)
Changes in foreign exchange volatility reserve	27	(6,211,325)	(208,224)	240,550	8,281
Gains from investment property		6,811,530	228,345	6,425,420	221,185
Impairment losses on investments and gains on reversal of impairment losses		(50,652)	(1,698)	(41,436)	(1,426)
Gains from other investments - Net	11	131,174	4,397	-	-
Other operating revenue		1,275,446	42,757	1,610,005	55,422
Separate account product revenue	4,42	90,719,463	3,041,216	104,179,520	3,586,214
Subtotal		665,882,494	22,322,577	687,391,763	23,662,367
Operating costs	4,50				
Insurance claim payments	36,55	(221,686,714)	(7,431,670)	(233,951,147)	(8,053,395)
Deduct: Claims recovered from reinsures	36	11,658,099	390,818	11,778,148	405,444
Retained claim payments	36	(210,028,615)	(7,040,852)	(222,172,999)	(7,647,951)
Changes in insurance liabilities	27	(292,542,435)	(9,806,987)	(305,354,797)	(10,511,352)
Changes in reserve for insurance contracts with feature of financial instruments	27	(435,213)	(14,590)	(796,129)	(27,406)
Brokerage expenses	37	(16,310,065)	(546,767)	(16,868,068)	(580,657)
Commission expenses		(17,878,039)	(599,331)	(16,854,133)	(580,177)
Other operating costs		(5,570,242)	(186,733)	(4,842,380)	(166,691)
Finance costs		303,063	10,160	745,462	25,661
Separate account product expenses	4,42	(90,719,463)	(3,041,216)	(104,179,520)	(3,586,214)
Subtotal		(633,181,009)	(21,226,316)	(670,322,564)	(23,074,787)
Operating expenses	4,37,50				
Business expenses		(7,329,247)	(245,700)	(8,095,920)	(278,689)
Administrative and general expenses		(10,259,957)	(343,948)	(9,664,491)	(332,684)
Employee training expenses		(50,553)	(1,695)	(40,631)	(1,399)
Subtotal		(17,639,757)	(591,343)	(17,801,042)	(612,772)
Operating income (loss)		15,061,728	504,918	(731,843)	(25,192)
Non-operating income and expenses	4,38,50	1,156,420	38,767	965,281	33,228
Income from continuing operations before income tax		16,218,148	543,685	233,438	8,036
Income tax (expense) benefit	4,5,40,55	(793,283)	(26,593)	2,285,500	78,675
Net income from continuing operations		15,424,865	517,092	2,518,938	86,711
Net income		15,424,865	517,092	2,518,938	86,711
Other comprehensive income	39				
Exchange differences resulting from translating the financial statements of foreign operations		267,211	8,958	(129,453)	(4,456)
Unrealized valuation (losses) gains from available-for-sale financial assets		(6,992,474)	(234,411)	19,955,699	686,943
Effective portion of losses on hedging instruments in cash flow hedges		(707,546)	(23,719)	(841,132)	(28,954)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		28,764	964	(26,402)	(909)
Other comprehensive income, before tax		(7,404,045)	(248,208)	18,958,712	652,624
Income taxes relating to components of other comprehensive income		1,280,271	42,919	(1,328,420)	(45,729)
Other comprehensive income, net of tax		(6,123,774)	(205,289)	17,630,292	606,895
Total comprehensive income		$9,301,091	$311,803	$20,149,230	$693,606
Net income attributable to:					
Equity holders of the parent		$15,454,693	$518,092	$2,642,354	$90,959
Non-controlling interests		$(29,828)	$(1,000)	$(123,416)	$(4,248)
Total comprehensive income attributable to:					
Equity holders of the parent		$9,332,834	$312,867	$20,245,983	$696,936
Non-controlling interests		$(31,743)	$(1,064)	$(96,753)	$(3,330)
Basic earnings per share (In dollars)	41				
Net income from continuing operations		$2.91	$0.10	$0.50	$0.02

(The exchange rates provided by the Federal Reserve Bank of New York on 31 December 2013 and 2012 were NT$29.83 and NT$29.05 to US$1.00)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries
Audited consolidated statements of changes in equity
For the years ended 31 December 2013 and 2012
(Expressed in thousands of dollars)

		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		Exchange differences resulting 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	
Summary	Notes	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	$1,826,688	$13,009,649	$447,836	$9,150,054	$314,976	$31,369,439	$1,079,843	$2,708,494	$93,236	$(304,530)	$(10,483)	$5,512,974	$189,775	$1,657,687	$57,063	$116,169,041	$3,998,934	$1,133,769	$39,028	$117,302,810	$4,037,962
Effects on retrospective application and restatement		-	-	-	-	-	-	-	-	785,321	27,033	-	-	-	-	-	-	785,321	27,033	-	-	785,321	27,033
Balance on 1 January 2012 (Adjusted)	55	53,065,274	1,826,688	13,009,649	447,836	9,150,054	314,976	31,369,439	1,079,843	3,493,815	120,269	(304,530)	(10,483)	5,512,974	189,775	1,657,687	57,063	116,954,362	4,025,967	1,133,769	39,028	118,088,131	4,064,995
Appropriation and distribution of earnings for the year 2011	34																						
Legal capital reserve		-	-	-	-	91,176	3,139	-	-	(91,176)	(3,139)	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve		-	-	-	-	-	-	742,961	25,575	(742,961)	(25,575)	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve used to cover accumulated deficits		-	-	-	-	-	-	(1,120,208)	(38,561)	1,120,208	38,561	-	-	-	-	-	-	-	-	-	-	-	-
Changes in special reserve (Note 1)		-	-	-	-	-	-	1,119,727	38,544	(1,119,727)	(38,544)	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended 31 December 2012 (Adjusted)	55	-	-	-	-	-	-	-	-	2,642,354	90,959	-	-	-	-	-	-	2,642,354	90,959	(123,416)	(4,248)	2,518,938	86,711
Other comprehensive income for the year ended 31 December 2012	39	-	-	-	-	-	-	-	-	-	-	(123,728)	(4,259)	18,425,497	634,268	(698,140)	(24,032)	17,603,629	605,977	26,663	918	17,630,292	606,895
Total comprehensive income for the year ended 31 December 2012		-	-	-	-	-	-	-	-	2,642,354	90,959	(123,728)	(4,259)	18,425,497	634,268	(698,140)	(24,032)	20,245,983	696,936	(96,753)	(3,330)	20,149,230	693,606
Changes in non-controlling interests	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,044)	(828)	(24,044)	(828)
Balance on 31 December 2012 (Adjusted)	55	$53,065,274	$1,826,688	$13,009,649	$447,836	$9,241,230	$318,115	$32,111,919	$1,105,401	$5,302,513	$182,531	$(428,258)	$(14,742)	$23,938,471	$824,043	$959,547	$33,031	$137,200,345	$4,722,903	$1,012,972	$34,870	$138,213,317	$4,757,773
Balance on 1 January 2013 (Adjusted)		$53,065,274	$1,778,923	$13,009,649	$436,126	$9,241,230	$309,797	$32,111,919	$1,076,497	$5,302,513	$177,758	$(428,258)	$(14,357)	$23,938,471	$802,497	$959,547	$32,167	$137,200,345	$4,599,408	$1,012,972	$33,958	$138,213,317	$4,633,366
Special capital reserve recognized in accordance with Order No. 10202508140 issued by Insurance Bureau	34	-	-	-	-	-	-	2,994,565	100,388	(2,994,565)	(100,388)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation and distribution of earnings for the year 2012	34																						
Legal capital reserve		-	-	-	-	655,998	21,991	-	-	(655,998)	(21,991)	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve		-	-	-	-	-	-	1,538,957	51,591	(1,538,957)	(51,591)	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve used to cover accumulated deficits		-	-	-	-	-	-	(34,693)	(1,163)	34,693	1,163	-	-	-	-	-	-	-	-	-	-	-	-
Changes in special reserve (Note 1)		-	-	-	-	-	-	1,439,845	48,268	(1,439,845)	(48,268)	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended 31 December 2013		-	-	-	-	-	-	-	-	15,454,693	518,092	-	-	-	-	-	-	15,454,693	518,092	(29,828)	(1,000)	15,424,865	517,092
Other comprehensive income for the year ended 31 December 2013	39	-	-	-	-	-	-	-	-	-	-	238,449	7,994	(5,773,045)	(193,532)	(587,263)	(19,687)	(6,121,859)	(205,225)	(1,915)	(64)	(6,123,774)	(205,289)
Total comprehensive income for the year ended 31 December 2013		-	-	-	-	-	-	-	-	15,454,693	518,092	238,449	7,994	(5,773,045)	(193,532)	(587,263)	(19,687)	9,332,834	312,867	(31,743)	(1,064)	9,301,091	311,803
Differences between share price and book value from acquisition or disposal of subsidiaries	11,33	-	-	29,142	977	-	-	-	-	-	-	-	-	-	-	-	-	29,142	977	(29,142)	(977)	-	-
Changes in non-controlling interests	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(210,832)	(7,067)	(210,832)	(7,067)
Balance on 31 December 2013		$53,065,274	$1,778,923	$13,038,791	$437,103	$9,897,228	$331,788	$38,050,593	$1,275,581	$14,162,534	$474,775	$(189,809)	$(6,363)	$18,165,426	$608,965	$372,284	$12,480	$146,562,321	$4,913,252	$741,255	$24,850	$147,303,576	$4,938,102

Note 1: The special reserve was set aside in accordance with article 18 of "Regulations of the Management of Various Reserves by Insurance Enterprises".

(The exchange rates provided by the Federal Reserve Bank of New York on 31 December 2013 and 2012 were NT$29.83 and NT$29.05 to US$1.00)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries
Audited consolidated statements of cash flows
For the years ended 31 December 2013 and 2012
(Expressed in thousands of dollars)

	Notes	1 January-31 December 2013 NT$	1 January-31 December 2013 US$	1 January-31 December 2012 NT$	1 January-31 December 2012 US$
Cash flows from operating activities					
Net income, before tax	55	$16,218,148	$543,685	$233,438	$8,036
Adjustments:					
Non-cash revenue and expense items					
Depreciation	37	3,002,885	100,667	2,909,186	100,144
Amortization	37	111,575	3,740	179,675	6,185
Bad debt expenses		1,143,253	38,325	1,286,059	44,271
Net losses (gains) from financial assets and liabilities at fair value through profit or loss		31,452,789	1,054,401	(24,703,236)	(850,370)
Net gains from available-for-sale financial assets		(19,311,923)	(647,399)	(14,875,744)	(512,074)
Net gains from bond investments for which no active market exists		(11,206,604)	(375,682)	(5,651,739)	(194,552)
Interest expenses		60,419	2,026	80,721	2,779
Interest income	55	(93,294,506)	(3,127,539)	(91,115,535)	(3,136,507)
Dividend income		(13,744,684)	(460,767)	(12,077,011)	(415,732)
Changes in insurance liabilities		297,920,656	9,987,283	295,102,059	10,158,419
Changes in reserve for insurance contracts with feature of financial instruments		(3,754,423)	(125,861)	(5,533,838)	(190,494)
Changes in foreign exchange volatility reserve		6,211,325	208,224	4,270,856	147,017
Share of the losses of associates and joint ventures accounted for using the equity method		364,048	12,204	347,618	11,966
Losses on disposal or scrapping of property and equipment		1,236	41	4,392	151
Gains on disposal of subsidiary	11	(131,174)	(4,397)	-	-
Losses (gains) on disposal of investment property		144,560	4,846	(89,808)	(3,091)
Impairment loss		50,652	1,698	41,436	1,426
Subtotal		199,020,084	6,671,810	150,175,091	5,169,538
Changes in operating assets and liabilities					
Decrease in financial assets at fair value through profit or loss		14,187,859	475,624	44,039,577	1,515,992
Increase in derivative financial assets for hedging		(19,164)	(642)	(25,380)	(874)
Decrease in premiums receivable		24,020	805	2,204	76
Decrease in notes receivable		526,375	17,645	458,306	15,776
Decrease (increase) in other accounts receivable	55	13,624,560	456,740	(8,722,521)	(300,259)
Decrease (increase) in prepaid expenses and other prepayments		226,791	7,602	(355,829)	(12,248)
(Increase) decrease in guarantee deposits paid		(2,611,294)	(87,539)	1,535,202	52,847
Decrease in reinsurance assets		8,486,739	284,503	3,932	135
Increase in other financial assets		(17,399,990)	(583,305)	(10,200,010)	(351,119)
Decrease in other assets		391,766	13,133	526,743	18,132
Decrease in financial liabilities at fair value through profit or loss		(32,227,481)	(1,080,371)	(47,978,457)	(1,651,582)
Increase in derivative financial liabilities for hedging		5,148	173	-	-
Decrease in notes payable		(25)	(1)	(1,324)	(46)
Increase in life insurance proceeds payable		45,100	1,512	90,225	3,106
(Decrease) increase in other payables		(12,964,683)	(434,619)	14,140,306	486,758
(Decrease) increase in due to reinsurers and ceding companies		(7,408,735)	(248,365)	1,841,613	63,395
Increase in reinsurance proceeds payable		8,952	300	-	-
Increase (decrease) in commissions payable		1,271,977	42,641	(606,006)	(20,861)
Decrease in accounts collected in advance		(185,640)	(6,223)	(96,736)	(3,330)
Increase in guarantee deposits received		133,486	4,475	116,838	4,022
Decrease in provisions		(47,767)	(1,601)	(12,716)	(437)
(Decrease) increase in deferred handling fees		(12,465)	(418)	100,202	3,449
(Decrease) increase in other liabilities		(2,828,754)	(94,829)	4,924,791	169,528
Increase in provision for employee benefits		154,507	5,180	179,472	6,178
Subtotal		(36,618,718)	(1,227,580)	(39,568)	(1,362)
Cash generated from operating activities		178,619,514	5,987,915	150,368,961	5,176,212
Interest received		91,377,902	3,063,289	88,331,418	3,040,668
Dividends received		13,801,213	462,662	12,131,077	417,593
Interest paid		(60,984)	(2,044)	(83,131)	(2,861)
Income taxes paid		(1,008,929)	(33,823)	(3,205,492)	(110,344)
Net cash provided by operating activities		282,728,716	9,477,999	247,542,833	8,521,268
Cash flows from investing activities					
Acquisition of available-for-sale financial assets		(862,942,363)	(28,928,675)	(638,058,570)	(21,964,150)
Disposal of available-for-sale financial assets		825,230,861	27,664,460	737,500,217	25,387,271
Acquisition of bond investments for which no active market exists		(576,607,096)	(19,329,772)	(681,457,711)	(23,458,097)
Disposal of bond investments for which no active market exists		381,368,341	12,784,725	385,217,198	13,260,488
Acquisition of held-to-maturity financial assets		(1,671,259)	(56,026)	-	-
Acquisition of investments accounted for using the equity method		(485,551)	(16,277)	-	-
Net cash used in disposal of subsidiary		(465,975)	(15,621)	-	-
Disinvestment of investments accounted for using the equity method		13,067	438	47,198	1,625
Acquisition of property and equipment		(434,507)	(14,566)	(3,947,687)	(135,893)
Disposal of property and equipment		166	6	165	6
Acquisition of intangible assets		(39,822)	(1,335)	(40,145)	(1,382)
Increase in loans		(118,783,770)	(3,982,024)	(28,097,506)	(967,212)
Acquisition of investment property		(11,646,282)	(390,422)	(26,716,416)	(919,670)
Disposal of investment property		261	9	112,580	3,875
Net cash used in investing activities		(366,463,929)	(12,285,080)	(255,440,677)	(8,793,139)
Cash flows from financing activities					
(Decrease) increase in notes and bonds with repurchase agreements		(297,268)	(9,965)	96,110	3,309
Cash dividends paid		(18,114)	(607)	(24,044)	(828)
Net cash (used in) provided by financing activities		(315,382)	(10,572)	72,066	2,481
Effects of exchange rate changes on cash and cash equivalents		(12,953)	(434)	(105,998)	(3,649)
Decrease in cash and cash equivalents		(84,063,548)	(2,818,087)	(7,931,776)	(273,039)
Cash and cash equivalents at the beginning of the periods		366,121,804	12,273,610	374,053,580	12,876,199
Cash and cash equivalents at the end of the periods		$282,058,256	$9,455,523	$366,121,804	$12,603,160

(The exchange rates provided by the Federal Reserve Bank of New York on 31 December 2013 and 2012 were NT$29.83 and NT$29.05 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to consolidated financial statements

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

For the years ended 31 December 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 years ended 31 December 2013 and 2012 were authorized to issue in accordance with resolution of the Company's board of directors on 14 March 2014.

3. Newly issued or revised standards and interpretations

   (1) International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee or Standing Interpretations Committee 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 endorsed 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.

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

(2) Standards or Interpretations issued by the IASB but not yet recognized by the FSC are listed below:

Standards or Interpretations	Effective date (Note 1)
Improvements to IFRSs 2010:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	1 January 2011
IFRS 3 *Business Combinations*	1 July 2010
IFRS 7 *Financial Instruments: Disclosures*	1 January 2011
IAS 1 *Presentation of Financial Statements*	1 January 2011
IAS 34 *Interim Financial Reporting*	1 January 2011
IFRIC 13 *Customer Loyalty Programmes*	1 January 2011
Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)	1 July 2010
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	1 July 2011
Amendments to IFRS 7	1 July 2011
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 *Income Taxes*)	1 January 2012
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IAS 27 *Separate Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 July 2012
Amendments to IAS 19 *Employee Benefits*	1 January 2013
Government Loans (Amendments to IFRS 1)	1 January 2013
Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 *Financial Instruments: Presentation*)	1 January 2014
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Improvements to IFRSs 2009-2011 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	1 January 2013
IAS 1 *Presentation of Financial Statements*	1 January 2013
IAS 16 *Property, Plant and Equipment*	1 January 2013

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

Standards or Interpretations	Effective date (Note 1)
IAS 32 *Financial Instruments: Presentation*	1 January 2013
IAS 34 *Interim Financial Reporting*	1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*	1 January 2014
Amendments to IAS 36 *Impairment of Assets*	1 January 2014
IFRIC 21 *Levies*	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*)	1 January 2014
IFRS 9 *Financial Instrument - Hedge accounting*	Not yet issued
Amendments to IAS 19 *Employee Benefits - Defined benefit plans: employee contributions*	1 July 2014
Improvements to IFRSs 2010-2012 Cycle:	
IFRS 2 *Share-based Payment*	Note 2
IFRS 3 *Business Combinations*	Note 3
IFRS 8 *Operating Segments*	1 July 2014
IFRS 13 *Fair Value Measurement*	-
IAS 16 *Property, Plant and Equipment*	1 July 2014
IAS 24 *Related Party Disclosures*	1 July 2014
IAS 38 *Intangible Assets*	1 July 2014
Improvements to IFRSs 2011-2013 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	-
IFRS 3 *Business Combinations*	1 July 2014
IFRS 13 *Fair Value Measurement*	1 July 2014
IAS 40 *Investment Property*	1 July 2014
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016

Note 1: The newly issued Standards and Interpretations abovementioned are effective for annual periods beginning on or after effective dates unless otherwise noted.

Note 2: The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

Note 3: The amendment applies prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

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

<u>*Improvements to IFRSs 2010*</u>

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.

<u>Amendments to IFRS 7 *Financial Instruments: Disclosures*</u>

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 a continuing involvement in them, or when financial assets are not derecognized in their entirety.

<u>IFRS 12 *Disclosure of Interests in Other Entities*</u>

IFRS 12 primarily integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS.

<u>IFRS 13 *Fair Value Measurement*</u>

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.

<u>*Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)</u>

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.

Amendments to IAS 36 *Impairment of Assets*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

<u>IFRIC 21 *Levies*</u>

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain).

<u>*Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*)</u>

Under the amendments, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

<u>IFRS 9 *Financial Instruments -Hedge accounting*</u>

The IASB announced amendments to the accounting requirements for financial instruments, which include: (1) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (2) allow the changes to address the ‘own credit’ not to be recognized in profit or loss that were already included in IFRS 9 *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and (3) remove the 1 January 2015 mandatory effective date of IFRS 9.

<u>IAS 19 *Employee Benefits-Defined benefit plans: employee contributions*</u>

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

<u>*Improvements to IFRSs 2010-2012 Cycle*</u>

IFRS 13 *Fair Value Measurement*
The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 *Property, Plant and Equipment*

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

IAS 24 *Related Party Disclosures*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Improvements to IFRSs 2011-2013 Cycle

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 13 *Fair Value Measurement*

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

IAS 40 *Investment Property*

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required.

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. The Company and Subsidiaries are still determining the potential impact of the standards and interpretations.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Company and Subsidiaries for the years ended 31 December 2013 and 2012 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed 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.

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

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

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:

			Ownership interest		
Investors	Investees	Business	2013.12.31	2012.12.31	2012.1.1
The Company	Symphox Information Co., Ltd. ("Symphox Information") (Note)	Type II telecom service, data processing service, information supply service	49.12	60.12	60.12
The Company	Cathay Life Insurance Ltd. (China) ("Cathay Life (China)")	Life insurance	50.00	50.00	50.00
The Company	Cathay Life Insurance (Vietnam) Co., Ltd. ("Cathay Life (Vietnam)")	Life insurance	100.00	100.00	100.00
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office equipment leasing	100.00	100.00	-

Note: The Company disposed 11% shares of Symphox Information Co., Ltd. during November 2013. Therefore, Symphox Information Co., Ltd. is excluded from the consolidated financial statements since December 2013.

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

The consolidated financial statements exclude the following:

			Ownership interest			
Investors	Investees	Business	2013.12.31	2012.12.31	2012.1.1	Notes
The Company	Cathay Insurance (Bermuda) Co., Ltd.	Class 3 general business insurers and a long-term insurer	100.00	100.00	100.00	The consolidated financial statements do not include Cathay Insurance (Bermuda) because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.
The Company	Cathay Securities Investment Consulting Co., Ltd.	Securities investment research analysis	100.00	100.00	100.00	The consolidated financial statements do not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.
The Company	Cathay Insurance Company Limited (China)	Properties insurance	50.00	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.

(5) Translation of financial statements in foreign currency

While preparing the Company and Subsidiaries' consolidated financial statements, the assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary including a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity including a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(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. The Company and Subsidiaries classify time deposits as cash equivalents when they have maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

(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”, held-to-maturity financial assets 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.

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.

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, held-to-maturity financial assets 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. Held-to-maturity financial assets

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

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.

Loans and receivables are separately presented on the balance sheet as receivables, bond investments for which no active market exists or loans. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

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.

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.

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.

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 impaired, other than receivables and loans impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events 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. it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

D. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company and Subsidiaries first assess whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company and Subsidiaries determine that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

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.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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:

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.

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) Investments accounted for using the equity method

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.

When changes in the net assets of an associate occur and are not those recognized in profit or loss or other comprehensive income and do not affect the Company and Subsidiaries' percentage of ownership interests in the associate, the Company and Subsidiaries recognize such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When an associate issues new stock and the Company and Subsidiaries' interest in the associate is reduced or increased as the Company and Subsidiaries fail to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company and Subsidiaries dispose the associate.

The financial statements of an 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.

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, 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 as required by IAS 36 *Impairment of Assets*. If using the investment's value in use as the recoverable amount, the Company and Subsidiaries determine the value in use based on the following estimates:

A. Future cash flows that the Company and Subsidiaries expect to derive from the investment in the associate, including cash flows from the operation of the associate and from the ultimate disposal of such investment, or

B. present value of the future cash flows from dividends expected to be received from the associate and from the disposal of the investment.

   Because goodwill included as part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 *Impairment of Assets*.

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.

(9) 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.

(10) 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

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.

(11) 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.

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.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

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

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

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

Computer software

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

(13) 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.

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 to 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.

(14) 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.

(15) 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 based upon the past experiences and expenses occurred and in accordance with the actuarial principles for each injury insurance and health or life insurance with a policy period within 1 year.

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 Section 12 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and the manual published by each authority of insurance products.

Starting from policy year 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.

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:

(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.

(B) The Company sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating / non-participating policy”, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. 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.

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 December 2013, the amount set aside was NT$10,482,181 (US$351,397) 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.

(16) 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.

(17) 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.

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.

(18) 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.

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.

(19) 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.

(20) 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.

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.

(21) Income taxes

Income tax expense (benefit) is the aggregate amount in respect of current tax and deferred tax. Current and deferred tax shall be recognized as income or an expense and included in profit or loss for the period, except for the extent that the tax relating to items recognized in other comprehensive income or directly in equity shall be recognized in other comprehensive income or directly in equity.

A. Current income tax

Current income tax is the amount of income taxes payable (receivable) in respect of the taxable profit (tax loss) for the current period and any adjustments recognized in the period for income taxes payable of prior periods.

Current income tax for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

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 in the balance sheets.

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.

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. 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 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). Such effects on current tax and deferred tax are accounted for as receivables or payables.

(22) 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 revenue 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 revenue” and “separate account product expenses.”

5. <u>Significant accounting judgments, estimates and assumptions</u>

The preparation of the Company and Subsidiaries’ consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenue, 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 and Subsidiaries' financial position and performance.

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.

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.

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.

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

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 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Cash on hand and revolving funds	$184,103	$202,262	$196,035
Cash in banks	52,718,933	83,168,415	86,712,363
Time deposits	219,761,847	245,620,182	273,956,453
Cash equivalents	9,393,373	37,130,945	13,188,729
Total	$282,058,256	$366,121,804	$374,053,580

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Cash on hand and revolving funds	$6,172	$6,963	$6,476
Cash in banks	1,767,312	2,862,940	2,864,630
Time deposits	7,367,142	8,455,083	9,050,428
Cash equivalents	314,897	1,278,174	435,703
Total	$9,455,523	$12,603,160	$12,357,237

7. Receivables

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Note receivable - Net	$2,434,414	$2,960,789	$3,419,095
Premium receivable - Net	52,715	76,735	78,940
Other receivable - Net			
Other receivable	45,175,635	54,695,919	40,350,267
Less: Allowance for bad debts - Other receivable	(29,458)	(7,129)	(5,268)
Overdue receivable	17,440	27,308	50,173
Less: Allowance for bad debts - Overdue receivable	(17,440)	(27,308)	(50,288)
Total	$47,633,306	$57,726,314	$43,842,919

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

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Note receivable - Net	$81,610	$101,920	$112,953
Premium receivable - Net	1,767	2,642	2,608
Other receivable - Net			
Other receivable	1,514,436	1,882,820	1,333,012
Less: Allowance for bad debts - Other receivable	(988)	(245)	(174)
Overdue receivable	585	940	1,657
Less: Allowance for bad debts - Overdue receivable	(585)	(940)	(1,661)
Total	$1,596,825	$1,987,137	$1,448,395

8. Financial assets at fair value through profit or loss

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Listed stocks	$11,532,825	$10,883,272	$6,995,561
Overseas stocks	-	-	250,299
Beneficiary certificates	41,891,576	35,827,323	32,999,866
Exchange traded funds	69,571	492,845	1,602,986
Overseas bonds	165,200	124,249	262,850
Corporate bonds	2,989,701	810,122	1,320,205
Government bonds	1,433,421	1,525,293	1,561,879
Derivative financial instruments	3,375,604	4,967,364	4,184,376
Structured time deposits	12,434,800	18,334,343	10,972,727
Total	$73,892,698	$72,964,811	$60,150,749

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Listed stocks	$386,618	$374,639	$231,106
Overseas stocks	-	-	8,269
Beneficiary certificates	1,404,344	1,233,298	1,090,184
Exchange traded funds	2,332	16,965	52,956
Overseas bonds	5,538	4,277	8,684
Corporate bonds	100,225	27,887	43,614
Government bonds	48,053	52,506	51,598
Derivative financial instruments	113,161	170,994	138,235
Structured time deposits	416,856	631,131	362,495
Total	$2,477,127	$2,511,697	$1,987,141

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

As of 31 December 2012 and 1 January 2012, Symphox Information Co., Ltd. has pledged NT$45,103 (US$1,553) thousands and NT$39,313 (US$1,299) thousands, respectively, as collaterals for its e-coupon transaction. Refer to Note 51 (2) disclosure for pledged assets.

9. Available-for-sale financial assets

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Stocks	$281,317,411	$204,284,325	$200,492,027
Overseas stocks	135,670,956	74,422,673	44,264,013
Beneficiary certificates	106,583,918	85,183,983	62,074,959
Collateralized loans obligation and collateralized bonds obligation	5,272,630	6,430,972	8,916,718
Exchange traded funds	9,374,048	6,761,735	5,993,731
Real estate investment trust	12,294,991	11,687,066	10,978,376
Financial debentures	167,630,534	198,212,492	193,960,046
Corporate bonds	57,357,231	51,709,182	48,782,633
Government bonds	219,881,250	212,364,770	184,735,945
Overseas bonds	291,480,395	385,787,280	542,445,856
Subtotal	1,286,863,364	1,236,844,478	1,302,644,304
Less: Litigation deposits	(37,307)	-	-
Less: Securities serving as deposits paid-bonds	(9,473,934)	(9,523,306)	(10,615,126)
Total	$1,277,352,123	$1,227,321,172	$1,292,029,178

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Stocks	$9,430,688	$7,032,163	$6,623,456
Overseas stocks	4,548,138	2,561,882	1,462,306
Beneficiary certificates	3,573,045	2,932,323	2,050,709
Collateralized loans obligation and collateralized bonds obligation	176,756	221,376	294,572
Exchange traded funds	314,249	232,762	198,009
Real estate investment trust	412,169	402,309	362,682
Financial debentures	5,619,528	6,823,149	6,407,666
Corporate bonds	1,922,804	1,780,006	1,611,584
Government bonds	7,371,145	7,310,319	6,102,938
Overseas bonds	9,771,384	13,280,113	17,920,247
Subtotal	43,139,906	42,576,402	43,034,169
Less: Litigation deposits	(1,251)	-	-
Less: Securities serving as deposits paid-bonds	(317,598)	(327,825)	(350,681)
Total	$42,821,057	$42,248,577	$42,683,488

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

An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with stocks and collateralized loans obligation held by the Company and Subsidiaries. As of 31 December 2013, 31 December 2012 and 1 January 2012, the Company and Subsidiaries recognized impairment losses amounting to NT$1,669,430 (US$55,965) thousands, NT$1,697,370 (US$58,429) 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 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
IRS	$453,713	$1,142,094	$1,957,846

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
IRS	$15,210	$39,315	$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

(1) Investments in unconsolidated subsidiaries:

	31 December 2013	31 December 2012	1 January 2012
Investee	NT$	NT$	NT$
Cathay Insurance (Bermuda) Co., Ltd.	$114,759	$101,761	$126,731
Cathay Securities Investment Consulting Co., Ltd.	207,884	170,659	161,913
Total	$322,643	$272,420	$288,644

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

Investee	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Cathay Insurance (Bermuda) Co., Ltd.	$3,847	$3,503	$4,187
Cathay Securities Investment Consulting Co., Ltd.	6,969	5,875	5,349
Total	$10,816	$9,378	$9,536

(2) Investments in associates:

Investee	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
WK Technology Fund VI Co., Ltd.	$280,880	$279,441	$336,538
Vista Technology Venture Capital Corp.	4,144	7,451	27,325
Omnitek Venture Capital Corp.	39,704	31,694	63,705
IBT Venture Capital Corp.	29,365	56,435	77,733
Symphox Information Co., Ltd.	405,985	-	-
Cathay Insurance Company Limited (China)	350,111	300,290	629,070
Total	$1,110,189	$675,311	$1,134,371

Investee	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
WK Technology Fund VI Co., Ltd.	$9,416	$9,619	$11,118
Vista Technology Venture Capital Corp.	139	256	903
Omnitek Venture Capital Corp.	1,331	1,091	2,104
IBT Venture Capital Corp.	984	1,943	2,568
Symphox Information Co., Ltd.	13,610	-	-
Cathay Insurance Company Limited (China)	11,737	10,337	20,782
Total	$37,217	$23,246	$37,475

There was no quoted price for above associates.

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

As of 31 December 2013, 31 December 2012 and 1 January 2012, the carrying amount of investments in associates accounted for using the equity method amounted to NT$1,110,189 (US$37,217) thousands, NT$675,311 (US$23,246) thousands and NT$1,134,371 (US$37,475) thousands, respectively. The share of the losses of associates accounted for using the equity method amounted to NT$(467,896) (US$(15,685)) thousands and NT$(389,957) (US$(13,424)) thousands for the years ended 31 December 2013 and 2012, respectively. The share of the other comprehensive income of associates accounted for using the equity method amounted to NT$25,860 (US$867) thousands and NT$(21,906) (US$(754)) thousands for the years ended 31 December 2013 and 2012, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unaudited amounted to NT$29,365 (US$984) thousands and NT$56,435 (US$1,943) thousands, as at 31 December 2013 and 2012, respectively. The share of the losses of these associates accounted for using the equity method amounted to NT$(19,663) (US$(659)) thousands and NT$(66) (US$(2)) thousands for the years ended 31 December 2013 and 2012, respectively.

No investment in associates was pledged.

Financial information of the associates is summarized below:

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Total assets (100%)	$6,278,284	$3,782,690	$4,341,697
Total liabilities (100%)	3,413,367	1,494,250	835,821

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Total assets (100%)	$210,469	$130,213	$143,432
Total liabilities (100%)	114,427	51,437	27,612

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Revenue (100%)	$3,976,829	$133,316	$1,010,493	$34,785
Profit (loss) (100%)	(952,440)	(31,929)	(950,800)	(32,730)

Note: The aforementioned information is not presented at the Company and Subsidiaries' percentage of ownership.

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

(3) Disposal of subsidiary:

The Company obtained proceeds of NT$90,297 (US$3,027) thousands from disposal of 11% shares of Symphox Information Co., Ltd. during November 2013. The disposal resulted in a decrease of related net carrying amount by NT$61,155 (US$2,050) thousands, and the differences between proceeds obtained and net carrying amount was NT$29,142 (US$977) thousands, which was recognized under equity. The Company was not involved in Symphox Information Co., Ltd.'s other equity transactions thereafter. Although the proportion of ownership did not change, the Company lost the control but significant influence of Symphox Information Co., Ltd. Therefore, Symphox Information Co., Ltd. is still accounted for using the equity method.

① Calculation of profit and loss generated from disposal of subsidiary:

	NT$	US$
Fair value of remaining shares	$404,431	$13,558
Carrying amount of non-controlling interests	192,718	6,460
	597,149	20,018
Less: carrying amount of net assets of ex-subsidiary	(465,992)	(15,621)
Unrealized valuation gains from available-for-sale financial assets transferred to profit or loss	17	-
Recognized profit	$131,174	$4,397

② Calculation of profit and loss generated from measurement of fair value of remaining shares:

	NT$	US$
Fair value of remaining shares	$404,431	$13,558
Carrying amount of proportional remaining shares	(273,274)	(9,161)
Profit from remaining shares	$131,157	$4,397

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

12. Bond investments for which no active market exists

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Stocks	$7,531,287	$7,531,287	$2,108,000
Corporate bonds	13,000,000	13,500,000	15,500,000
Financial debentures	15,550,000	8,950,000	-
Overseas bonds	979,134,169	768,043,949	492,425,639
Time deposits	8,034,520	18,879,381	4,995,000
Beneficial right of real estate	100,000	-	-
Total	$1,023,349,976	$816,904,617	$515,028,639

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Stocks	$252,474	$259,253	$69,640
Corporate bonds	435,803	464,716	512,058
Financial debentures	521,287	308,089	-
Overseas bonds	32,823,807	26,438,690	16,267,778
Time deposits	269,344	649,893	165,015
Beneficial right of real estate	3,352	-	-
Total	$34,306,067	$28,120,641	$17,014,491

A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by the Company and Subsidiaries. As of 31 December 2013, 31 December 2012 and 1 January 2012, the Company and Subsidiaries recognized impairment losses amounting to NT$389,350 (US$13,052) thousands, NT$378,768 (US$13,038) thousands and NT$393,770 (US$13,008) thousands, respectively.

The bond investments for which no active market exists held by the Company and Subsidiaries were not pledged.

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

13. Held-to-maturity financial assets

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Overseas bonds	$1,619,138	$-	$-

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Overseas bonds	$54,279	$-	$-

The held-to-maturity financial assets held by the Company and Subsidiaries were not pledged.

14. Other financial assets

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Structured deposits	$40,900,000	$23,500,000	$13,300,000
Other	-	10	-
Total	$40,900,000	$23,500,010	$13,300,000

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Structured deposits	$1,371,103	$808,950	$439,379
Other	-	-	-
Total	$1,371,103	$808,950	$439,379

The other financial assets held by the Company and Subsidiaries were not pledged.

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

15. Structured notes

The financial asset investment portfolio belonging to structured notes amounted to NT$8,874,813 (US$297,513) thousands, NT$7,840,496 (US$269,897) thousands and NT$8,776,116 (US$289,928) thousands as of 31 December 2013, 31 December 2012 and 1 January 2012, respectively. The details of structured notes are listed below:

	31 December 2013					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$67,936	$2,277	$26,629	$893	$94,565	$3,170
Available-for-sale financial assets	8,535,750	286,147	244,498	8,196	8,780,248	294,343
Total	$8,603,686	$288,424	$271,127	$9,089	$8,874,813	$297,513

	31 December 2012					
	Cost		Adjustment of valuation		Book value	
Item	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

	1 January 2012					
	Cost		Adjustment of valuation		Book value	
Item	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

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

16. Investment property

	NT$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2013	$157,604,866	$57,353,964	$7,519,477	$1,581,767	$224,060,074
Additions from acquisitions	-	2,413	6,871,117	3,591,688	10,465,218
Additions from subsequent expenditure	-	-	1,332,315	-	1,332,315
Transfers from (to) property and equipment	5,313,950	8,933,010	(15,197)	-	14,231,763
Transfers from (to) investment property under construction and prepayments for buildings and land	5,305	137,590	(137,590)	(5,305)	-
Disposals	-	(4,959)	-	-	(4,959)
Exchange differences	-	79,472	-	5,002	84,474
31 December 2013	$162,924,121	$66,501,490	$15,570,122	$5,173,152	$250,168,885

	US$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2013	$5,283,435	$1,922,694	$252,077	$53,026	$7,511,232
Additions from acquisitions	-	81	230,342	120,405	350,828
Additions from subsequent expenditure	-	-	44,664	-	44,664
Transfers from (to) property and equipment	178,141	299,464	(509)	-	477,096
Transfers from (to) investment property under construction and prepayments for buildings and land	178	4,612	(4,612)	(178)	-
Disposals	-	(166)	-	-	(166)
Exchange differences	-	2,664	-	168	2,832
31 December 2013	$5,461,754	$2,229,349	$521,962	$173,421	$8,386,486

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

	NT$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2012	$158,366,136	$57,582,375	$5,459,223	$20,469	$221,428,203
Additions from acquisitions	-	1,875	2,751,695	23,835,287	26,588,857
Additions from subsequent expenditure	-	-	322,344	-	322,344
Transfers from (to) property and equipment	(12,912,394)	(6,758,890)	-	-	(19,671,284)
Transfers from (to) investment property under construction and prepayments for buildings and land	12,173,896	6,528,604	(1,013,785)	(22,273,989)	(4,585,274)
Disposals	(22,772)	-	-	-	(22,772)
31 December 2012	$157,604,866	$57,353,964	$7,519,477	$1,581,767	$224,060,074

	US$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Cost:					
1 January 2012	$5,451,502	$1,982,181	$187,925	$705	$7,622,313
Additions from acquisitions	-	64	94,723	820,492	915,279
Additions from subsequent expenditure	-	-	11,096	-	11,096
Transfers from (to) property and equipment	(444,488)	(232,664)	-	-	(677,152)
Transfers from (to) investment property under construction and prepayments for buildings and land	419,067	224,737	(34,898)	(766,747)	(157,841)
Disposals	(784)	-	-	-	(784)
31 December 2012	$5,425,297	$1,974,318	$258,846	$54,450	$7,712,911

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

	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	-	(1,962,340)	-	-	(1,962,340)
Transfers (from) to property and equipment	-	(3,245,122)	-	-	(3,245,122)
Disposals	-	1,010	-	-	1,010
Exchange differences	-	(2,700)	-	-	(2,700)
31 December 2013	$(19,426)	$(17,043,827)	$-	$-	$(17,063,253)

	US$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Depreciation and impairment:					
1 January 2013	$(651)	$(396,737)	$-	$-	$(397,388)
Depreciation	-	(65,784)	-	-	(65,784)
Transfers (from) to property and equipment	-	(108,787)	-	-	(108,787)
Disposals	-	34	-	-	34
Exchange differences	-	(91)	-	-	(91)
31 December 2013	$(651)	$(571,365)	$-	$-	$(572,016)

	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	-	(25,549)	-	-	(25,549)
Transfers (from) to property and equipment	-	363,112	-	-	363,112
31 December 2012	$(19,426)	$(11,834,675)	$-	$-	$(11,854,101)

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

	US$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Depreciation and impairment:					
1 January 2012	$(669)	$(419,010)	$-	$-	$(419,679)
Depreciation	-	(879)	-	-	(879)
Transfers (from) to property and equipment	-	12,500	-	-	12,500
31 December 2012	$(669)	$(407,389)	$-	$-	$(408,058)

	NT$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Net carrying amount as at:					
31 December 2013	$162,904,695	$49,457,663	$15,570,122	$5,173,152	$233,105,632
31 December 2012	$157,585,440	$45,519,289	$7,519,477	$1,581,767	$212,205,973
1 January 2012	$158,346,710	$45,410,137	$5,459,223	$20,469	$209,236,539

	US$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Net carrying amount as at:					
31 December 2013	$5,461,103	$1,657,984	$521,962	$173,421	$7,814,470
31 December 2012	$5,424,628	$1,566,929	$258,846	$54,450	$7,304,853
1 January 2012	$5,231,143	$1,500,170	$180,351	$676	$6,912,340

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Rental income from investment property	$6,960,838	$233,350	$6,353,453	$218,708
Less:				
Direct operating expenses from investment property generating rental income	(271,407)	(9,098)	(260,000)	(8,950)
Direct operating expenses from investment property without generating rental income	(95,676)	(3,207)	(94,814)	(3,264)
Total	$6,593,755	$221,045	$5,998,639	$206,494

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

The fair value of investment property was NT$345,459,505 (US$11,580,942) thousands, NT$303,514,424 (US$10,448,001) thousands and NT$240,893,346 (US$7,958,155) thousands, as at 31 December 2013, 31 December 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, present earning value method and cost method. The inputs used are as follows:

	31 December 2013	31 December 2012	1 January 2012
Capitalization rate (Net)	Mainly 1.5%~4.8%	Mainly 1.5%~4.8%	Mainly 1.5%~4.8%

(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 December 2013, 31 December 2012 and 1 January 2012, no investments in real estate were pledged as collateral.

17. Loans

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Policy loans	$170,831,058	$175,903,780	$182,191,595
Automatic premium loans	7,710,107	7,714,178	7,787,871
Secured loans	457,322,675	334,592,988	301,441,156
Total	$635,863,840	$518,210,946	$491,420,622

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Policy loans	$5,726,820	$6,055,208	$6,018,884
Automatic premium loans	258,468	265,548	257,280
Secured loans	15,330,965	11,517,831	9,958,413
Total	$21,316,253	$17,838,587	$16,234,577

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

(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.

(3) Secured loans

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Secured loans	$457,073,632	$333,064,485	$298,732,859
Secured loans – Related parties	3,620,905	3,677,241	3,783,742
Less:Allowance for bad debts	(3,443,283)	(2,289,452)	(1,337,090)
Subtotal	457,251,254	334,452,274	301,179,511
Overdue receivables	466,628	558,875	324,987
Less:Allowance for bad debts	(395,207)	(418,161)	(63,342)
Subtotal	71,421	140,714	261,645
Total	$457,322,675	$334,592,988	$301,441,156

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Secured loans	$15,322,616	$11,465,215	$9,868,941
Secured loans – Related parties	121,385	126,583	125,000
Less:Allowance for bad debts	(115,430)	(78,811)	(44,172)
Subtotal	15,328,571	11,512,987	9,949,769
Overdue receivables	15,642	19,238	10,736
Less:Allowance for bad debts	(13,248)	(14,394)	(2,092)
Subtotal	2,394	4,844	8,644
Total	$15,330,965	$11,517,831	$9,958,413

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

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".

The movements in the provision for impairment of secured loans and overdue receivables are as follows (please refer to Note 46 for credit risk disclosure):

	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
1 January 2013	$1,398,295	$46,875	$1,309,318	$43,893	$2,707,613	$90,768
Charge (reversal) for the current period	164,308	5,508	435,856	14,611	600,164	20,119
Write off	-	-	(25,556)	(857)	(25,556)	(857)
Minimum of statutory reserve	(43,930)	(1,473)	600,199	20,121	556,269	18,648
31 December 2013	$1,518,673	$50,910	$2,319,817	$77,768	$3,838,490	$128,678

	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
1 January 2012	$549,936	$18,931	$850,496	$29,277	$1,400,432	$48,208
Charge (reversal) for the current period	2,246,705	77,339	(1,588,446)	(54,680)	658,259	22,659
Write off	-	-	(34,130)	(1,175)	(34,130)	(1,175)
Minimum of statutory reserve	(1,398,346)	(48,136)	2,081,398	71,649	683,052	23,513
31 December 2012	$1,398,295	$48,134	$1,309,318	$45,071	$2,707,613	$93,205

18. Reinsurance assets

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Claims recoverable from reinsurers	$-	$1,014	$2,940
Due from reinsurers and ceding companies	344,600	3,547	2,755
Reinsurance reserve assets			
Ceded unearned premium reserve	321,982	8,384,281	8,617,664
Ceded reserve for claims	16,875	781,354	550,769
Subtotal	338,857	9,165,635	9,168,433
Total	$683,457	$9,170,196	$9,174,128

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

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Claims recoverable from reinsurers	$-	$35	$97
Due from reinsurers and ceding companies	11,552	122	91
Reinsurance reserve assets			
Ceded unearned premium reserve	10,794	288,615	284,693
Ceded reserve for claims	566	26,897	18,195
Subtotal	11,360	315,512	302,888
Total	$22,912	$315,669	$303,076

Above reinsurance assets were not impaired.

19. Property and equipment

	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 2013	$29,580,787	$30,759,221	$2,517,668	$15,879	$3,965,944	$124,080	$275,652	$120,676	$67,359,907
Additions from acquisitions	-	21,744	72,429	-	132,001	17,210	-	49,348	292,732
Additions from subsequent expenditure	-	-	-	-	-	-	-	166,395	166,395
Transfers	(5,313,950)	(8,835,762)	(10,910)	-	-	-	-	(82,050)	(14,242,672)
Disposals	(142)	(464,589)	(28,827)	-	(13,362)	-	-	-	(506,920)
Transferred out due to lost the control of subsidiary	-	-	-	-	(695,006)	-	-	-	(695,006)
Exchange differences	-	113,873	15,773	218	733	7,749	-	-	138,346
31 December 2013	$24,266,695	$21,594,487	$2,566,133	$16,097	$3,390,310	$149,039	$275,652	$254,369	$52,512,782

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

	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 2013	$991,645	$1,031,151	$84,400	$533	$132,951	$4,159	$9,241	$4,046	$2,258,126
Additions from acquisitions	-	729	2,428	-	4,425	577	-	1,654	9,813
Additions from subsequent expenditure	-	-	-	-	-	-	-	5,578	5,578
Transfers	(178,141)	(296,204)	(365)	-	-	-	-	(2,751)	(477,461)
Disposals	(5)	(15,574)	(966)	-	(448)	-	-	-	(16,993)
Transferred out due to lost the control of subsidiary	-	-	-	-	(23,299)	-	-	-	(23,299)
Exchange differences	-	3,817	529	7	25	260	-	-	4,638
31 December 2013	$813,499	$723,919	$86,026	$540	$113,654	$4,996	$9,241	$8,527	$1,760,402

	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	-	3,317,409	80,730	5,670	159,497	11,553	275,652	240	3,850,751
Additions from subsequent expenditure	-	-	-	-	-	-	-	105,616	105,616
Transfers	17,145,485	6,930,392	2,767	-	-	-	-	(24,017)	24,054,627
Disposals	-	-	(93,915)	(3,180)	(17,778)	-	-	-	(114,873)
Exchange differences	-	(14,890)	(9,116)	(111)	(420)	(3,385)	-	(32)	(27,954)
31 December 2012	$29,580,787	$30,759,221	$2,517,668	$15,879	$3,965,944	$124,080	$275,652	$120,676	$67,359,907

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to consolidated financial statements-continued

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

For the years ended 31 December 2013 and 2012

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	$428,066	$706,586	$87,339	$464	$131,657	$3,990	$-	$1,338	$1,359,440
Additions from acquisitions	-	114,196	2,779	195	5,491	398	9,488	8	132,555
Additions from subsequent expenditure	-	-	-	-	-	-	-	3,636	3,636
Transfers	590,206	238,568	96	-	-	-	-	(827)	828,043
Disposals	-	-	(3,233)	(109)	(612)	-	-	-	(3,954)
Exchange differences	-	(513)	(314)	(3)	(14)	(117)	-	(1)	(962)
31 December 2012	$1,018,272	$1,058,837	$86,667	$547	$136,522	$4,271	$9,488	$4,154	$2,318,758

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
Depreciation and impairment:									
1 January 2013	$(105,610)	$(13,109,406)	$(2,218,630)	$(9,652)	$(3,434,077)	$(96,936)	$(28,714)	$-	$(19,003,025)
Depreciation	-	(691,659)	(118,832)	(1,377)	(145,193)	(14,571)	(68,913)	-	(1,040,545)
Transfers	-	3,245,122	6,999	-	-	-	-	-	3,252,121
Disposals	-	323,859	24,637	-	12,441	-	-	-	360,937
Transferred out due to lost the control of subsidiary	-	-	-	-	605,421	-	-	-	605,421
Exchange differences	-	(1,305)	(9,892)	(184)	(652)	(6,086)	-	-	(18,119)
31 December 2013	$(105,610)	$(10,233,389)	$(2,315,718)	$(11,213)	$(2,962,060)	$(117,593)	$(97,627)	$-	$(15,843,210)

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

For the years ended 31 December 2013 and 2012

	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 2013	$(3,540)	$(439,470)	$(74,376)	$(324)	$(115,122)	$(3,249)	$(963)	$-	$(637,044)
Depreciation	-	(23,187)	(3,984)	(46)	(4,867)	(489)	(2,310)	-	(34,883)
Transfers	-	108,787	235	-	-	-	-	-	109,022
Disposals	-	10,857	826	-	417	-	-	-	12,100
Transferred out due to lost the control of subsidiary	-	-	-	-	20,296	-	-	-	20,296
Exchange differences	-	(44)	(332)	(6)	(22)	(204)	-	-	(608)
31 December 2013	$(3,540)	$(343,057)	$(77,631)	$(376)	$(99,298)	$(3,942)	$(3,273)	$-	$(531,117)

	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
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	-	(2,519,271)	(156,438)	(1,079)	(158,114)	(20,021)	(28,714)	-	(2,883,637)
Transfers	-	(363,112)	-	-	-	-	-	-	(363,112)
Disposals	-	-	88,551	3,180	17,391	-	-	-	109,122
Exchange differences	-	101	5,099	66	363	2,370	-	-	7,999
31 December 2012	$(105,610)	$(13,109,406)	$(2,218,630)	$(9,652)	$(3,434,077)	$(96,936)	$(28,714)	$-	$(19,003,025)

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

	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	$(3,636)	$(352,052)	$(74,211)	$(407)	$(113,381)	$(2,729)	$-	$-	$(546,416)
Depreciation	-	(86,722)	(5,385)	(37)	(5,443)	(690)	(988)	-	(99,265)
Transfers	-	(12,499)	-	-	-	-	-	-	(12,499)
Disposals	-	-	3,048	109	599	-	-	-	3,756
Exchange differences	-	3	175	3	12	82	-	-	275
31 December 2012	$(3,636)	$(451,270)	$(76,373)	$(332)	$(118,213)	$(3,337)	$(988)	$-	$(654,149)

	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 as at:									
31 December 2013	$24,161,085	$11,361,098	$250,415	$4,884	$428,250	$31,446	$178,025	$254,369	$36,669,572
31 December 2012	$29,475,177	$17,649,815	$299,038	$6,227	$531,867	$27,144	$246,938	$120,676	$48,356,882
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 as at:									
31 December 2013	$809,959	$380,862	$8,395	$164	$14,356	$1,054	$5,968	$8,527	$1,229,285
31 December 2012	$1,014,636	$607,567	$10,294	$215	$18,309	$934	$8,500	$4,154	$1,664,609
1 January 2012	$407,324	$340,244	$12,599	$55	$17,540	$1,210	$-	$1,284	$780,256

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

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

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.

20. Intangible assets

	Computer software	
Cost:	NT$	US$
1 January 2013	$1,716,232	$57,534
Addition－acquired separately	39,822	1,335
Transfers	(4,787)	(161)
Transferred out due to lost the control of subsidiary	(30,188)	(1,012)
Exchange differences	11,071	371
31 December 2013	$1,732,150	$58,067

	Computer software	
Cost:	NT$	US$
1 January 2012	$1,682,975	$57,934
Addition－acquired separately	40,145	1,382
Transfers	(340)	(12)
Exchange differences	(6,548)	(225)
31 December 2012	$1,716,232	$59,079

	Computer software	
Amortization and impairment:	NT$	US$
1 January 2013	$(1,461,354)	$(48,990)
Amortization	(111,575)	(3,740)
Transfers	2,528	85
Transferred out due to lost the control of subsidiary	28,328	950
Exchange differences	(5,987)	(201)
31 December 2013	$(1,548,060)	$(51,896)

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

	Computer software	
Amortization and impairment:	NT$	US$
1 January 2012	$(1,286,142)	$(44,274)
Amortization	(178,261)	(6,136)
Transfers	-	-
Exchange differences	3,049	105
31 December 2012	$(1,461,354)	$(50,305)

	Computer software	
Net carrying amount as at:	NT$	US$
31 December 2013	$184,090	$6,171
31 December 2012	$254,878	$8,774
1 January 2012	$396,833	$13,110

Amortization expense of intangible assets under the statements of comprehensive income:

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Operating costs	$1,512	$51	$732	$25
Operating expenses－business expenses	$87,589	$2,936	$151,609	$5,219
Operating expenses－administrative and general expenses	$22,474	$753	$25,920	$892

21. Other assets

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Prepayment	$464,037	$690,829	$335,000
Deferred acquisition costs	44,005	51,659	-
Guarantee deposits paid	16,714,926	14,376,119	15,695,921
Other assets－Other	1,236,755	1,620,867	2,200,684
Total	$18,459,723	$16,739,474	$18,231,605

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

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Prepayment	$15,556	$23,781	$11,067
Deferred acquisition costs	1,475	1,778	-
Guarantee deposits paid	560,340	494,875	518,531
Other assets－Other	41,460	55,796	72,702
Total	$618,831	$576,230	$602,300

22. 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 year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Beginning balance	$51,659	$1,732	$-	$-
Increase	-	-	53,571	1,844
Amortization	(7,654)	(257)	(1,912)	(66)
Ending balance	$44,005	$1,475	$51,659	$1,778

23. Payables

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Notes payable	$1,079	$1,104	$2,428
Life insurance proceeds payable	288,814	243,714	153,489
Reinsurance proceeds payable	8,952	-	-
Commissions payable	1,916,868	644,891	1,250,897
Due to reinsurers and ceding companies	647,607	8,056,342	6,214,729
Other payables	16,162,356	29,127,604	14,989,708
Total	$19,025,676	$38,073,655	$22,611,251

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

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Notes payable	$36	$38	$80
Life insurance proceeds payable	9,682	8,390	5,071
Reinsurance proceeds payable	300	-	-
Commissions payable	64,260	22,199	41,325
Due to reinsurers and ceding companies	21,710	277,327	205,310
Other payables	541,815	1,002,671	495,200
Total	$637,803	$1,310,625	$746,986

24. Financial liabilities at fair value through profit or loss

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Held for trading:			
Derivatives that are not designated hedging			
CDS	$-	$-	$2,356
Forward	4,932,173	726,786	1,435,728
CS	11,166,453	1,246,005	15,666,231
IRS	49,398	106,666	364,586
Total	$16,148,024	$2,079,457	$17,468,901

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Held for trading:			
Derivatives that are not designated hedging			
CDS	$-	$-	$78
Forward	165,343	25,018	47,431
CS	374,336	42,892	517,550
IRS	1,656	3,672	12,044
Total	$541,335	$71,582	$577,103

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

25.Derivative financial liabilities for hedging

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
IRS	$5,148	$-	$-

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
IRS	$173	$-	$-

26.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.

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.

(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 made at 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.

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

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

27. Insurance contract and reserve for insurance contract with discretionary participation feature of financial instruments

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

(1) The Company

A. Reserve for life insurance liabilities:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,826,901,255	$41,698,426	$2,868,599,681	$94,767,055	$1,397,869	$96,164,924
Injury insurance	7,948,252	-	7,948,252	266,452	-	266,452
Health insurance	317,225,766	-	317,225,766	10,634,454	-	10,634,454
Annuity insurance	1,230,168	98,089,349	99,319,517	41,239	3,288,278	3,329,517
Investment-linked insurance	1,054,750	-	1,054,750	35,359	-	35,359
Recover from major incident reserve	63,292	-	63,292	2,122	-	2,122
Total	$3,154,423,483	$139,787,775	$3,294,211,258	$105,746,681	$4,686,147	$110,432,828

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,540,691,009	$44,435,855	$2,585,126,864	$87,459,243	$1,529,634	$88,988,877
Injury insurance	7,888,169	-	7,888,169	271,538	-	271,538
Health insurance	270,513,728	-	270,513,728	9,312,004	-	9,312,004
Annuity insurance	1,226,217	124,300,017	125,526,234	42,211	4,278,830	4,321,041
Investment-linked insurance	1,059,809	-	1,059,809	36,482	-	36,482
Recover from major incident reserve	63,292	-	63,292	2,179	-	2,179
Total	$2,821,442,224	$168,735,872	$2,990,178,096	$97,123,657	$5,808,464	$102,932,121

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

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,262,171,695	$44,410,268	$2,306,581,963	$74,733,125	$1,467,138	$76,200,263
Injury insurance	7,663,561	-	7,663,561	253,174	-	253,174
Health insurance	228,602,480	-	228,602,480	7,552,114	-	7,552,114
Annuity insurance	1,468,242	149,221,880	150,690,122	48,505	4,929,695	4,978,200
Investment-linked insurance	1,217,774	-	1,217,774	40,230	-	40,230
Total	$2,501,123,752	$193,632,148	$2,694,755,900	$82,627,148	$6,396,833	$89,023,981

Reserve for life insurance liabilities is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,821,442,224	$168,735,872	$2,990,178,096	$94,584,050	$5,656,583	$100,240,633
Reserve	439,335,659	13,042,010	452,377,669	14,727,981	437,211	15,165,192
Recover	(112,504,187)	(41,077,350)	(153,581,537)	(3,771,511)	(1,377,048)	(5,148,559)
Losses (gains) on foreign exchange	6,149,787	(912,757)	5,237,030	206,161	(30,599)	175,562
Ending balance	$3,154,423,483	$139,787,775	$3,294,211,258	$105,746,681	$4,686,147	$110,432,828

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,501,123,752	$193,632,148	$2,694,755,900	$86,097,203	$6,665,479	$92,762,682
Reserve	466,361,698	1,012,224	467,373,922	16,053,759	34,844	16,088,603
Recover	(140,671,956)	(25,790,701)	(166,462,657)	(4,842,408)	(887,804)	(5,730,212)
Losses (gains) on foreign exchange	(5,371,270)	(117,799)	(5,489,069)	(184,897)	(4,055)	(188,952)
Ending balance	$2,821,442,224	$168,735,872	$2,990,178,096	$97,123,657	$5,808,464	$102,932,121

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

B. Unearned premium reserve:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$354,815	$-	$354,815	$11,895	$-	$11,895
Individual injury insurance	4,679,885	-	4,679,885	156,885	-	156,885
Individual health insurance	6,454,421	-	6,454,421	216,373	-	216,373
Group insurance	702,318	-	702,318	23,544	-	23,544
Investment-linked insurance	111,466	-	111,466	3,737	-	3,737
Total	12,302,905	-	12,302,905	412,434	-	412,434
Less ceded unearned premium reserve:						
Individual life insurance	132,337	-	132,337	4,437	-	4,437
Individual injury insurance	150,618	-	150,618	5,049	-	5,049
Group insurance	89	-	89	3	-	3
Total	283,044	-	283,044	9,489	-	9,489
Net	$12,019,861	$-	$12,019,861	$402,945	$-	$402,945

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$286,321	$-	$286,321	$9,856	$-	$9,856
Individual injury insurance	4,528,407	-	4,528,407	155,883	-	155,883
Individual health insurance	6,135,137	-	6,135,137	211,192	-	211,192
Group insurance	780,294	-	780,294	26,861	-	26,861
Investment-linked insurance	118,616	-	118,616	4,083	-	4,083
Total	11,848,775	-	11,848,775	407,875	-	407,875
Less ceded unearned premium reserve:						
Individual life insurance	3,686,613	-	3,686,613	126,906	-	126,906
Individual injury insurance	4,690,419	-	4,690,419	161,460	-	161,460
Group insurance	89	-	89	3	-	3
Total	8,377,121	-	8,377,121	288,369	-	288,369
Net	$3,471,654	$-	$3,471,654	$119,506	$-	$119,506

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

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$209,502	$4	$209,506	$6,921	$-	$6,921
Individual injury insurance	4,346,188	-	4,346,188	143,581	-	143,581
Individual health insurance	5,762,270	-	5,762,270	190,362	-	190,362
Group insurance	1,579,244	-	1,579,244	52,172	-	52,172
Investment-linked insurance	120,773	-	120,773	3,990	-	3,990
Total	12,017,977	4	12,017,981	397,026	-	397,026
Less ceded unearned premium reserve:						
Individual life insurance	2,513,030	-	2,513,030	83,021	-	83,021
Individual injury insurance	4,807,267	-	4,807,267	158,813	-	158,813
Group insurance	826	-	826	27	-	27
Investment-linked insurance	1,289,194	-	1,289,194	42,590	-	42,590
Total	8,610,317	-	8,610,317	284,451	-	284,451
Net	$3,407,660	$4	$3,407,664	$112,575	$-	$112,575

Unearned premium reserve is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$11,848,775	$-	$11,848,775	$397,210	$-	$397,210
Reserve	12,302,907	-	12,302,907	412,434	-	412,434
Recover	(11,848,775)	-	(11,848,775)	(397,210)	-	(397,210)
Losses (gains) on foreign exchange	(2)	-	(2)	-	-	-
Ending balance	12,302,905	-	12,302,905	412,434	-	412,434
Less ceded unearned premium reserve:						
Beginning balance-Net	8,377,121	-	8,377,121	280,829	-	280,829
Decrease	(8,094,077)	-	(8,094,077)	(271,340)	-	(271,340)
Ending balance-Net	283,044	-	283,044	9,489	-	9,489
Total	$12,019,861	$-	$12,019,861	$402,945	$-	$402,945

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

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,017,977	$4	$12,017,981	$413,700	$-	$413,700
Reserve	11,848,775	-	11,848,775	407,875	-	407,875
Recover	(12,017,977)	(4)	(12,017,981)	(413,700)	-	(413,700)
Ending balance	11,848,775	-	11,848,775	407,875	-	407,875
Less ceded unearned premium reserve:						
Beginning balance-Net	8,610,317	-	8,610,317	296,396	-	296,396
Increase	1,283	-	1,283	44	-	44
Decrease	(234,479)	-	(234,479)	(8,071)	-	(8,071)
Ending balance-Net	8,377,121	-	8,377,121	288,369	-	288,369
Total	$3,471,654	$-	$3,471,654	$119,506	$-	$119,506

C. Reserve for claims:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$116,070	$1,091	$117,161	$3,891	$37	$3,928
－Unreported claim	52,064	-	52,064	1,745	-	1,745
Individual injury insurance						
－Reported but not paid claim	99,655	-	99,655	3,341	-	3,341
－Unreported claim	1,131,904	-	1,131,904	37,945	-	37,945
Individual health insurance						
－Reported but not paid claim	156,336	-	156,336	5,241	-	5,241
－Unreported claim	1,657,838	-	1,657,838	55,576	-	55,576
Group insurance						
－Reported but not paid claim	37,286	-	37,286	1,250	-	1,250
－Unreported claim	913,688	-	913,688	30,630	-	30,630
Investment-linked insurance						
－Reported but not paid claim	3,856	-	3,856	129	-	129
Total	$4,168,697	$1,091	$4,169,788	$139,748	$37	$139,785

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

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$105,856	$797	$106,653	$3,644	$27	$3,671
－Unreported claim	49,750	-	49,750	1,713	-	1,713
Individual injury insurance						
－Reported but not paid claim	147,062	-	147,062	5,062	-	5,062
－Unreported claim	1,024,487	-	1,024,487	35,266	-	35,266
Individual health insurance						
－Reported but not paid claim	124,100	-	124,100	4,272	-	4,272
－Unreported claim	1,535,223	-	1,535,223	52,848	-	52,848
Group insurance						
－Reported but not paid claim	36,141	-	36,141	1,244	-	1,244
－Unreported claim	1,124,644	-	1,124,644	38,714	-	38,714
Investment-linked insurance						
－Reported but not paid claim	4,210	-	4,210	145	-	145
Total	4,151,473	797	4,152,270	142,908	27	142,935
Less ceded reserve for claims:						
Individual injury insurance	780,831	-	780,831	26,879	-	26,879
Net	$3,370,642	$797	$3,371,439	$116,029	$27	$116,056

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$139,018	$3,242	$142,260	$4,593	$107	$4,700
－Unreported claim	33,877	-	33,877	1,119	-	1,119
Individual injury insurance						
－Reported but not paid claim	192,822	-	192,822	6,370	-	6,370
－Unreported claim	789,273	-	789,273	26,075	-	26,075
Individual health insurance						
－Reported but not paid claim	116,876	-	116,876	3,861	-	3,861
－Unreported claim	1,321,690	-	1,321,690	43,663	-	43,663
Group insurance						
－Reported but not paid claim	18,972	-	18,972	627	-	627
－Unreported claim	1,252,450	-	1,252,450	41,376	-	41,376
Investment-linked insurance						
－Reported but not paid claim	10,510	-	10,510	347	-	347
Total	3,875,488	3,242	3,878,730	128,031	107	128,138
Less ceded reserve for claims:						
Individual injury insurance	549,591	-	549,591	18,156	-	18,156
Net	$3,325,897	$3,242	$3,329,139	$109,875	$107	$109,982

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

Reserve for claims is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,151,473	$797	$4,152,270	$139,171	$27	$139,198
Reserve	4,168,715	1,091	4,169,806	139,749	37	139,786
Recover	(4,151,473)	(797)	(4,152,270)	(139,171)	(27)	(139,198)
Losses (gains) on foreign exchange	(18)	-	(18)	(1)	-	(1)
Ending balance	4,168,697	1,091	4,169,788	139,748	37	139,785
Less ceded reserve for claims:						
Beginning balance-Net	780,831	-	780,831	26,176	-	26,176
Decrease	(780,831)	-	(780,831)	(26,176)	-	(26,176)
Ending balance-Net	-	-	-	-	-	-
Total	$4,168,697	$1,091	$4,169,788	$139,748	$37	$139,785

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,875,488	$3,242	$3,878,730	$133,408	$112	$133,520
Reserve	4,151,480	797	4,152,277	142,908	27	142,935
Recover	(3,875,488)	(3,242)	(3,878,730)	(133,408)	(112)	(133,520)
Losses (gains) on foreign exchange	(7)	-	(7)	-	-	-
Ending balance	4,151,473	797	4,152,270	142,908	27	142,935
Less ceded reserve for claims:						
Beginning balance-Net	549,591	-	549,591	18,919	-	18,919
Increase	231,240	-	231,240	7,960	-	7,960
Ending balance-Net	780,831	-	780,831	26,879	-	26,879
Total	$3,370,642	$797	$3,371,439	$116,029	$27	$116,056

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

D. Special reserve:

	31 December 2013 NT$				31 December 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,931	$-	$-	$1,931	$65	$-	$-	$65
Special reserve for revaluation increments of property	-	-	45,416,619	45,416,619	-	-	1,522,515	1,522,515
Total	$1,931	$-	$45,416,619	$45,418,550	$65	$-	$1,522,515	$1,522,580

	31 December 2012 NT$				31 December 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,970	$-	$-	$1,970	$68	$-	$-	$68
Special reserve for revaluation increments of property	-	-	55,416,619	55,416,619	-	-	1,907,629	1,907,629
Total	$1,970	$-	$55,416,619	$55,418,589	$68	$-	$1,907,629	$1,907,697

	1 January 2012 NT$				1 January 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$228	$-	$-	$228	$8	$-	$-	$8
Reclassify to foreign exchange volatility reserve	4,511,406	-	-	4,511,406	149,038	-	-	149,038
Special reserve for revaluation increments of property	-	-	55,416,619	55,416,619	-	-	1,830,744	1,830,744
Total	$4,511,634	$-	$55,416,619	$59,928,253	$149,046	$-	$1,830,744	$1,979,790

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

Special reserve is summarized below:

	For the year ended 31 December 2013 NT$				For the year ended 31 December 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$1,970	$-	$55,416,619	$55,418,589	$66	$-	$1,857,748	$1,857,814
Reserves for participating policies dividends reserve	1,156	-	-	1,156	39	-	-	39
Recover from participating policies dividends reserve	(1,195)	-	-	(1,195)	(40)	-	-	(40)
Recover from special reserve for revaluation increments of property (Note)	-	-	(10,000,000)	(10,000,000)	-	-	(335,233)	(335,233)
Ending balance	$1,931	$-	$45,416,619	$45,418,550	$65	$-	$1,522,515	$1,522,580

	For the year ended 31 December 2012 NT$				For the year ended 31 December 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$4,511,634	$-	$55,416,619	$59,928,253	$155,306	$-	$1,907,629	$2,062,935
Reserves for participating policies dividends reserve	2,064	-	-	2,064	71	-	-	71
Recover from participating policies dividends reserve	(322)	-	-	(322)	(11)	-	-	(11)
Reclassify to foreign exchange volatility reserve	(4,511,406)	-	-	(4,511,406)	(155,298)	-	-	(155,298)
Ending balance	$1,970	$-	$55,416,619	$55,418,589	$68	$-	$1,907,629	$1,907,697

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.

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

E. Special capital reserve for major incidents and fluctuation of risks:

	31 December 2013 NT$				31 December 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$103,850	$-	$-	$103,850	$3,481	$-	$-	$3,481
Individual injury insurance	1,938,063	-	-	1,938,063	64,970	-	-	64,970
Individual health insurance	3,376,834	-	-	3,376,834	113,203	-	-	113,203
Group insurance	2,614,441	-	-	2,614,441	87,645	-	-	87,645
Total	$8,033,188	$-	$-	$8,033,188	$269,299	$-	$-	$269,299

	31 December 2012 NT$				31 December 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$79,172	$-	$-	$79,172	$2,725	$-	$-	$2,725
Individual injury insurance	1,194,433	-	-	1,194,433	41,117	-	-	41,117
Individual health insurance	2,361,060	-	-	2,361,060	81,276	-	-	81,276
Group insurance	1,860,655	-	-	1,860,655	64,050	-	-	64,050
Total	$5,495,320	$-	$-	$5,495,320	$189,168	$-	$-	$189,168

	1 January 2012 NT$				1 January 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$87,160	$-	$-	$87,160	$2,879	$-	$-	$2,879
Individual injury insurance	1,128,805	-	-	1,128,805	37,291	-	-	37,291
Individual health insurance	2,049,433	-	-	2,049,433	67,705	-	-	67,705
Group insurance	1,221,020	-	-	1,221,020	40,338	-	-	40,338
Total	$4,486,418	$-	$-	$4,486,418	$148,213	$-	$-	$148,213

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

F. Premium deficiency reserve:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$19,012,225	$-	$19,012,225	$637,353	$-	$637,353
Individual health insurance	615,791	-	615,791	20,643	-	20,643
Group insurance	1,237	-	1,237	41	-	41
Total	$19,629,253	$-	$19,629,253	$658,037	$-	$658,037

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$16,389,516	$-	$16,389,516	$564,183	$-	$564,183
Individual health insurance	690,546	-	690,546	23,771	-	23,771
Group insurance	41,573	-	41,573	1,431	-	1,431
Total	$17,121,635	$-	$17,121,635	$589,385	$-	$589,385

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$12,872,878	$-	$12,872,878	$425,268	$-	$425,268
Individual health insurance	673,880	-	673,880	22,262	-	22,262
Group insurance	52,969	-	52,969	1,750	-	1,750
Total	$13,599,727	$-	$13,599,727	$449,280	$-	$449,280

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

Premium deficiency reserve is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$17,121,635	$-	$17,121,635	$573,974	$-	$573,974
Reserve	2,762,327	-	2,762,327	92,602	-	92,602
Recover	(446,571)	-	(446,571)	(14,971)	-	(14,971)
Losses (gains) on foreign exchange	191,862	-	191,862	6,432	-	6,432
Ending balance	$19,629,253	$-	$19,629,253	$658,037	$-	$658,037

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$13,599,727	$-	$13,599,727	$468,149	$-	$468,149
Reserve	3,754,578	-	3,754,578	129,245	-	129,245
Losses (gains) on foreign exchange	(232,670)	-	(232,670)	(8,009)	-	(8,009)
Ending balance	$17,121,635	$-	$17,121,635	$589,385	$-	$589,385

G. Liability adequacy reserve:

	31 December 2013 NT$	31 December 2013 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$3,294,211,258	$110,432,828
Unearned premium reserve	12,302,905	412,434
Premium deficiency reserve	19,629,253	658,037
Total	$3,326,143,416	$111,503,299
Book value of insurance liabilities	$3,326,143,416	$111,503,299
Estimated present value of cash flows	$2,608,650,272	$87,450,562
Balance of liability adequacy reserve	$-	$-

	31 December 2012 NT$	31 December 2012 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$2,990,178,096	$102,932,121
Unearned premium reserve	11,848,775	407,875
Premium deficiency reserve	17,121,635	589,385
Total	$3,019,148,506	$103,929,381
Book value of insurance liabilities	$3,019,148,506	$103,929,381
Estimated present value of cash flows	$2,174,379,434	$74,849,550
Balance of liability adequacy reserve	$-	$-

	1 January 2012 NT$	1 January 2012 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$2,694,755,900	$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.

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

Liability adequacy testing methodology is listed as follows:

	31 December 2013
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 31 December 2013. (2) Discount rate: Under assets allocation plan on 30 September 2013, 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: Include 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.

	1 January 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 31 December 2011. (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).

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

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

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

	31 December 2013		31 December 2012		1 January 2012	
	NT$	US$	NT$	US$	NT$	US$
Life insurance	$52,910,750	$1,773,743	$56,461,371	$1,943,593	$60,624,750	$2,002,800
Investment-linked insurance	459	15	-	-	-	-
Total	$52,911,209	$1,773,758	$56,461,371	$1,943,593	$60,624,750	$2,002,800

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Beginning balance	$56,461,371	$1,892,771
Premiums (returned) received	231	8
Insurance claim payments	(4,458,832)	(149,475)
Net provision of statutory reserve	908,438	30,454
Losses (gains) on foreign exchange	1	-
Ending balance	$52,911,209	$1,773,758

	For the year ended 31 December 2012 NT$	For the year ended 31 December 2012 US$
Beginning balance	$60,624,750	$2,086,910
Premiums (returned) received	(5,532)	(190)
Insurance claim payments	(5,118,417)	(176,193)
Net provision of statutory reserve	960,570	33,066
Losses (gains) on foreign exchange	-	-
Ending balance	$56,461,371	$1,943,593

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

I. 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 year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Beginning balance	$4,270,856	$143,173
Reserve:		
Compulsory reserve	2,293,471	76,885
Extra reserve	4,933,651	165,392
Subtotal	7,227,122	242,277
Recover	(1,015,797)	(34,053)
Ending balance	$10,482,181	$351,397

	For the year ended 31 December 2012 NT$ (Note)	For the year ended 31 December 2012 US$ (Note)
Beginning balance	$4,511,406	$155,298
Reserve:		
Compulsory reserve	1,672,322	57,567
Extra reserve	944,888	32,526
Subtotal	2,617,210	90,093
Recover	(2,857,760)	(98,374)
Ending balance	$4,270,856	$147,017

Note: The Company has applied foreign exchange volatility reserve since 1 March 2012 in accordance with regulations.

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

c. Effects due to foreign exchange volatility reserve:

	For the year ended 31 December 2013					
	Inapplicable amount (1)		Applicable amount (2)		Effects (2) - (1)	
Item	NT$	US$	NT$	US$	NT$	US$
Net loss attributable to equity holders of the parent	20,610,093	690,918	15,454,693	518,092	(5,155,400)	(172,826)
Earnings per share	3.88	0.13	2.91	0.10	(0.97)	(0.03)
Foreign exchange volatility reserve	-	-	10,482,181	351,397	10,482,181	351,397
Equity attributable to equity holders of the parent	151,518,064	5,079,385	146,562,321	4,913,252	(4,955,743)	(166,133)

	For the year ended 31 December 2012					
	Inapplicable amount (1)		Applicable amount (2)		Effects (2) - (1)	
Item	NT$	US$	NT$	US$	NT$	US$
Net income attributable to equity holders of the parent	2,442,697	84,086	2,642,354	90,959	199,657	6,873
Earnings per share	0.46	0.02	0.50	0.02	0.04	-
Foreign exchange volatility reserve	-	-	4,270,856	147,017	4,270,856	147,017
Equity attributable to equity holders of the parent	137,000,688	4,716,030	137,200,345	4,722,903	199,657	6,873

(2) Cathay Life (China)

A. Reserve for life insurance liabilities:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,539,526	$-	$3,539,526	$118,656	$-	$118,656
Health insurance	190,727	-	190,727	6,394	-	6,394
Investment-linked insurance	6,653	-	6,653	223	-	223
Total	$3,736,906	$-	$3,736,906	$125,273	$-	$125,273

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

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,875,460	$-	$2,875,460	$98,983	$-	$98,983
Health insurance	58,989	-	58,989	2,031	-	2,031
Investment-linked insurance	50,436	-	50,436	1,736	-	1,736
Total	$2,984,885	$-	$2,984,885	$102,750	$-	$102,750

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,417,929	$-	$2,417,929	$79,879	$-	$79,879
Health insurance	44,343	-	44,343	1,465	-	1,465
Investment-linked insurance	19,226	-	19,226	635	-	635
Total	$2,481,498	$-	$2,481,498	$81,979	$-	$81,979

Reserve for life insurance liabilities is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,984,885	$-	$2,984,885	$100,063	$-	$100,063
Reserve	1,784,511	-	1,784,511	59,823	-	59,823
Recover	(1,223,168)	-	(1,223,168)	(41,005)	-	(41,005)
Losses (gains) on foreign exchange	190,678	-	190,678	6,392	-	6,392
Ending balance	$3,736,906	$-	$3,736,906	$125,273	$-	$125,273

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

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,481,498	$-	$2,481,498	$85,422	$-	$85,422
Reserve	955,020	-	955,020	32,875	-	32,875
Recover	(377,675)	-	(377,675)	(13,001)	-	(13,001)
Losses (gains) on foreign exchange	(73,958)	-	(73,958)	(2,546)	-	(2,546)
Ending balance	$2,984,885	$-	$2,984,885	$102,750	$-	$102,750

B. Unearned premium reserve:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$14,429	$-	$14,429	$484	$-	$484
Individual health insurance	1,327	-	1,327	44	-	44
Group insurance	244,579	-	244,579	8,199	-	8,199
Total	260,335	-	260,335	8,727	-	8,727
Less ceded unearned premium reserve:						
Individual life insurance	27	-	27	1	-	1
Individual injury insurance	391	-	391	13	-	13
Individual health insurance	6,151	-	6,151	206	-	206
Group insurance	32,369	-	32,369	1,085	-	1,085
Total	38,938	-	38,938	1,305	-	1,305
Net	$221,397	$-	$221,397	$7,422	$-	$7,422

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

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$6,787	$-	$6,787	$234	$-	$234
Individual health insurance	624	-	624	22	-	22
Group insurance	245,310	-	245,310	8,444	-	8,444
Total	252,721	-	252,721	8,700	-	8,700
Less ceded unearned premium reserve:						
Individual life insurance	61	-	61	2	-	2
Individual injury insurance	66	-	66	2	-	2
Individual health insurance	2,862	-	2,862	98	-	98
Group insurance	4,171	-	4,171	144	-	144
Total	7,160	-	7,160	246	-	246
Net	$245,561	$-	$245,561	$8,454	$-	$8,454

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$8,653	$-	$8,653	$286	$-	$286
Individual health insurance	682	-	682	23	-	23
Group insurance	229,383	-	229,383	7,578	-	7,578
Total	238,718	-	238,718	7,887	-	7,887
Less ceded unearned premium reserve:						
Individual life insurance	62	-	62	2	-	2
Individual injury insurance	68	-	68	2	-	2
Individual health insurance	2,937	-	2,937	97	-	97
Group insurance	4,280	-	4,280	141	-	141
Total	7,347	-	7,347	242	-	242
Net	$231,371	$-	$231,371	$7,645	$-	$7,645

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

Unearned premium reserve is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$252,721	$-	$252,721	$8,472	$-	$8,472
Reserve	302,310	-	302,310	10,134	-	10,134
Recover	(309,260)	-	(309,260)	(10,367)	-	(10,367)
Losses (gains) on foreign exchange	14,564	-	14,564	488	-	488
Ending balance	260,335	-	260,335	8,727	-	8,727
Less ceded unearned premium reserve:						
Beginning balance-Net	7,160	-	7,160	240	-	240
Increase	30,477	-	30,477	1,022	-	1,022
Gains (losses) on foreign exchange	1,301	-	1,301	43	-	43
Ending balance-Net	38,938	-	38,938	1,305	-	1,305
Total	$221,397	$-	$221,397	$7,422	$-	$7,422

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$238,718	$-	$238,718	$8,217	$-	$8,217
Reserve	269,698	-	269,698	9,284	-	9,284
Recover	(248,736)	-	(248,736)	(8,562)	-	(8,562)
Losses (gains) on foreign exchange	(6,959)	-	(6,959)	(239)	-	(239)
Ending balance	252,721	-	252,721	8,700	-	8,700
Less ceded unearned premium reserve:						
Beginning balance-Net	7,347	-	7,347	253	-	253
Increase	24	-	24	1	-	1
Gains (losses) on foreign exchange	(211)	-	(211)	(8)	-	(8)
Ending balance-Net	7,160	-	7,160	246	-	246
Total	$245,561	$-	$245,561	$8,454	$-	$8,454

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

C. Reserve for claims:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$4,223	$-	$4,223	$142	$-	$142
－Unreported claim	3,435	-	3,435	115	-	115
Individual injury insurance						
－Reported but not paid claim	5,264	-	5,264	176	-	176
－Unreported claim	4,400	-	4,400	148	-	148
Individual health insurance						
－Reported but not paid claim	4,786	-	4,786	160	-	160
－Unreported claim	10,736	-	10,736	360	-	360
Group insurance						
－Reported but not paid claim	96,393	-	96,393	3,231	-	3,231
－Unreported claim	341,158	-	341,158	11,437	-	11,437
Total	470,395	-	470,395	15,769	-	15,769
Less ceded reserve for claims:						
Individual health insurance	16,875	-	16,875	566	-	566
Net	$453,520	$-	$453,520	$15,203	$-	$15,203

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$2,899	$-	$2,899	$100	$-	$100
－Unreported claim	2,358	-	2,358	81	-	81
Individual injury insurance						
－Reported but not paid claim	3,613	-	3,613	124	-	124
－Unreported claim	3,020	-	3,020	104	-	104
Individual health insurance						
－Reported but not paid claim	3,285	-	3,285	113	-	113
－Unreported claim	7,369	-	7,369	254	-	254
Group insurance						
－Reported but not paid claim	66,165	-	66,165	2,278	-	2,278
－Unreported claim	307,740	-	307,740	10,594	-	10,594
Total	396,449	-	396,449	13,648	-	13,648
Less ceded reserve for claims:						
Individual health insurance	523	-	523	18	-	18
Net	$395,926	$-	$395,926	$13,630	$-	$13,630

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

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$19	$-	$19	$1	$-	$1
－Unreported claim	2,118	-	2,118	70	-	70
Individual injury insurance						
－Reported but not paid claim	2,509	-	2,509	83	-	83
－Unreported claim	286	-	286	9	-	9
Individual health insurance						
－Reported but not paid claim	499	-	499	16	-	16
－Unreported claim	4,592	-	4,592	152	-	152
Group insurance						
－Reported but not paid claim	21,878	-	21,878	723	-	723
－Unreported claim	388,663	-	388,663	12,840	-	12,840
Total	420,564	-	420,564	13,894	-	13,894
Less ceded reserve for claims:						
Individual health insurance	1,178	-	1,178	39	-	39
Net	$419,386	$-	$419,386	$13,855	$-	$13,855

Reserve for claims is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$396,449	$-	$396,449	$13,290	$-	$13,290
Reserve	542,056	-	542,056	18,171	-	18,171
Recover	(492,705)	-	(492,705)	(16,517)	-	(16,517)
Losses (gains) on foreign exchange	24,595	-	24,595	825	-	825
Ending balance	470,395	-	470,395	15,769	-	15,769
Less ceded reserve for claims:						
Beginning balance-Net	523	-	523	18	-	18
Increase	15,861	-	15,861	532	-	532
Gains (losses) on foreign exchange	491	-	491	16	-	16
Ending balance-Net	16,875	-	16,875	566	-	566
Total	$453,520	$-	$453,520	$15,203	$-	$15,203

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

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$420,564	$-	$420,564	$14,477	$-	$14,477
Reserve	743,155	-	743,155	25,582	-	25,582
Recover	(755,230)	-	(755,230)	(25,997)	-	(25,997)
Losses (gains) on foreign exchange	(12,040)	-	(12,040)	(414)	-	(414)
Ending balance	396,449	-	396,449	13,648	-	13,648
Less ceded reserve for claims:						
Beginning balance-Net	1,178	-	1,178	40	-	40
Decrease	(624)	-	(624)	(21)	-	(21)
Gains (losses) on foreign exchange	(31)	-	(31)	(1)	-	(1)
Ending balance-Net	523	-	523	18	-	18
Total	$395,926	$-	$395,926	$13,630	$-	$13,630

D. Liability adequacy reserve:

	31 December 2013 NT$	31 December 2013 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$3,736,906	$125,273
Unearned premium reserve	260,335	8,727
Total	$3,997,241	$134,000
Book value of insurance liabilities	$3,997,241	$134,000
Estimated present value of cash flows	$2,455,099	$82,303
Balance of liability adequacy reserve	$-	$-

	31 December 2012 NT$	31 December 2012 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$2,984,885	$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	$-	$-

	1 January 2012 NT$	1 January 2012 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$2,481,498	$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.

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

Liability adequacy testing methodology is listed as follows:

	31 December 2013
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 31 December 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: Include 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.

	1 January 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Include insurance contracts and financial instruments with discretionary participation feature as of 31 December 2011. (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.

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

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

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

	31 December 2013		31 December 2012		1 January 2012	
	NT$	US$	NT$	US$	NT$	US$
Life insurance	$4,685,240	$157,065	$4,889,501	$168,313	$6,259,962	$206,804

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Beginning balance	$4,889,501	$163,912
Premiums received	1,312,092	43,986
Insurance claim payments	(536,470)	(17,984)
Net provision of statutory reserve	(1,251,764)	(41,963)
Losses (gains) on foreign exchange	271,881	9,114
Ending balance	$4,685,240	$157,065

	For the year ended 31 December 2012 NT$	For the year ended 31 December 2012 US$
Beginning balance	$6,259,962	$215,489
Premiums received	1,248,957	42,993
Insurance claim payments	(704,024)	(24,235)
Net provision of statutory reserve	(1,740,740)	(59,922)
(Gains) losses on foreign exchange	(174,654)	(6,012)
Ending balance	$4,889,501	$168,313

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

(3) Cathay Life (Vietnam)

A. Reserve for life insurance liabilities:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$374,862	$-	$374,862	$12,567	$-	$12,567
Investment – linked insurance	36	-	36	1	-	1
Total	$374,898	$-	$374,898	$12,568	$-	$12,568

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$299,490	$-	$299,490	$10,309	$-	$10,309
Investment – linked insurance	9	-	9	-	-	-
Total	$299,499	$-	$299,499	$10,309	$-	$10,309

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$231,165	$-	$231,165	$7,636	$-	$7,636

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

Reserve for life insurance liabilities is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$299,499	$-	$299,499	$10,040	$-	$10,040
Reserve	69,577	-	69,577	2,333	-	2,333
Losses (gains) on foreign exchange	5,822	-	5,822	195	-	195
Ending balance	$374,898	$-	$374,898	$12,568	$-	$12,568

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$231,165	$-	$231,165	$7,957	$-	$7,957
Reserve	77,228	-	77,228	2,658	-	2,658
Losses (gains) on foreign exchange	(8,894)	-	(8,894)	(306)	-	(306)
Ending balance	$299,499	$-	$299,499	$10,309	$-	$10,309

B. Unearned premium reserve:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,611	$-	$1,611	$54	$-	$54
Individual health insurance	1,356	-	1,356	46	-	46
Total	$2,967	$-	$2,967	$100	$-	$100

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

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,666	$-	$1,666	$57	$-	$57
Individual health insurance	1,614	-	1,614	56	-	56
Total	$3,280	$-	$3,280	$113	$-	$113

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,484	$-	$1,484	$49	$-	$49
Individual health insurance	1,850	-	1,850	61	-	61
Total	$3,334	$-	$3,334	$110	$-	$110

Unearned premium reserve is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,280	$-	$3,280	$110	$-	$110
Recover	(373)	-	(373)	(12)	-	(12)
Losses (gains) on foreign exchange	60	-	60	2	-	2
Ending balance	$2,967	$-	$2,967	$100	$-	$100

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

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,334	$-	$3,334	$115	$-	$115
Reserve	54	-	54	2	-	2
Losses (gains) on foreign exchange	(108)	-	(108)	(4)	-	(4)
Ending balance	$3,280	$-	$3,280	$113	$-	$113

C. Reserve for claims:

	31 December 2013 NT$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$494	$-	$494	$16	$-	$16
Individual injury insurance						
－Reported but not paid claim	3	-	3	-	-	-
－Unreported claim	172	-	172	6	-	6
Individual health insurance						
－Reported but not paid claim	88	-	88	3	-	3
－Unreported claim	144	-	144	5	-	5
Total	$901	$-	$901	$30	$-	$30

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

	31 December 2012 NT$			31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$1,251	$-	$1,251	$43	$-	$43
Individual injury insurance						
－Reported but not paid claim	231	-	231	8	-	8
－Unreported claim	163	-	163	6	-	6
Individual health insurance						
－Reported but not paid claim	206	-	206	7	-	7
－Unreported claim	294	-	294	10	-	10
Investment-linked insurance						
－Reported but not paid claim	390	-	390	13	-	13
Total	$2,535	$-	$2,535	$87	$-	$87

	1 January 2012 NT$			1 January 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$302	$-	$302	$10	$-	$10
Individual injury insurance						
－Reported but not paid claim	139	-	139	4	-	4
－Unreported claim	141	-	141	5	-	5
Individual health insurance						
－Reported but not paid claim	98	-	98	3	-	3
－Unreported claim	109	-	109	4	-	4
Total	$789	$-	$789	$26	$-	$26

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

Reserve for claims is summarized below:

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,535	$-	$2,535	$85	$-	$85
Recover	(1,676)	-	(1,676)	(56)	-	(56)
Losses (gains) on foreign exchange	42	-	42	1	-	1
Ending balance	$901	$-	$901	$30	$-	$30

	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$789	$-	$789	$27	$-	$27
Reserve	1,804	-	1,804	62	-	62
Losses (gains) on foreign exchange	(58)	-	(58)	(2)	-	(2)
Ending balance	$2,535	$-	$2,535	$87	$-	$87

D. Special reserve:

	31 December 2013 NT$				31 December 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Others	$1,751	$-	$-	$1,751	$59	$-	$-	$59

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

	31 December 2012 NT$				31 December 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Others	$517	$-	$-	$517	$17	$-	$-	$17

	1 January 2012 NT$				1 January 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Others	$533	$-	$-	$533	$18	$-	$-	$18

Special reserve is summarized below:

	For the year ended 31 December 2013 NT$				For the year ended 31 December 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$517	$-	$-	$517	$17	$-	$-	$17
Reserve	1,221	-	-	1,221	41	-	-	41
Losses (gains) on foreign exchange	13	-	-	13	1	-	-	1
Ending balance	$1,751	$-	$-	$1,751	$59	$-	$-	$59

	For the year ended 31 December 2012 NT$				For the year ended 31 December 2012 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$533	$-	$-	$533	$18	$-	$-	$18
Losses (gains) on foreign exchange	(16)	-	-	(16)	(1)	-	-	(1)
Ending balance	$517	$-	$-	$517	$17	$-	$-	$17

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

E. Liability adequacy reserve:

	31 December 2013 NT$	31 December 2013 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$374,898	$12,568
Unearned premium reserve	2,967	100
Total	$377,865	$12,668
Book value of insurance liabilities	$377,865	$12,668
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	$-	$-

	31 December 2012 NT$	31 December 2012 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$299,499	$10,309
Unearned premium reserve	3,280	113
Total	$302,779	$10,422
Book value of insurance liabilities	$302,779	$10,422
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	$-	$-

	1 January 2012 NT$	1 January 2012 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$231,165	$7,636
Unearned premium reserve	3,334	110
Total	$234,499	$7,746
Book value of insurance liabilities	$234,499	$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).

Note 2: 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.

Note 3: 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.

28. Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan 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 plan for the years ended 31 December 2013 and 2012 were NT$982,966 (US$32,952) thousands and NT$951,990 (US$32,771) thousands, respectively.

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

Defined benefits plan

The Company adopts 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 contributes 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 recognized in profit or loss for the years ended 31 December 2013 and 2012:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	NT$	NT$
Current service cost	$324,114	$328,628
Interest cost	170,632	173,537
Expected return on plan assets	(138,293)	(119,384)
Amortization of actuarial gains or losses	(9,165)	-
Total	$347,288	$382,781

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$	US$
Current service cost	$10,865	$11,312
Interest cost	5,720	5,974
Expected return on plan assets	(4,636)	(4,110)
Amortization of actuarial gains or losses	(307)	-
Total	$11,642	$13,176

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

The benefit expense under the defined benefits plan recognized in the statement of comprehensive income:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	NT$	NT$
Operating costs	$289,666	$322,901
Operating expenses	57,622	59,880
Total	$347,288	$382,781

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$	US$
Operating costs	$9,710	$11,115
Operating expenses	1,932	2,061
Total	$11,642	$13,176

Reconciliations of liability (asset) of the defined benefit plan are as follows:

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Defined benefit obligation	$(12,357,465)	$(11,685,318)	$(11,083,486)
Plan assets at fair value	11,842,634	9,474,891	7,783,914
Funded status	(514,831)	(2,210,427)	(3,299,572)
Unrecognized pension losses (gains)	(3,118,720)	(1,268,617)	-
Accrued pension liability recognized on the balance sheets	$(3,633,551)	$(3,479,044)	$(3,299,572)

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Defined benefit obligation	$(414,263)	$(402,248)	$(366,154)
Plan assets at fair value	397,004	326,158	257,150
Funded status	(17,259)	(76,090)	(109,004)
Unrecognized pension losses (gains)	(104,550)	(43,670)	-
Accrued pension liability recognized on the balance sheets	$(121,809)	$(119,760)	$(109,004)

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

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

	For the year ended 31 December 2013	For the year ended 31 December 2012
	NT$	NT$
Defined benefit obligation at 1 January	$11,685,318	$11,083,486
Current service cost	324,114	328,628
Interest cost	170,632	173,537
Benefits paid	(840,655)	(502,883)
Actuarial losses	1,018,056	602,550
Defined benefit obligation at 31 December	$12,357,465	$11,685,318

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$	US$
Defined benefit obligation at 1 January	$391,730	$381,531
Current service cost	10,865	11,312
Interest cost	5,720	5,974
Benefits paid	(28,181)	(17,311)
Actuarial losses	34,129	20,742
Defined benefit obligation at 31 December	$414,263	$402,248

Changes in fair value of plan assets are as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	NT$	NT$
Plan assets, at fair value at 1 January	$9,474,891	$7,783,914
Expected return on plan assets	138,293	119,384
Contribution by employer	192,781	203,309
Benefits paid	(840,655)	(502,883)
Actuarial gains	2,877,324	1,871,167
Plan assets, at fair value at 31 December	$11,842,634	$9,474,891

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

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$	US$
Plan assets, at fair value at 1 January	$317,629	$267,949
Expected return on plan assets	4,636	4,110
Contributions by employer	6,463	6,998
Benefits paid	(28,181)	(17,311)
Actuarial gains	96,457	64,412
Plan assets, at fair value at 31 December	$397,004	$326,158

The Company expects to contribute NT$173,832 (US$5,827) thousands to its defined benefit plan during the 12 months beginning after 31 December 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 2013	31 December 2012	1 January 2012
Cash	21.7%	28.9%	33.2%
Equity instruments	78.3%	71.0%	66.7%
Debt instruments	-	0.1%	0.1%

Actual return from plan assets in 2013 and 2012 were NT$3,015,617 (US101,093) thousands and NT$1,990,551 (US$68,522) thousands, respectively.

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.

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

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

	31 December 2013	31 December 2012	1 January 2012
Discount rate	1.92%	1.54%	1.68%
Expected rate of return on plan assets	1.92%	1.54%	1.68%
Expected rate of salary increases	1.50%	1.50%	1.50%

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 2013 NT$		For the year ended 31 December 2012 NT$	
	Discount rate (+0.5%)	Discount rate (-0.5%)	Discount rate (+0.5%)	Discount rate (-0.5%)
Effect on the defined benefit obligation	$(429,618)	$460,318	$(424,359)	$455,713

	For the year ended 31 December 2013 US$		For the year ended 31 December 2012 US$	
	Discount rate (+0.5%)	Discount rate (-0.5%)	Discount rate (+0.5%)	Discount rate (-0.5%)
Effect on the defined benefit obligation	$(14,402)	$15,431	$(14,608)	$15,687

Other information on the defined benefit plan is as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	NT$	NT$
Defined benefit obligation at present value	$12,357,465	$11,685,318
Plan assets at fair value	11,842,634	9,474,891
Surplus (deficit) in plan	(514,831)	(2,210,427)
Experience adjustments on plan liabilities	739,056	479,340
Experience adjustments on plan assets	2,877,324	1,871,167

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

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$	US$
Defined benefit obligation at present value	$414,263	$402,248
Plan assets at fair value	397,004	326,158
Surplus (deficit) in plan	(17,259)	(76,090)
Experience adjustments on plan liabilities	24,776	16,501
Experience adjustments on plan assets	96,457	64,412

29. Provisions

	NT$		
	Litigation liability	Employee benefit liability	Total
1 January 2013	$333,439	$3,479,044	$3,812,483
Increase	-	154,507	154,507
Reversal	(47,767)	-	(47,767)
31 December 2013	$285,672	$3,633,551	$3,919,223

	US$		
	Litigation liability	Employee benefit liability	Total
1 January 2013	$11,177	$116,629	$127,806
Increase	-	5,180	5,180
Reversal	(1,601)	-	(1,601)
31 December 2013	$9,576	$121,809	$131,385

30. Other liabilities

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Accounts collected in advance	$115,178	$300,819	$397,555
Deferred handling fees	87,737	100,202	-
Guarantee deposits received	2,211,239	2,077,752	1,960,914
Other liabilities - Other	6,218,283	9,047,037	4,122,246
Total	$8,632,437	$11,525,810	$6,480,715

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

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Accounts collected in advance	$3,861	$10,355	$13,134
Deferred handling fees	2,941	3,449	-
Guarantee deposits received	74,128	71,524	64,781
Other liabilities - Other	208,458	311,430	136,182
Total	$289,388	$396,758	$214,097

31. 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 year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Beginning balance	$100,202	$3,359	$-	$-
Increase	-	-	105,084	3,617
Amortization	(15,102)	(506)	(4,481)	(154)
Losses (gains) on foreign exchange	2,637	88	(401)	(14)
Ending balance	$87,737	$2,941	$100,202	$3,449

32. Common stock

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

33. Capital surplus

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Additional paid-in capital	$13,000,000	$13,000,000	$13,000,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	-	-
Other	9,649	9,649	9,649
Total	$13,038,791	$13,009,649	$13,009,649

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

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Additional paid-in capital	$435,803	$447,504	$429,468
Differences between share price and book value from acquisition or disposal of subsidiaries	977	-	-
Other	323	332	319
Total	$437,103	$447,836	$429,787

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.

34. 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. When the Company incurs no loss, it may distribute the portion of its legal capital reserve which exceeds 25% of the issued share capital by issuing new shares or by cash to its original shareholders in proportion to the number of shares being held by each of them.

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.

(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$38,544) 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.

When distributing distributable earnings for the years 2011 and 2012, the Company has to set aside special capital reserve, for other net deductions from shareholders’ equity of the period. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

The Company has elected to use the fair value of certain investment properties on the transition date to TIFRS as their deemed costs. In accordance with Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the incremental value from fair value revaluation can be used to offset the negative impact from transition and shall be set aside an equal amount of retained earnings; the residual amount should be recognized under special reserve. According to Order No. 10202508140 issued by Insurance Bureau, the abovementioned amount NT$2,994,565 (US$100,388) thousands shall be set aside under special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10102508861.

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

(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.

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 years ended 31 December 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 2013 retained earnings has not been approved by the shareholders as of the independent auditors' opinion date. 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 December 2013, the reserves amounted to NT$1,439,845 (US$48,268) thousands.

(4) Non-controlling interests

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Beginning balance	$1,012,972	$33,958	$1,133,769	$39,028
Net income attributable to non-controlling interests	(29,828)	(1,000)	(123,416)	(4,248)
Other comprehensive income attributable to non-controlling interests:				
Exchange differences resulting from translating the financial statements of foreign operations	45,610	1,529	(27,307)	(940)
Unrealized (losses) gains from available-for-sale financial assets	(47,525)	(1,593)	53,970	1,858
Disposal of subsidiaries	(29,142)	(977)	-	-
Other	(210,832)	(7,067)	(24,044)	(828)
Ending balance	$741,255	$24,850	$1,012,972	$34,870

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

35. Retained earned premium

(1) The Company

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2012 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$429,520,978	$10,815,914	$440,336,892	$458,061,131	$13,759,474	$471,820,605
Reinsurance premium income	200,010	-	200,010	194,373	-	194,373
Premium income	429,720,988	10,815,914	440,536,902	458,255,504	13,759,474	472,014,978
Less:						
Premiums ceded to reinsurers	(15,828,656)	-	(15,828,656)	(28,597,180)	-	(28,597,180)
Changes in unearned premium reserve	(8,548,209)	-	(8,548,209)	(63,994)	4	(63,990)
Subtotal	(24,376,865)	-	(24,376,865)	(28,661,174)	4	(28,661,170)
Retained earned premium	$405,344,123	$10,815,914	$416,160,037	$429,594,330	$13,759,478	$443,353,808

	For the year ended 31 December 2013 US$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$14,398,960	$362,585	$14,761,545	$15,768,025	$473,648	$16,241,673
Reinsurance premium income	6,705	-	6,705	6,691	-	6,691
Premium income	14,405,665	362,585	14,768,250	15,774,716	473,648	16,248,364
Less:						
Premiums ceded to reinsurers	(530,629)	-	(530,629)	(984,412)	-	(984,412)
Changes in unearned premium reserve	(286,564)	-	(286,564)	(2,203)	-	(2,203)
Subtotal	(817,193)	-	(817,193)	(986,615)	-	(986,615)
Retained earned premium	$13,588,472	$362,585	$13,951,057	$14,788,101	$473,648	$15,261,749

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

(2) Cathay life (China)

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2012 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$2,281,404	$-	$2,281,404	$2,092,597	$-	$2,092,597
Reinsurance premium income	-	-	-	-	-	-
Premium income	2,281,404	-	2,281,404	2,092,597	-	2,092,597
Less:						
Premiums ceded to reinsurers	(311,754)	-	(311,754)	(14,472)	-	(14,472)
Changes in unearned premium reserve	5,692	-	5,692	(20,962)	-	(20,962)
Subtotal	(306,062)	-	(306,062)	(35,434)	-	(35,434)
Retained earned premium	$1,975,342	$-	$1,975,342	$2,057,163	$-	$2,057,163

	For the year ended 31 December 2013 US$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$76,480	$-	$76,480	$72,034	$-	$72,034
Reinsurance premium income	-	-	-	-	-	-
Premium income	76,480	-	76,480	72,034	-	72,034
Less:						
Premiums ceded to reinsurers	(10,451)	-	(10,451)	(499)	-	(499)
Changes in unearned premium reserve	191	-	191	(721)	-	(721)
Subtotal	(10,260)	-	(10,260)	(1,220)	-	(1,220)
Retained earned premium	$66,220	$-	$66,220	$70,814	$-	$70,814

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

(3) Cathay life (Vietnam)

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2012 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$126,182	$-	$126,182	$162,561	$-	$162,561
Reinsurance premium income	-	-	-	-	-	-
Premium income	126,182	-	126,182	162,561	-	162,561
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	372	-	372	(54)	-	(54)
Subtotal	372	-	372	(54)	-	(54)
Retained earned premium	$126,554	$-	$126,554	$162,507	$-	$162,507

	For the year ended 31 December 2013 US$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	4,230	$-	4,230	$5,596	$-	$5,596
Reinsurance premium income	-	-	-	-	-	-
Premium income	4,230	-	4,230	5,596	-	5,596
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	12	-	12	(2)	-	(2)
Subtotal	12	-	12	(2)	-	(2)
Retained earned premium	$4,242	$-	$4,242	$5,594	$-	$5,594

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

36. Retained claim payments

(1) The Company

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2012 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$178,970,974	$41,410,396	$220,381,370	$189,834,081	$42,853,918	$232,687,999
Reinsurance claim payments	154,130	-	154,130	174,964	-	174,964
Insurance claim payments	179,125,104	41,410,396	220,535,500	190,009,045	42,853,918	232,862,963
Less:						
Claims recovered from reinsures	(11,298,486)	-	(11,298,486)	(11,768,982)	-	(11,768,982)
Retained claim payments	$167,826,618	$41,410,396	$209,237,014	$178,240,063	$42,853,918	$221,093,981

	For the year ended 31 December 2013 US$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$5,999,697	$1,388,213	$7,387,910	$6,534,736	$1,475,178	$8,009,914
Reinsurance claim payments	5,167	-	5,167	6,023	-	6,023
Insurance claim payments	6,004,864	1,388,213	7,393,077	6,540,759	1,475,178	8,015,937
Less:						
Claims recovered from reinsures	(378,762)	-	(378,762)	(405,128)	-	(405,128)
Retained claim payments	$5,626,102	$1,388,213	$7,014,315	$6,135,631	$1,475,178	$7,610,809

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

(2) Cathay life (China)

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2012 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$1,134,498	$-	$1,134,498	$1,068,812	$-	$1,068,812
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	1,134,498	-	1,134,498	1,068,812	-	1,068,812
Less:						
Claims recovered from reinsures	(359,613)	-	(359,613)	(9,166)	-	(9,166)
Retained claim payments	$774,885	$-	$774,885	$1,059,646	$-	$1,059,646

	For the year ended 31 December 2013 US$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$38,032	$-	$38,032	$36,792	$-	$36,792
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	38,032	-	38,032	36,792	-	36,792
Less:						
Claims recovered from reinsures	(12,056)	-	(12,056)	(316)	-	(316)
Retained claim payments	$25,976	$-	$25,976	$36,476	$-	$36,476

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

(3) Cathay life (Vietnam)

	For the year ended 31 December 2013 NT$			For the year ended 31 December 2012 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$16,716	$-	$16,716	$19,372	$-	$19,372
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	16,716	-	16,716	19,372	-	19,372
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$16,716	$-	$16,716	$19,372	$-	$19,372

	For the year ended 31 December 2013 US$			For the year ended 31 December 2012 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$561	$-	$561	$666	$-	$666
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	561	-	561	666	-	666
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$561	$-	$561	$666	$-	$666

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

37. Personnel expenses, depreciation and amortization – The Company and Subsidiaries

Item	For the year ended 31 December 2013 NT$			For the year ended 31 December 2013 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$12,433,967	$2,941,522	$15,375,489	$416,828	$98,609	$515,437
Labor and health insurance expenses	1,816,754	393,756	2,210,510	60,904	13,200	74,104
Pension expenses	1,107,577	223,378	1,330,955	37,130	7,488	44,618
Other expenses	1,303,195	411,149	1,714,344	43,687	13,783	57,470
Depreciation	40,580	2,962,305	3,002,885	1,361	99,306	100,667
Amortization	1,512	110,063	111,575	51	3,689	3,740

Item	For the year ended 31 December 2012 NT$			For the year ended 31 December 2012 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$13,053,296	$2,830,595	$15,883,891	$449,339	$97,439	$546,778
Labor and health insurance expenses	1,730,144	345,568	2,075,712	59,557	11,896	71,453
Pension expenses	1,123,540	211,670	1,335,210	38,676	7,286	45,962
Other expenses	1,354,273	328,230	1,682,503	46,619	11,299	57,918
Depreciation	41,093	2,868,093	2,909,186	1,415	98,729	100,144
Amortization	732	178,943	179,675	25	6,160	6,185

38. Non-operating income and expenses

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	NT$	US$	NT$	US$
Losses on disposal of property and equipment	$(1,236)	$(41)	$(4,392)	$(151)
Dividend on preferred stock liabilities	(908,000)	(30,439)	(908,000)	(31,257)
Other	2,065,656	69,247	1,877,673	64,636
Total	$1,156,420	$38,767	$965,281	$33,228

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

39. Components of other comprehensive income

	For the year ended 31 December 2013 NT$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of foreign operations	$267,211	$-	$267,211	$-	$267,211
Unrealized valuation losses from available-for-sale financial assets	12,177,146	(19,169,620)	(6,992,474)	1,159,988	(5,832,486)
Effective portion of losses on hedging instruments in cash flow hedges	(12,432)	(695,114)	(707,546)	120,283	(587,263)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	28,764	-	28,764	-	28,764
Total	$12,460,689	$(19,864,734)	$(7,404,045)	$1,280,271	$(6,123,774)

	For the year ended 31 December 2013 US$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of foreign operations	$8,958	$-	$8,958	$-	$8,958
Unrealized valuation losses from available-for-sale financial assets	408,218	(642,629)	(234,411)	38,887	(195,524)
Effective portion of losses on hedging instruments in cash flow hedges	(416)	(23,303)	(23,719)	4,032	(19,687)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	964	-	964	-	964
Total	$417,724	$(665,932)	$(248,208)	$42,919	$(205,289)

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

For the year ended 31 December 2012

NT$

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of foreign operations	$(129,453)	$-	$(129,453)	$-	$(129,453)
Unrealized valuation gains from available-for-sale financial assets	34,754,288	(14,798,589)	19,955,699	(1,471,412)	18,484,287
Effective portion of losses on hedging instruments in cash flow hedges	(45,921)	(795,211)	(841,132)	142,992	(698,140)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(26,402)	-	(26,402)	-	(26,402)
Total	$34,552,512	$(15,593,800)	$18,958,712	$(1,328,420)	$17,630,292

For the year ended 31 December 2012

US$

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of foreign operations	$(4,456)	$-	$(4,456)	$-	$(4,456)
Unrealized valuation gains from available-for-sale financial assets	1,196,361	(509,418)	686,943	(50,651)	636,292
Effective portion of losses on hedging instruments in cash flow hedges	(1,580)	(27,374)	(28,954)	4,922	(24,032)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(909)	-	(909)	-	(909)
Total	$1,189,416	$(536,792)	$652,624	$(45,729)	$606,895

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

40. Income taxes

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Current income tax expense (benefit)		
Current income tax charge	$36,493	$1,223
Adjustments in respect of current income tax of prior periods	(310,586)	(10,412)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	1,962,073	65,775
Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset	-	-
Other		
Tax effect under basic tax systems	-	-
Tax effect under consolidated income tax systems	(1,514,137)	(50,759)
Withholding tax for overseas investments	618,499	20,734
China corporate income tax	941	32
Total income tax expense (benefit)	$793,283	$26,593

	For the year ended 31 December 2012 NT$	For the year ended 31 December 2012 US$
Current income tax expense (benefit)		
Current income tax charge	$653,816	$22,507
Adjustments in respect of current income tax of prior periods	36,612	1,260
Deferred tax expense (benefit)		
Deferred tax benefit relating to origination and reversal of temporary differences	(2,968,442)	(102,184)
Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset	(2,222)	(77)
Other		
Tax effect under basic tax systems	108,011	3,718
Tax effect under consolidated income tax systems	(108,011)	(3,718)
Withholding tax for overseas investments	(6,329)	(218)
China corporate income tax	1,065	37
Total income tax expense (benefit)	$(2,285,500)	$(78,675)

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

Income taxes relating to components of other comprehensive income

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Deferred tax expense (benefit)		
Unrealized valuation losses from available-for-sale financial assets	$(1,159,988)	$(38,887)
Effective portion of losses on hedging instruments in cash flow hedges	(120,283)	(4,032)
Income taxes relating to components of other comprehensive income	$(1,280,271)	$(42,919)

	For the year ended 31 December 2012 NT$	For the year ended 31 December 2012 US$
Deferred tax expense (benefit)		
Unrealized valuation gains from available-for-sale financial assets	$1,471,412	$50,651
Effective portion of losses on hedging instruments in cash flow hedges	(142,992)	(4,922)
Income taxes relating to components of other comprehensive income	$1,328,420	$45,729

Income taxes charged directly to equity

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Current income tax expense (benefit):		
Adjustments in respect of current income tax of prior periods	$-	$-

	For the year ended 31 December 2012 NT$	For the year ended 31 December 2012 US$
Current income tax expense (benefit):		
Adjustments in respect of current income tax of prior periods	$160,849	$5,537

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

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

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Accounting profit before tax from continuing operations	$16,218,148	$543,685
Tax at the domestic rates applicable to profits in the country concerned	$2,776,501	$93,077
Tax effect of revenue exempt from taxation	(4,761,316)	(159,615)
Tax effect of expenses not deductible for tax purposes	112,540	3,773
Add back of cash dividends received	1,878,474	62,973
Unrecognized tax loss of deferred tax assets	1,963,673	65,829
Tax effect of deferred tax assets/liabilities	29,464	987
Investment losses	(770)	(26)
Adjustments in respect of current income tax of prior periods	(310,586)	(10,412)
Other		
Tax effect under consolidated income tax systems	(1,514,137)	(50,759)
Withholding tax for overseas investments	618,499	20,734
China corporate income tax	941	32
Total income tax expense (benefit) recognized in profit or loss	$793,283	$26,593

	For the year ended 31 December 2012 NT$	For the year ended 31 December 2012 US$
Accounting profit before tax from continuing operations	$233,438	$8,036
Tax at the domestic rates applicable to profits in the country concerned	$(1,000)	$(34)
Tax effect of revenue exempt from taxation	(2,514,734)	(86,566)
Tax effect of expenses not deductible for tax purposes	132,031	4,545
Add back of cash dividends received	-	-
Unrecognized tax loss of deferred tax assets	-	-
Tax effect of deferred tax assets/liabilities	68,195	2,347
Investment losses	(1,340)	(46)
Adjustments in respect of current income tax of prior periods	36,612	1,260
Other		
Tax effect under basic tax systems	108,011	3,718
Tax effect under consolidated income tax systems	(108,011)	(3,718)
Withholding tax for overseas investments	(6,329)	(218)
China corporate income tax	1,065	37
Total income tax expense (benefit) recognized in profit or loss	$(2,285,500)	$(78,675)

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

Deferred tax assets (liabilities) relate to the following:

	For the year ended 31 December 2013 NT$			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Property and equipment	$640,592	$(412,952)	$-	$227,640
Investment property	(7,798,917)	416,935	-	(7,381,982)
Financial assets at fair value through profit or loss	(776,481)	232,634	-	(543,847)
Available-for-sale financial assets	(5,827,809)	-	1,798,709	(4,029,100)
Derivative financial assets for hedging	(196,534)	-	119,408	(77,126)
Bond investments for which no active market exists	50,801	158,769	-	209,570
Guarantee deposits paid	1,250	(101,354)	-	(100,104)
Financial liabilities at fair value through profit or loss	358,911	2,391,657	-	2,750,568
Derivative financial liabilities for hedging	-	-	875	875
Other receivables	(46,622)	(8,170)	-	(54,792)
Employee benefit liability	591,438	26,266	-	617,704
Contribution in aid of construction costs	22	(12)	-	10
Office supplies	5,596	(2,783)	-	2,813
Foreign exchange losses (gains)	14,458,060	(5,407,303)	(638,721)	8,412,036
Special reserve	(744,240)	744,240	-	-
Deferred tax benefit (expenses)		$(1,962,073)	$1,280,271	
Deferred tax assets/(liabilities)-Net	$716,067			$34,265
Reflected in balance sheet as follows:				
Deferred tax assets	$16,106,670			$12,221,216
Deferred tax liabilities	$(15,390,603)			$(12,186,951)

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

	For the year ended 31 December 2013 US$			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Property and equipment	$21,474	$(13,843)	$-	$7,631
Investment property	(261,445)	13,977	-	(247,468)
Financial assets at fair value through profit or loss	(26,030)	7,799	-	(18,231)
Available-for-sale financial assets	(195,368)	-	60,299	(135,069)
Derivative financial assets for hedging	(6,589)	-	4,003	(2,586)
Bond investments for which no active market exists	1,704	5,322	-	7,026
Guarantee deposits paid	42	(3,398)	-	(3,356)
Financial liabilities at fair value through profit or loss	12,032	80,176	-	92,208
Derivative financial liabilities for hedging	-	-	29	29
Other receivables	(1,563)	(274)	-	(1,837)
Employee benefit liability	19,827	881	-	20,708
Contribution in aid of construction costs	-	-	-	-
Office supplies	188	(93)	-	95
Foreign exchange losses (gains)	484,682	(181,271)	(21,412)	281,999
Special reserve	(24,949)	24,949	-	-
Deferred tax benefit (expenses)		$(65,775)	$42,919	
Deferred tax assets/(liabilities)-Net	$24,005			$1,149
Reflected in balance sheet as follows:				
Deferred tax assets	$539,949			$409,696
Deferred tax liabilities	$(515,944)			$(408,547)

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

	For the year ended 31 December 2012 NT$				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Property and equipment	$385,821	$254,771	$-	$-	$640,592
Investment property	(7,604,517)	(194,400)	-	-	(7,798,917)
Financial assets at fair value through profit or loss	(623,153)	(153,328)	-	-	(776,481)
Available-for-sale financial assets	(3,517,957)	9,582	(2,319,434)	-	(5,827,809)
Derivative financial assets for hedging	(339,526)	-	142,992	-	(196,534)
Bond investments for which no active market exists	48,034	2,767	-	-	50,801
Guarantee deposits paid	109	1,141	-	-	1,250
Financial liabilities at fair value through profit or loss	2,975,117	(2,616,206)	-	-	358,911
Other receivables	(61,699)	15,077	-	-	(46,622)
Employee benefit liability	560,927	30,511	-	-	591,438
Contribution in aid of construction costs	42	(20)	-	-	22
Office supplies	3,796	1,800	-	-	5,596
Foreign exchange losses (gains)	8,013,736	5,596,270	848,022	32	14,458,060
Special reserve	(766,939)	22,699	-	-	(744,240)
Deferred tax benefit (expenses)		$2,970,664	$(1,328,420)	$32	
Deferred tax assets/(liabilities)-Net	$(926,209)				$716,067
Reflected in balance sheet as follows:					
Deferred tax assets	$11,989,836				$16,106,670
Deferred tax liabilities	$(12,916,045)				$(15,390,603)

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

	For the year ended 31 December 2012 US$				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Property and equipment	$13,281	$8,770	$-	$-	$22,051
Investment property	(261,773)	(6,692)	-	-	(268,465)
Financial assets at fair value through profit or loss	(21,451)	(5,278)	-	-	(26,729)
Available-for-sale financial assets	(121,100)	330	(79,843)	-	(200,613)
Derivative financial assets for hedging	(11,688)	-	4,922	-	(6,766)
Bond investments for which no active market exists	1,654	95	-	-	1,749
Guarantee deposits paid	4	39	-	-	43
Financial liabilities at fair value through profit or loss	102,414	(90,059)	-	-	12,355
Other receivables	(2,124)	519	-	-	(1,605)
Employee benefit liability	19,309	1,050	-	-	20,359
Contribution in aid of construction costs	1	-	-	-	1
Office supplies	130	62	-	-	192
Foreign exchange losses (gains)	275,860	192,643	29,192	1	497,696
Special reserve	(26,401)	782	-	-	(25,619)
Deferred tax benefit (expenses)		$102,261	$(45,729)	$1	
Deferred tax assets/(liabilities)-Net	$(31,884)				$24,649
Reflected in balance sheet as follows:					
Deferred tax assets	$412,731				$554,446
Deferred tax liabilities	$(444,615)				$(529,797)

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

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

		Unused tax losses NT$			
Year	Tax losses	31 December 2013	31 December 2012	1 January 2012	Expiration year
2006	$8,251,573	$6,902,325	$8,251,573	$8,251,573	2016
2008	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	2019
2013	1,468,423	1,468,423	-	-	2023
		$24,471,646	$24,352,471	$24,352,471	

		Unused tax losses US$			
Year	Tax losses	31 December 2013	31 December 2012	1 January 2012	Expiration year
2006	$276,620	$231,389	$284,047	$272,599	2016
2008	131,654	131,654	135,189	129,740	2018
2009	408,101	408,101	419,059	402,169	2019
2013	49,226	49,226	-	-	2023
		$820,370	$838,295	$804,508	

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

		Unused tax deduction						
		31 December 2013		31 December 2012		1 January 2012		
Laws and regulations	Items	NT$	US$	NT$	US$	NT$	US$	Expiration year
The Act for Upgrading Industries	Education and training	$-	$-	$-	$-	$12,478	$412	2012
The Act for Upgrading Industries	Education and training	-	-	8,755	301	8,755	289	2013
		$-	$-	$8,755	$301	$21,233	$701	

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

Unrecognized deferred tax assets

As of 31 December 2013, 31 December 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$5,114,773 (US$171,464) thousands, NT$5,056,568 (US$174,064) 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 December 2013, 31 December 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$12,760 (US$428) thousands, NT$10,550 (US$363) thousands and NT$14,795 (US$489) thousands, respectively.

Imputation credit information

	31 December 2013	31 December 2012	1 January 2012
	NT$	NT$	NT$
Balances of imputation credit amounts	$6,295,838	$5,584,641	$4,368,541

	31 December 2013	31 December 2012	1 January 2012
	US$	US$	US$
Balances of imputation credit amounts	$211,057	$192,242	$144,319

The actual creditable ratio for 2012 and 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.

The assessment of income tax returns

As of 31 December 2013, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2007

Due to disagreements on premiums on bonds investment amortized to interest revenue, the Company has filed appeals for fiscal year of 2006 and 2007. The appeals have no material impact on the Company as the amounts in dispute did not exceed tax losses reported for the years.

41. Earnings per share

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

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

	For the year ended 31 December 2013 NT$	For the year ended 31 December 2013 US$
Profit attributable to ordinary equity holders of the Company	$15,454,693	$518,092
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)	$2.91	$0.10

	For the year ended 31 December 2012 NT$ (Adjusted)	For the year ended 31 December 2012 US$ (Adjusted)
Profit attributable to ordinary equity holders of the Company	$2,642,354	$90,959
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)	$0.50	$0.02

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

If foreign exchange volatility reserve was not applied, basic earnings per share would be NT$3.88 (US$0.13) and NT$0.46 (US$0.02) for the years ended 31 December 2013 and 2012, respectively. If gains from recovery of special reserve for revaluation increment of property was not included, basic earnings per share would be NT$1.03 (US$0.03) for the year ended 31 December 2013.

42. Separate account insurance products

(1) The Company

A. Separate account insurance products - assets and liabilities

Assets			Liabilities		
Item	31 December 2013		Item	31 December 2013	
	NT$	US$		NT$	US$
Cash in bank	$1,116,968	$37,444	Other payables	$1,553,917	$52,093
Financial assets at fair value through profit or loss	368,564,306	12,355,492	Reserve for separate account-Insurance contracts	330,034,752	11,063,853
Other receivables	6,208,781	208,139	Reserve for separate account-Investment contracts	44,301,386	1,485,129
Total	$375,890,055	$12,601,075	Total	$375,890,055	$12,601,075

Assets			Liabilities		
Item	31 December 2012		Item	31 December 2012	
	NT$	US$		NT$	US$
Cash in bank	$1,269,067	$43,686	Other payables	$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 receivables	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

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

Assets			Liabilities		
Item	1 January 2012		Item	1 January 2012	
	NT$	US$		NT$	US$
Cash in bank	$859,684	$28,401	Other payables	$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 receivables	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 December 2013		Item	1 January - 31 December 2013	
	NT$	US$		NT$	US$
Insurance claim payments	$11,749,642	$393,887	Premium income	$87,284,542	$2,926,066
Cash surrender value	44,446,881	1,490,006	Interest income	8,781	295
Dividends	299	10	Gains from financial assets and liabilities at fair value through profit or loss	7,170,244	240,370
Provision for separate account reserve	30,839,824	1,033,853	Losses on foreign exchange	(3,788,227)	(126,994)
Gains on surrender	(13)	-			
Administrative expenses	3,732,029	125,110			
Non-operating income and expenses	(93,322)	(3,129)			
Total	$90,675,340	$3,039,737	Total	$90,675,340	$3,039,737

Expenses			Revenue		
Item	1 January - 31 December 2012		Item	1 January - 31 December 2012	
	NT$	US$		NT$	US$
Insurance claim payments	$12,769,311	$439,563	Premium income	$78,313,136	$2,695,805
Cash surrender value	60,851,969	2,094,732	Interest income	9,738	335
Dividends	1,895	65	Gains from financial assets and liabilities at fair value through profit or loss	31,248,697	1,075,687
Provision for separate account reserve	26,650,527	917,402	Losses on foreign exchange	(5,577,116)	(191,983)
Administrative expenses	3,785,260	130,302	Non-operating income and expenses	64,507	2,220
Total	$104,058,962	$3,582,064	Total	$104,058,962	$3,582,064

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

C. The commission earned for the sales of separate account insurance products from counterparties for the years ended 31 December 2013 and 2012 were NT$1,391,630 (US$46,652) thousands and NT$1,132,834 (US$38,996) thousands, respectively.

(2) Cathay life (China)

A. Separate account insurance products - assets and liabilities

Assets			Liabilities		
Item	31 December 2013		Item	31 December 2013	
	NT$	US$		NT$	US$
Cash in bank	$7,990	$268	Other payables	$674	$22
Financial assets at fair value through profit or loss	354,666	11,889	Reserve for separate account	339,250	11,373
Interest receivable	25	1	Other	22,757	763
Total	$362,681	$12,158	Total	$362,681	$12,158

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

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

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

B. Separate account insurance products - revenue and expenses

Expenses			Revenue		
Item	1 January - 31 December 2013		Item	1 January - 31 December 2013	
	NT$	US$		NT$	US$
Cash surrender value	$77,647	$2,603	Premium income	$32,227	$1,080
Administrative expenses	4,581	154	Interest income	109	4
Tax expenses	280	9	Gains from financial assets and liabilities at fair value through profit or loss	11,787	395
Recovery of separate account reserve	(38,385)	(1,287)			
Total	$44,123	$1,479	Total	$44,123	$1,479

Expenses			Revenue		
Item	1 January - 31 December 2012		Item	1 January - 31 December 2012	
	NT$	US$		NT$	US$
Cash surrender value	$104,460	$3,596	Premium income	$42,628	$1,467
Administrative expenses	4,897	168	Interest income	492	17
Losses from financial assets and liabilities at fair value through profit or loss	11,201	386	Tax expenses	2,038	70
			Gains from financial assets and liabilities at fair value through profit or loss	32,348	1,114
			Recovery of separate account reserve	43,052	1,482
Total	$120,558	$4,150	Total	$120,558	$4,150

43. 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.

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.

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.

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.

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.

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.

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.

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.

(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.

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.

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

44. Information of insurance risk

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

A. The Company

	For the year ended 31 December 2013 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	1,987,332	1,649,485
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	2,702,501	2,243,076
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	343,952	285,480
Rate of return	+0.1%	Increase 3,290,658	Increase 2,731,246
Rate of return	-0.1%	Decrease 3,293,883	Decrease 2,733,923

	For the year ended 31 December 2013 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	66,622	55,296
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	90,597	75,195
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	11,530	9,570
Rate of return	+0.1%	Increase 110,314	Increase 91,560
Rate of return	-0.1%	Decrease 110,422	Decrease 91,650

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

	For the year ended 31 December 2012 NT$		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 2,037,788	Decrease (increase) 1,691,364
Expense	×1.05 (×0.95)	Decrease (increase) 2,642,541	Decrease (increase) 2,193,309
Surrender rates	×1.05 (×0.95)	Increase (decrease) 332,635	Increase (decrease) 276,087
Rate of return	+0.1%	Increase 2,945,451	Increase 2,444,724
Rate of return	-0.1%	Decrease 2,948,340	Decrease 2,447,122

	For the year ended 31 December 2012 US$		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 70,148	Decrease (increase) 58,223
Expense	×1.05 (×0.95)	Decrease (increase) 90,965	Decrease (increase) 75,501
Surrender rates	×1.05 (×0.95)	Increase (decrease) 11,450	Increase (decrease) 9,504
Rate of return	+0.1%	Increase 101,392	Increase 84,156
Rate of return	-0.1%	Decrease 101,492	Decrease 84,238

B. Cathay life (China)

	For the year ended 31 December 2013 NT$		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 82,912	Decrease (increase) 62,184
Expense	×1.05 (×0.95)	Decrease (increase) 74,639	Decrease (increase) 55,980
Surrender rates	×1.10 (×0.90)	Increase (decrease) 26,345	Increase (decrease) 19,759
Rate of return	+0.25%	Increase 318,944	Increase 239,208
Rate of return	-0.25%	Decrease 288,664	Decrease 216,498

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

	For the year ended 31 December 2013 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	2,779	2,085
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	2,502	1,877
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	883	662
Rate of return	+0.25%	Increase 10,692	Increase 8,019
Rate of return	-0.25%	Decrease 9,677	Decrease 7,258

	For the year ended 31 December 2012 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	33,798	25,348
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	32,500	24,375
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	17,374	13,030
Rate of return	+0.25%	Increase 112,403	Increase 84,302
Rate of return	-0.25%	Decrease 122,476	Decrease 91,857

	For the year ended 31 December 2012 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	1,163	873
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,119	839
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	598	449
Rate of return	+0.25%	Increase 3,869	Increase 2,902
Rate of return	-0.25%	Decrease 4,216	Decrease 3,162

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

C. Cathay Life (Vietnam)

	For the year ended 31 December 2013 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	207	155
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	9,523	7,142
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	647	486
Rate of return	+0.1%	Increase 2,300	Increase 1,725
Rate of return	-0.1%	Decrease 2,302	Decrease 1,727

	For the year ended 31 December 2013 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	7	5
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	319	239
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	22	16
Rate of return	+0.1%	Increase 77	Increase 58
Rate of return	-0.1%	Decrease 77	Decrease 58

	For the year ended 31 December 2012 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	243	182
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	12,285	9,214
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	2,199	1,649
Rate of return	+0.1%	Increase 1,438	Increase 1,079
Rate of return	-0.1%	Decrease 1,440	Decrease 1,080

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

	For the year ended 31 December 2012 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	8	6
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	423	317
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	76	57
Rate of return	+0.1%	Increase 50	Increase 37
Rate of return	-0.1%	Decrease 50	Decrease 37

a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the years ended 31 December 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.

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 x (net profits or losses on investment – finance costs) / (the beginning balance of usable capital + the ending balance of usable capital – net profits or losses on investment + 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.

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

(3) Claim development trend

A. The Company

a. Direct business development trend

Accident year	Development year NT$							Expected future payment
	1	2	3	4	5	6	7	
2007Q1~2007Q4	12,452,527	14,654,222	14,777,445	14,836,106	14,885,981	14,940,094	14,948,612	-
2008Q1~2008Q4	13,213,167	15,502,203	15,690,933	15,752,002	15,809,213	15,839,773	15,848,695	8,922
2009Q1~2009Q4	14,440,987	17,222,987	17,462,074	17,540,479	17,599,063	17,647,658	17,657,638	58,575
2010Q1~2010Q4	14,132,667	17,063,839	17,346,231	17,430,285	17,489,544	17,534,983	17,544,836	114,551
2011Q1~2011Q4	14,898,732	18,205,420	18,544,232	18,623,797	18,687,105	18,738,210	18,748,770	204,538
2012Q1~2012Q4	14,630,779	17,675,242	17,912,361	17,982,878	18,037,036	18,080,758	18,090,733	415,491
2013Q1~2013Q4	13,886,331	16,557,476	16,775,654	16,836,627	16,880,398	16,923,382	16,932,523	3,046,192

Expected future payment	$3,848,269
Less: Expected reported but not paid claim	137,736
Add: Assumed reserve for incurred but not reported claim	44,961
Reserve for unreported claim	3,755,494
Add: Reported but not paid claim	414,294
Claims reserve balance	$4,169,788

Accident year	Development year US$							Expected future payment
	1	2	3	4	5	6	7	
2007Q1~2007Q4	417,450	491,258	495,389	497,355	499,027	500,841	501,127	-
2008Q1~2008Q4	442,949	519,685	526,012	528,059	529,977	531,001	531,300	299
2009Q1~2009Q4	484,110	577,371	585,386	588,015	589,978	591,608	591,942	1,964
2010Q1~2010Q4	473,774	572,036	581,503	584,321	586,307	587,830	588,161	3,840
2011Q1~2011Q4	499,455	610,306	621,664	624,331	626,453	628,167	628,521	6,857
2012Q1~2012Q4	490,472	592,532	600,481	602,845	604,661	606,127	606,461	13,929
2013Q1~2013Q4	465,516	555,061	562,375	564,419	565,887	567,328	567,634	102,118

Expected future payment	$129,007
Less: Expected reported but not paid claim	4,618
Add: Assumed reserve for incurred but not reported claim	1,507
Reserve for unreported claim	125,896
Add: Reported but not paid claim	13,889
Claims reserve balance	$139,785

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

b. Retained business development trend

Accident year	Development year NT$ 1	2	3	4	5	6	7	Expected future payment
2007Q1~2007Q4	12,511,875	14,746,056	14,880,374	14,941,312	14,990,347	15,052,573	15,063,896	-
2008Q1~2008Q4	13,301,115	15,620,140	15,813,154	15,873,328	15,938,820	15,972,749	15,981,772	9,023
2009Q1~2009Q4	13,555,642	15,901,693	16,095,594	16,169,716	16,221,698	16,271,117	16,281,211	59,513
2010Q1~2010Q4	12,303,727	14,591,585	14,804,437	14,873,976	14,934,056	14,980,211	14,990,164	116,188
2011Q1~2011Q4	12,997,884	15,670,499	15,918,577	15,999,085	16,063,260	16,115,121	16,125,785	207,208
2012Q1~2012Q4	12,822,686	15,264,178	15,504,705	15,576,161	15,631,184	15,675,661	15,685,741	421,563
2013Q1~2013Q4	12,938,427	15,637,365	15,858,770	15,920,633	15,965,224	16,008,922	16,018,162	3,079,735

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

Expected future payment	$3,893,230
Less: Expected reported but not paid claim	137,736
Add: Reported but not paid claim	414,294
Retained claims reserve balance	$4,169,788

Accident year	Development year US$ 1	2	3	4	5	6	7	Expected future payment
2007Q1~2007Q4	419,439	494,336	498,839	500,882	502,526	504,612	504,991	-
2008Q1~2008Q4	445,897	523,639	530,109	532,126	534,322	535,459	535,762	303
2009Q1~2009Q4	454,430	533,077	539,577	542,062	543,805	545,462	545,800	1,995
2010Q1~2010Q4	412,462	489,158	496,294	498,625	500,639	502,186	502,520	3,895
2011Q1~2011Q4	435,732	525,327	533,643	536,342	538,493	540,232	540,589	6,946
2012Q1~2012Q4	429,859	511,706	519,769	522,164	524,009	525,500	525,838	14,132
2013Q1~2013Q4	433,739	524,216	531,638	533,712	535,207	536,672	536,982	103,243

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

Expected future payment	$130,514
Less: Expected reported but not paid claim	4,618
Add: Reported but not paid claim	13,889
Retained claims reserve balance	$139,785

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

B. Cathay life (China)

a. Direct business development trend

Accident year	Development year NT$							Expected future payment
	1	2	3	4	5	6	7	
2007Q1~2007Q4	28	54	56	56	56	56	56	-
2008Q1~2008Q4	829	3,332	3,345	3,345	3,345	3,345	3,345	-
2009Q1~2009Q4	9,519	18,333	19,144	19,144	19,144	19,144	19,144	-
2010Q1~2010Q4	52,481	118,588	124,812	124,812	124,812	124,812	124,812	-
2011Q1~2011Q4	98,654	197,435	210,072	210,072	210,072	210,072	210,072	-
2012Q1~2012Q4	132,788	365,511	384,903	384,903	384,903	384,903	384,903	19,392
2013Q1~2013Q4	150,954	497,073	524,048	524,048	524,048	524,048	524,048	373,094

Expected future payment	$392,486
Less: Expected reported but not paid claim	32,757
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	359,729
Add: Reported but not paid claim	110,666
Claims reserve balance	$470,395

Accident year	Development year US$							Expected future payment
	1	2	3	4	5	6	7	
2007Q1~2007Q4	1	2	2	2	2	2	2	-
2008Q1~2008Q4	28	112	112	112	112	112	112	-
2009Q1~2009Q4	319	615	642	642	642	642	642	-
2010Q1~2010Q4	1,759	3,975	4,184	4,184	4,184	4,184	4,184	-
2011Q1~2011Q4	3,307	6,619	7,042	7,042	7,042	7,042	7,042	-
2012Q1~2012Q4	4,451	12,253	12,903	12,903	12,903	12,903	12,903	650
2013Q1~2013Q4	5,060	16,664	17,568	17,568	17,568	17,568	17,568	12,508

Expected future payment	$13,158
Less: Expected reported but not paid claim	1,098
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	12,060
Add: Reported but not paid claim	3,709
Claims reserve balance	$15,769

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

b. Retained business development trend

	Development year NT$							Expected future
Accident year	1	2	3	4	5	6	7	payment
2007Q1~2007Q4	28	54	56	56	56	56	56	-
2008Q1~2008Q4	829	3,332	3,345	3,345	3,345	3,345	3,345	-
2009Q1~2009Q4	9,519	18,333	19,144	19,144	19,144	19,144	19,144	-
2010Q1~2010Q4	52,481	118,588	124,812	124,812	124,812	124,812	124,812	-
2011Q1~2011Q4	98,654	197,296	209,931	209,931	209,931	209,931	209,931	-
2012Q1~2012Q4	122,483	371,529	382,914	382,914	382,914	382,914	382,914	11,385
2013Q1~2013Q4	141,506	490,536	505,732	505,732	505,732	505,732	505,732	364,226

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

Expected future payment	$375,611
Less: Expected reported but not paid claim	32,757
Add: Reported but not paid claim	110,666
Retained claims reserve balance	$453,520

	Development year US$							Expected future
Accident year	1	2	3	4	5	6	7	payment
2007Q1~2007Q4	1	2	2	2	2	2	2	-
2008Q1~2008Q4	28	112	112	112	112	112	112	-
2009Q1~2009Q4	319	615	642	642	642	642	642	-
2010Q1~2010Q4	1,759	3,975	4,184	4,184	4,184	4,184	4,184	-
2011Q1~2011Q4	3,307	6,614	7,038	7,038	7,038	7,038	7,038	-
2012Q1~2012Q4	4,106	12,455	12,837	12,837	12,837	12,837	12,837	382
2013Q1~2013Q4	4,744	16,444	16,954	16,954	16,954	16,954	16,954	12,210

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

Expected future payment	$12,592
Less: Expected reported but not paid claim	1,098
Add: Reported but not paid claim	3,709
Retained claims reserve balance	$15,203

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

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)

	Development year NT$				
Accident year	1	2	3	4	5
2009Q1~2009Q4	10	16	16	16	16
2010Q1~2010Q4	260	283	283	283	283
2011Q1~2011Q4	329	564	564	564	564
2012Q1~2012Q4	1,121	1,385	1,385	1,385	1,385
2013Q1~2013Q4	535	699	699	699	699

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

	Development year US $				
Accident year	1	2	3	4	5
2009Q1~2009Q4	-	1	1	1	1
2010Q1~2010Q4	9	9	9	9	9
2011Q1~2011Q4	11	19	19	19	19
2012Q1~2012Q4	38	46	46	46	46
2013Q1~2013Q4	18	23	23	23	23

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.

45. 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.

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

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 December 2013			Unit: Billion
NT$	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments with discretionary participation features	(63.9)	151.9	10,591.0

31 December 2013			Unit: Billion
US$	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments with discretionary participation features	(2.14)	5.09	355.05

Note: Separate account products are not included.

(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 contacts 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.

46. 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.

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

B. Concentration risk

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

31 December 2013
NT$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$134,624,532	$4,943,631	$-	$23,319,137	$117,149,519	$280,036,819
Financial assets at fair value through profit or loss	16,908,980	410,534	1,501,611	1,506,966	-	20,328,091
Available-for-sale financial assets	440,630,404	16,945,885	68,005,787	171,005,291	30,862,036	727,449,403
Derivative financial assets for hedging	158,096	-	233,862	61,755	-	453,713
Bond investments for which no active market exists	42,484,287	65,885,399	245,015,385	407,120,305	259,636,340	1,020,141,716
Other financial assets	37,400,000	-	3,500,000	-	-	40,900,000
Total	$672,206,299	$88,185,449	$318,256,645	$603,013,454	$407,647,895	$2,089,309,742
Proportion	32.2%	4.2%	15.2%	28.9%	19.5%	100.0%

31 December 2013
US$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$4,513,059	$165,727	$-	$781,734	$3,927,238	$9,387,758
Financial assets at fair value through profit or loss	566,845	13,762	50,339	50,519	-	681,465
Available-for-sale financial assets	14,771,385	568,082	2,279,778	5,732,661	1,034,598	24,386,504
Derivative financial assets for hedging	5,300	-	7,840	2,070	-	15,210
Bond investments for which no active market exists	1,424,213	2,208,696	8,213,724	13,648,016	8,703,866	34,198,515
Other financial assets	1,253,771	-	117,332	-	-	1,371,103
Total	$22,534,573	$2,956,267	$10,669,013	$20,215,000	$13,665,702	$70,040,555
Proportion	32.2%	4.2%	15.2%	28.9%	19.5%	100.0%

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

31 December 2012

NT$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$258,608,542	$584,173	$-	$58,326,827	$45,054,311	$362,573,853
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	$805,566,169	$64,609,931	$307,264,884	$572,563,089	$317,744,620	$2,067,748,693
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	$8,902,188	$20,109	$-	$2,007,808	$1,550,923	$12,481,028
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	$27,730,333	$2,224,094	$10,577,104	$19,709,573	$10,937,853	$71,178,957
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

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

1 January 2012

NT$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$249,558,854	$2,272,850	$-	$77,704,927	$42,321,940	$371,858,571
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	$719,749,615	$51,045,606	$309,311,898	$576,387,520	$223,496,000	$1,879,990,639
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	$8,244,428	$75,086	$-	$2,567,061	$1,398,148	$12,284,723
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	10,543,842	1,969,031	31,808,344
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	$23,777,655	$1,686,343	$10,218,431	$19,041,543	$7,383,416	$62,107,388
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

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

C. Credit Quality

Classification of credit quality for financial assets of the Company:

31 December 2013
NT$

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$280,036,819	$-	$-	$-	$-	$280,036,819
Financial assets at fair value through profit or loss	18,737,079	1,591,012	-	-	-	20,328,091
Available-for-sale financial assets	720,271,652	7,146,940	-	765,811	(735,000)	727,449,403
Derivative financial assets for hedging	453,713	-	-	-	-	453,713
Bond investments for which no active market exists	1,018,771,685	1,370,031	-	389,350	(389,350)	1,020,141,716
Other financial assets	40,900,000	-	-	-	-	40,900,000
Total	$2,079,170,948	$10,107,983	$-	$1,155,161	$(1,124,350)	$2,089,309,742
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

31 December 2013
US$

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$9,387,758	$-	$-	$-	$-	$9,387,758
Financial assets at fair value through profit or loss	628,129	53,336	-	-	-	681,465
Available-for-sale financial assets	24,145,882	239,589	-	25,673	(24,640)	24,386,504
Derivative financial assets for hedging	15,210	-	-	-	-	15,210
Bond investments for which no active market exists	34,152,587	45,928	-	13,052	(13,052)	34,198,515
Other financial assets	1,371,103	-	-	-	-	1,371,103
Total	$69,700,669	$338,853	$-	$38,725	$(37,692)	$70,040,555
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

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

31 December 2012
NT$

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$362,571,784	$2,069	$-	$-	$-	$362,573,853
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	$2,050,269,377	$17,373,788	$-	$1,219,296	$(1,113,768)	$2,067,748,693
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

31 December 2012
US$

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$12,480,957	$71	$-	$-	$-	$12,481,028
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	$70,577,260	$598,064	$-	$41,972	$(38,339)	$71,178,957
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

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

1 January 2012
NT$

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$371,856,505	$2,066	$-	$-	$-	$371,858,571
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	$1,858,140,449	$21,710,162	$-	$1,268,798	$(1,128,770)	$1,879,990,639
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

1 January 2012
US$

Financial assets	Normal assets: Investment grade	Normal assets: Non-investment grade and unrated	Past due but not impaired	Impaired	Provision for impairment	Total
Cash and cash equivalents	$12,284,654	$69	$-	$-	$-	$12,284,723
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	(24,282)	31,808,344
Derivative financial assets for hedging	64,679	-	-	-	-	64,679
Bond investments for which no active market exists	16,515,072	392,899	-	13,008	(13,008)	16,907,971
Other financial assets	439,379	-	-	-	-	439,379
Total	$61,385,545	$717,218	$-	$41,915	$(37,290)	$62,107,388
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

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

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 December 2013 NT$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$318,886,288	$53,103,848	$88,704,401	$460,694,537
Overdue receivables	35,422	402,651	28,555	466,628
Total	$318,921,710	$53,506,499	$88,732,956	$461,161,165
Proportion	69%	12%	19%	100%

31 December 2013 US$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$10,690,121	$1,780,216	$2,973,664	$15,444,001
Overdue receivables	1,187	13,498	957	15,642
Total	$10,691,308	$1,793,714	$2,974,621	$15,459,643
Proportion	69%	12%	19%	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%

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

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%

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%

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 December 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	$213,530,264	$148,542,793	$41,575,836	$123,468	$4,465,378	$408,237,739	$2,084,777	$406,152,962
Corporate finance	41,397,033	3,346,512	2,264,486	-	5,915,395	52,923,426	1,753,713	51,169,713
Total	$254,927,297	$151,889,305	$43,840,322	$123,468	$10,380,773	$461,161,165	$3,838,490	$457,322,675

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

31 December 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	$7,158,239	$4,979,644	$1,393,759	$4,139	$149,694	$13,685,475	$69,888	$13,615,587
Corporate finance	1,387,765	112,186	75,913	-	198,304	1,774,168	58,790	1,715,378
Total	$8,546,004	$5,091,830	$1,469,672	$4,139	$347,998	$15,459,643	$128,678	$15,330,965

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

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

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

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 December 2013	$109,251	$14,217	$123,468
31 December 2012	157,700	26,242	183,942
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 December 2013	$3,662	$477	$4,139
31 December 2012	5,429	903	6,332
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.

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

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 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.

	Less than six months		Due in 6~12 months		Due in 1~2 years	
31 December 2013	NT$	US$	NT$	US$	NT$	US$
Payables	$15,566,483	$521,840	$3,458,995	$115,957	$198	$6
Preferred stock liability	-	-	-	-	908,000	30,439

	Due in 2~5 years		Over 5 years		Total	
31 December 2013	NT$	US$	NT$	US$	NT$	US$
Payables	$-	$-	$-	$-	$19,025,676	$637,803
Preferred stock liability	31,441,259	1,054,015	-	-	32,349,259	1,084,454

	Less than six months		Due in 6~12 months		Due in 1~2 years	
31 December 2012	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$297,268	$10,233	$-	$-	$-	$-
Payables	35,522,453	1,222,804	-	-	2,551,202	87,821
Preferred stock liability	-	-	-	-	908,000	31,257

	Due in 2~5 years		Over 5 years		Total	
31 December 2012	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$-	$-	$-	$-	$297,268	$10,233
Payables	-	-	-	-	38,073,655	1,310,625
Preferred stock liability	27,176,254	935,499	5,173,005	178,072	33,257,259	1,144,828

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

	Less than six months		Due in 6~12 months		Due in 1~2 years	
1 January 2012	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$201,158	$6,646	$-	$-	$-	$-
Payables	20,967,886	692,696	-	-	1,643,365	54,290
Preferred stock liability	-	-	-	-	908,000	29,997

	Due in 2~5 years		Over 5 years		Total	
1 January 2012	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$-	$-	$-	$-	$201,158	$6,646
Payables	-	-	-	-	22,611,251	746,986
Preferred stock liability	27,713,931	915,558	5,543,328	183,129	34,165,259	1,128,684

D. Maturity analysis of derivative financial liability:

	Less than six months		Due in 6~12 months		Due in 1~2 years	
31 December 2013	NT$	US$	NT$	US$	NT$	US$
IRS	$21,501	$721	$9,505	$318	$(10,901)	$(365)
Forward	5,002,896	167,714	78,514	2,632	-	-
CS	10,599,472	355,329	1,026,096	34,398	853,795	28,622

	Due in 2~5 years		Over 5 years		Total	
31 December 2013	NT$	US$	NT$	US$	NT$	US$
IRS	$34,514	$1,157	$-	$-	$54,619	$1,831
Forward	-	-	-	-	5,081,410	170,346
CS	-	-	-	-	12,479,363	418,349

	Less than six months		Due in 6~12 months		Due in 1~2 years	
31 December 2012	NT$	US$	NT$	US$	NT$	US$
IRS	$29,350	$1,010	$24,891	$857	$42,985	$1,480
Forward	1,844,950	63,509	-	-	-	-
CS	4,047,504	139,329	2,333,184	80,316	370,735	12,762

	Due in 2~5 years		Over 5 years		Total	
31 December 2012	NT$	US$	NT$	US$	NT$	US$
IRS	$9,010	$310	$-	$-	$106,236	$3,657
Forward	-	-	-	-	1,844,950	63,509
CS	-	-	-	-	6,751,423	232,407

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

	Less than six months		Due in 6~12 months		Due in 1~2 years	
1 January 2012	NT$	US$	NT$	US$	NT$	US$
IRS	$62,826	$2,076	$62,017	$2,049	$111,846	$3,695
Forward	1,285,060	42,453	234,750	7,755	-	-
CS	16,388,288	541,404	(8,290)	(274)	-	-

	Due in 2~5 years		Over 5 years		Total	
1 January 2012	NT$	US$	NT$	US$	NT$	US$
IRS	$125,998	$4,162	$-	$-	$362,687	$11,982
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 measures 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.

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

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:

(A) Sensitivity Analysis

Sensitivity Analysis 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.

For the year ended 31 December 2013
Table of Stress Testing

Risk Factors	Changes (+/-)	Gain(loss) NT$	Gain(loss) US$
Equity risk (Stock index)	-10%	$(47,016,346)	$(1,576,143)
Interest rate risk (Yield curve)	+20bps	(9,234,642)	(309,576)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(23,904,845)	(801,369)
Commodity risk (Price)	-10%	-	-

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

For the year ended 31 December 2012
Table of Stress Testing

Risk Factors	Changes (+/-)	Gain(loss) NT$	Gain(loss) US$
Equity risk (Stock index)	-10%	$(31,974,015)	$(1,100,655)
Interest rate risk (Yield curve)	+20bps	(10,722,521)	(369,106)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(22,551,965)	(776,315)
Commodity risk (Price)	-10%	-	-

Note: Impacts of credit charges are not included.

c. Sensitivity Analysis

For the year ended 31 December 2013
Summarization of Sensitivity Analysis
NT$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	$4,884,171	$2,310,059
	CNY appreciates 1%	1,979,293	115,983
	HKD appreciates 1%	8,545	421,556
	EUR appreciates 1%	296,561	147,289
	GBP appreciates 1%	226,751	30,291
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(165,981)
	Yield curve (AUD) shifts up 1 bp	-	(727)
	Yield curve (EUR) shifts up 1 bp	-	(2,368)
	Yield curve (NTD) shifts up 1 bp	(256)	(288,750)
Equity price risk	Equity price increases 1%	163,132	4,538,502

For the year ended 31 December 2013
Summarization of Sensitivity Analysis
US$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	$163,734	$77,441
	CNY appreciates 1%	66,352	3,888
	HKD appreciates 1%	286	14,132
	EUR appreciates 1%	9,942	4,938
	GBP appreciates 1%	7,601	1,015
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(5,564)
	Yield curve (AUD) shifts up 1 bp	-	(24)
	Yield curve (EUR) shifts up 1 bp	-	(79)
	Yield curve (NTD) shifts up 1 bp	(9)	(9,680)
Equity price risk	Equity price increases 1%	5,469	152,146

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

For the year ended 31 December 2012
Summarization of Sensitivity Analysis
NT$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	$5,096,913	$1,517,342
	CNY appreciates 1%	946,048	51,090
	HKD appreciates 1%	30,081	285,206
	EUR appreciates 1%	281,205	27,991
	GBP appreciates 1%	248,267	54,702
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(260,374)
	Yield curve (AUD) shifts up 1 bp	-	(2,885)
	Yield curve (EUR) shifts up 1 bp	-	(1,568)
	Yield curve (NTD) shifts up 1 bp	(401)	(268,164)
Equity price risk	Equity price increases 1%	114,551	3,082,851

For the year ended 31 December 2012
Summarization of Sensitivity Analysis
US$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	$175,453	$52,232
	CNY appreciates 1%	32,566	1,759
	HKD appreciates 1%	1,035	9,818
	EUR appreciates 1%	9,680	964
	GBP appreciates 1%	8,546	1,883
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(8,963)
	Yield curve (AUD) shifts up 1 bp	-	(99)
	Yield curve (EUR) shifts up 1 bp	-	(54)
	Yield curve (NTD) shifts up 1 bp	(14)	(9,231)
Equity price risk	Equity price increases 1%	3,943	106,122

Note 1: Impacts of credit charges are not included.

Note 2: Impacts of change in income are not included in the calculation of change in equity.

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

47. Information of financial instruments

(1) Categories of financial instruments

Financial assets

Item (NT$)	2013.12.31	2012.12.31	2012.1.1
Financial assets at fair value through profit or loss			
Held for trading	$73,892,698	$72,964,811	$60,150,749
Available-for-sale financial assets	1,277,352,123	1,227,321,172	1,292,029,178
Derivative financial assets for hedging	453,713	1,142,094	1,957,846
Held-to-maturity financial assets	1,619,138	-	-
Loans and receivables:			
Cash and cash equivalents (Note)	281,874,153	365,919,542	373,857,545
Receivables	47,633,306	57,726,314	43,842,919
Bond investments for which no active market exists	1,023,349,976	816,904,617	515,028,639
Other financial assets	40,900,000	23,500,010	13,300,000
Loans	635,863,840	518,210,946	491,420,622
Guarantee deposits paid	16,714,926	14,376,119	15,695,921
Subtotal	2,046,336,201	1,796,637,548	1,453,145,646
Total	$3,399,653,873	$3,098,065,625	$2,807,283,419

Item (US$)	2013.12.31	2012.12.31	2012.1.1
Financial assets at fair value through profit or loss			
Held for trading	$2,477,127	$2,511,697	$1,987,141
Available-for-sale financial assets	42,821,057	42,248,577	42,683,488
Derivative financial assets for hedging	15,210	39,315	64,679
Held-to-maturity financial assets	54,279	-	-
Loans and receivables:			
Cash and cash equivalents (Note)	9,449,351	12,596,197	12,350,761
Receivables	1,596,825	1,987,137	1,448,395
Bond investments for which no active market exists	34,306,067	28,120,641	17,014,491
Other financial assets	1,371,103	808,950	439,379
Loans	21,316,253	17,838,587	16,234,577
Guarantee deposits paid	560,340	494,875	518,531
Subtotal	68,599,939	61,846,387	48,006,134
Total	$113,967,612	$106,645,976	$92,741,442

Note: Exclude cash on hand and revolving funds.

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

Financial liabilities

Item (NT$)	2013.12.31	2012.12.31	2012.1.1
Financial liabilities at fair value through profit or loss			
Held for trading	$16,148,024	$2,079,457	$17,468,901
Derivative financial liabilities for hedging	5,148	-	-
Financial liabilities at amortized cost:			
Short-term debts	-	297,268	201,158
Payables	19,025,676	38,073,655	22,611,251
Preferred stock liability	30,000,000	30,000,000	30,000,000
Guarantee deposits received	2,211,239	2,077,752	1,960,914
Subtotal	51,236,915	70,448,675	54,773,323
Total	$67,390,087	$72,528,132	$72,242,224

Item (US$)	2013.12.31	2012.12.31	2012.1.1
Financial liabilities at fair value through profit or loss			
Held for trading	$541,335	$71,582	$577,103
Derivative financial liabilities for hedging	173	-	-
Financial liabilities at amortized cost:			
Short-term debts	-	10,233	6,646
Payables	637,803	1,310,625	746,986
Preferred stock liability	1,005,699	1,032,702	991,080
Guarantee deposits received	74,128	71,524	64,781
Subtotal	1,717,630	2,425,084	1,809,493
Total	$2,259,138	$2,496,666	$2,386,596

(2) Fail value of financial instruments

A. The methods and assumptions used to estimate the fair value 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, short-term debts 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, held-to-maturity financial assets 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.

d. Loans are interest-bearing financial assets. The fair value of loans is their carrying amount after deducting the allowance for bad debts.

B. Fair value of financial instruments measured at amortized cost

Other than those listed in the table below, the carrying amount of the Company and Subsidiaries' financial instruments measured at amortized cost approximates their fair value:

	Carrying amount (NT$)		
	2013.12.31	2012.12.31	2012.1.1
Financial assets			
Bond investment for which no active market exists	$1,023,349,976	$816,904,617	$515,028,639
Held-to-maturity financial assets	1,619,138	-	-

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

	Carrying amount (US$)		
	2013.12.31	2012.12.31	2012.1.1
Financial assets			
Bond investment for which no active market exists	$34,306,067	$28,120,641	$17,014,491
Held-to-maturity financial assets	54,279	-	-

	Fair value (NT$)		
	2013.12.31	2012.12.31	2012.1.1
Financial assets			
Bond investment for which no active market exists	$994,573,305	$867,272,570	$515,895,424
Held-to-maturity financial assets	1,534,584	-	-

	Fair value (US$)		
	2013.12.31	2012.12.31	2012.1.1
Financial assets			
Bond investment for which no active market exists	$33,341,378	$29,854,477	$17,043,126
Held-to-maturity financial assets	51,444	-	-

C. 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.

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

a. Fair value hierarchy

Item	31 December 2013 NT$ Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks	$11,532,825	$11,532,825	$-	$-
Bonds	4,588,322	3,060,336	1,527,986	-
Other	54,395,947	41,961,147	12,434,800	-
Available-for-sale financial assets				
Stocks	416,988,367	409,771,081	7,217,286	-
Bonds	726,838,169	6,430,109	720,408,060	-
Other	133,525,587	97,303,043	23,119,841	13,102,703
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	3,375,604	-	3,375,604	-
Derivative financial assets for hedging	453,713	-	453,713	-
Liabilities				
Financial liabilities at fair value through profit or loss	16,148,024	-	16,148,024	-
Derivative financial liabilities for hedging	5,148	-	5,148	-

Item	31 December 2013 US$ Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks	$386,618	$386,618	$-	$-
Bonds	153,816	102,593	51,223	-
Other	1,823,532	1,406,676	416,856	-
Available-for-sale financial assets				
Stocks	13,978,826	13,736,879	241,947	-
Bonds	24,366,013	215,558	24,150,455	-
Other	4,476,218	3,261,919	775,053	439,246
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	113,161	-	113,161	-
Derivative financial assets for hedging	15,210	-	15,210	-
Liabilities				
Financial liabilities at fair value through profit or loss	541,335	-	541,335	-
Derivative financial liabilities for hedging	173	-	173	-

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

	31 December 2012 NT$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
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	-

	31 December 2012 US$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
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	-

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

	1 January 2012 NT$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
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	62,320,251	20,427,218	5,216,315
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	-

	1 January 2012 US$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
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	8,085,762	7,846,834	238,928	-
Bonds	31,691,754	481,782	31,209,972	-
Other	2,905,972	2,058,812	674,834	172,326
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	-

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

b. Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

(A) Financial assets

For the year ended 31 December 2013, NT$

Item	Beginning balance	Total gains and losses recognized: Amount recognized in profit or loss	Total gains and losses recognized: Amount recognized in OCI	Increase: Acquisition or issues	Increase: Transfer into Level 3	Decrease: Disposal or settlements	Decrease: Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$7,640,615	$419,851	$680,788	$7,729,295	$-	$(3,367,846)	$-	$13,102,703

For the year ended 31 December 2013, US$

Item	Beginning balance	Total gains and losses recognized: Amount recognized in profit or loss	Total gains and losses recognized: Amount recognized in OCI	Increase: Acquisition or issues	Increase: Transfer into Level 3	Decrease: Disposal or settlements	Decrease: Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$256,139	$14,075	$22,822	$259,111	$-	$(112,901)	$-	$439,246

For the year ended 31 December 2012, NT$

Item	Beginning balance	Total gains and losses recognized: Amount recognized in profit or loss	Total gains and losses recognized: Amount recognized in OCI	Increase: Acquisition or issues	Increase: Transfer into Level 3	Decrease: Disposal or settlements	Decrease: Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$5,216,315	$607,352	$(488,878)	$5,400,786	$-	$(3,094,960)	$-	$7,640,615

For the year ended 31 December 2012, US$

Item	Beginning balance	Total gains and losses recognized: Amount recognized in profit or loss	Total gains and losses recognized: Amount recognized in OCI	Increase: Acquisition or issues	Increase: Transfer into Level 3	Decrease: Disposal or settlements	Decrease: Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$179,563	$20,907	$(16,829)	$185,914	$-	$(106,539)	$-	$263,016

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

(B) Transfers between Level 1 and Level 2

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

(3) 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 December 2013, 31 December 2012 and 1 January 2012:

31 December 2013

Hedged item	Hedging instrument	Fair Value NT$	Fair Value US$	Expected period of cash flow	Expected period of profit and loss recognized in the statement of comprehensive income
Floating rate bonds	IRS	$448,565	$15,037	23 January 2014 ~ 23 September 2020	23 January 2014 ~ 23 September 2020

31 December 2012

Hedged item	Hedging instrument	Fair Value NT$	Fair Value US$	Expected period of cash flow	Expected period of profit and loss recognized in the statement of comprehensive income
Floating rate bonds	IRS	$1,142,094	$39,315	23 January 2013 ~ 23 September 2020	23 January 2013 ~ 23 September 2020

1 January 2012

Hedged item	Hedging instrument	Fair Value NT$	Fair Value US$	Expected period of cash flow	Expected period of profit and loss recognized in the statement of comprehensive income
Floating rate bonds	IRS	$1,957,846	$64,679	11 January 2012 ~ 23 September 2020	11 January 2012 ~ 23 September 2020

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

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

The Company's interest rate swap agreements are considered to be highly effective cash flow hedges. Amount of effective hedging instrument in cash flow hedges is as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
	NT$	NT$
Amount recognized in other comprehensive income	$(693,322)	$(821,690)
Amount reclassified from equity to profit or loss	208	(5,938)

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$	US$
Amount recognized in other comprehensive income	$(23,242)	$(28,285)
Amount reclassified from equity to profit or loss	7	(204)

Fair value hedges

The following table summarizes the terms of the Company's futures for bonds used as hedging instruments as of 31 December 2013:

Par value (USD)	Hedged item	Maturity date
$880,650	Bond investments for which no active market exists	14 February 2034 ~ 11 September 2042

The Company's futures agreements are considered to be highly effective fair value hedges. For the year ended 31 December 2013, the profit of hedging instrument is NT$541,887 (US$18,166), and unrealized losses attributed to hedging bonds is NT$729,446 (US$24,453). Both of them are recognized as financial costs in the statement of comprehensive income.

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

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

	31 December 2013		
	Foreign Currency	Exchange Rate	NTD
Financial Assets			
Monetary Items			
USD	38,590,232	29.950000	1,155,777,439
AUD	1,035,163	26.710908	27,650,131
EUR	728,989	41.287573	30,098,202
GBP	466,217	49.502858	23,079,082
CNH	38,940,825	4.943631	192,509,070
Non-Monetary Items			
USD	4,346,951	29.950000	130,191,169
HKD	10,913,660	3.862647	42,155,618
Investments accounted for using the equity method			
CNY	70,770	4.947200	350,111
USD	3,832	29.950000	114,759

	31 December 2012		
	Foreign Currency	Exchange Rate	NTD
Financial Assets			
Monetary Items			
USD	36,845,654	29.136000	1,073,534,986
AUD	(Note)	(Note)	(Note)
EUR	717,803	38.609570	27,714,068
GBP	526,696	46.975973	24,742,075
CNH	19,422,188	4.679730	90,890,601
Non-Monetary Items			
USD	3,188,552	29.136000	93,069,180
HKD	7,588,075	3.758611	28,520,621
Investments accounted for using the equity method			
CNY	64,246	4.674100	300,290
USD	3,493	29.136000	101,761

Note: The amount did not have significant influence.

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

	1 January 2012		
	Foreign Currency	Exchange Rate	NTD
Financial Assets			
Monetary Items			
USD	33,563,805	30.290000	1,016,647,662
AUD	1,549,838	30.751923	47,660,512
EUR	515,132	39.199804	20,193,085
GBP	332,656	46.751101	15,552,022
CNH	2,765,935	4.774590	13,206,205
Non-Monetary Items			
USD	2,407,923	30.290000	72,972,587
HKD	8,310,042	3.898503	32,396,719
Investments accounted for using the equity method			
CNY	130,716	4.812500	629,070
USD	4,184	30.290000	126,731

49. 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:

	31 December 2013 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$282,058,256	$-	$282,058,256
Receivables	47,537,953	95,353	47,633,306
Financial assets at fair value through profit or loss	491,344	73,401,354	73,892,698
Available-for-sale financial assets	133,152,547	1,144,199,576	1,277,352,123
Derivative financial assets for hedging	290,340	163,373	453,713
Investments accounted for using the equity method - Net	-	1,432,832	1,432,832
Bond investments for which no active market exists	30,157,574	993,192,402	1,023,349,976
Held-to-maturity financial assets	-	1,619,138	1,619,138
Other financial assets - Net	-	40,900,000	40,900,000
Investment property	-	212,362,358	212,362,358
Investment property under construction	-	15,570,122	15,570,122
Prepayments for buildings and land - Investments	-	5,173,152	5,173,152
Loans	36,278	635,827,562	635,863,840
Reinsurance assets	-	683,457	683,457
Property and equipment	-	36,669,572	36,669,572
Intangible assets	-	184,090	184,090
Deferred tax assets	-	12,221,216	12,221,216
Other assets	479,858	17,979,865	18,459,723
Separate account product assets	7,333,764	368,918,972	376,252,736
Total assets			$4,062,132,308

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

	31 December 2013 NT$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Payables	$19,025,478	$198	$19,025,676
Financial liabilities at fair value through profit or loss	25,366	16,122,658	16,148,024
Derivative financial liabilities for hedging	-	5,148	5,148
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	3,380,579,907	3,380,579,907
Reserve for insurance contracts with feature of financial instruments	-	57,596,449	57,596,449
Foreign exchange volatility reserve	-	10,482,181	10,482,181
Provisions	-	3,919,223	3,919,223
Deferred tax liabilities	-	12,186,951	12,186,951
Other liabilities	4,884	8,627,553	8,632,437
Separate account product liabilities	1,554,591	374,698,145	376,252,736
Total liabilities			$3,914,828,732

	31 December 2013 US$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$9,455,523	$-	$9,455,523
Receivables	1,593,629	3,196	1,596,825
Financial assets at fair value through profit or loss	16,471	2,460,656	2,477,127
Available-for-sale financial assets	4,463,713	38,357,344	42,821,057
Derivative financial assets for hedging	9,733	5,477	15,210
Investments accounted for using the equity method - Net	-	48,033	48,033
Bond investments for which no active market exists	1,010,981	33,295,086	34,306,067
Held-to-maturity financial assets	-	54,279	54,279
Other financial assets - Net	-	1,371,103	1,371,103
Investment property	-	7,119,087	7,119,087
Investment property under construction	-	521,962	521,962
Prepayments for buildings and land - Investments	-	173,421	173,421
Loans	1,216	21,315,037	21,316,253
Reinsurance assets	-	22,912	22,912
Property and equipment	-	1,229,285	1,229,285
Intangible assets	-	6,171	6,171
Deferred tax assets	-	409,696	409,696
Other assets	16,087	602,744	618,831
Separate account product assets	245,852	12,367,381	12,613,233
Total assets			$136,176,075

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

	31 December 2013 US$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Payables	$637,797	$6	$637,803
Financial liabilities at fair value through profit or loss	850	540,485	541,335
Derivative financial liabilities for hedging	-	173	173
Preferred stock liability	-	1,005,699	1,005,699
Insurance liabilities	-	113,328,190	113,328,190
Reserve for insurance contracts with feature of financial instruments	-	1,930,823	1,930,823
Foreign exchange volatility reserve	-	351,397	351,397
Provisions	-	131,385	131,385
Deferred tax liabilities	-	408,547	408,547
Other liabilities	164	289,224	289,388
Separate account product liabilities	52,115	12,561,118	12,613,233
Total liabilities			$131,237,973

	31 December 2012 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$366,121,804	$-	$366,121,804
Receivables	57,715,827	10,487	57,726,314
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	-	203,104,729	203,104,729
Investment property under construction	-	7,519,477	7,519,477
Prepayments for buildings and land - Investments	-	1,581,767	1,581,767
Loans	32,348	518,178,598	518,210,946
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			$3,717,230,818

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

	31 December 2012 NT$		
Item	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			$3,579,017,501

	31 December 2012 US$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$12,603,160	$-	$12,603,160
Receivables	1,986,776	361	1,987,137
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	-	6,991,557	6,991,557
Investment property under construction	-	258,846	258,846
Prepayments for buildings and land - Investments	-	54,450	54,450
Loans	1,114	17,837,473	17,838,587
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			$127,959,753

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

	31 December 2012 US$		
Item	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			$123,201,980

	1 January 2012 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$374,053,580	$-	$374,053,580
Receivables	43,821,276	21,643	43,842,919
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	-	203,756,847	203,756,847
Investment property under construction	-	5,459,223	5,459,223
Prepayments for buildings and land - Investments	-	20,469	20,469
Loans	19,403	491,401,219	491,420,622
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			$3,359,904,844

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

Item	1 January 2012 NT$ Settlement within 12 months	Settlement more than 12 months	Total
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			$3,241,816,713

Item	1 January 2012 US$ Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$12,357,237	$-	$12,357,237
Receivables	1,447,680	715	1,448,395
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	-	6,731,313	6,731,313
Investment property under construction	-	180,351	180,351
Prepayments for buildings and land - Investments	-	676	676
Loans	641	16,233,936	16,234,577
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			$110,997,848

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

	1 January 2012 US$		
Item	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			$107,096,688

50. 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.

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

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

Name	For the year ended 31 December 2013		
	Item	NT$	US$
Other related party			
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	$46,575	$1,561
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	2,570,241	86,163
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	18,870	633
Total		$2,635,686	$88,357

Name	For the year ended 31 December 2012		
	Item	NT$	US$
Other related party			
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	$21,297	$733
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,409,314	48,513
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	34,623	1,192
Total		$1,465,234	$50,438

The total amounts of contracted projects for real estate as of 31 December 2013, 31 December 2012 and 1 January 2012, between the Company and Lin Yuan Property Management Co., Ltd. were NT$95,481 (US$3,201) thousands, NT$3,408 (US$117) thousands and NT$0 (US$0) thousands, respectively.

The total amounts of contracted projects for real estate as of 31 December 2013, 31 December 2012 and 1 January 2012, between the Company and San Ching Engineering Co., Ltd. were NT$5,535,807 (US$185,579) thousands, NT$5,483,615 (US$188,765) thousands and NT$5,483,615 (US$181,157) thousands, respectively.

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

The total amounts of contracted projects for real estate of 31 December 2013, 31 December 2012 and 1 January 2012, between the Company and Cathay Real Estate Development Co., Ltd. were NT$49,306 (US$1,653) thousands, NT$49,306 (US$1,697) thousands and NT$49,306 (US$1,629) thousands, respectively.

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

	Rental income			
	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$31,354	$1,051	$27,960	$963
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	8,805	295	9,244	318
Associate				
Cathay Insurance Company Limited (China)	9,848	330	-	-
Other related party				
Cathay United Bank	380,520	12,756	431,041	14,838
Cathay Century Insurance Co., Ltd.	102,738	3,444	92,860	3,197
Cathay Securities Investment Trust Co., Ltd.	40,080	1,344	39,082	1,345
Cathay Securities Co., Ltd.	27,822	933	23,134	796
Cathay General Hospital	174,863	5,862	174,620	6,011
Cathay Real Estate Development Co., Ltd.	17,405	583	17,351	597
Cathay Healthcare Inc.	34,421	1,154	31,440	1,082
San Ching Engineering Co., Ltd.	5,808	195	6,120	211
Cathay Venture Inc.	3,452	116	2,784	96
Cathay Hospitality Management Co., Ltd.	27,667	927	694	24
Subtotal	814,776	27,314	819,126	28,197
Total	$864,783	$28,990	$856,330	$29,478

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

	Guarantee deposits received		
	31 December 2013	31 December 2012	1 January 2012
Name	NT$	NT$	NT$
Parent company			
Cathay Financial Holding Co., Ltd.	$8,505	$6,604	$5,816
Associate			
Symphox Information Co., Ltd.	5,922	(Note)	(Note)
Cathay Insurance Company Limited (China)	5,262	-	-
Subtotal	11,184	-	-
Other related party			
Cathay United Bank	95,045	85,466	71,365
Cathay Century Insurance Co., Ltd.	24,464	22,678	23,234
Cathay Securities Investment Trust Co., Ltd.	9,270	8,903	8,903
Cathay Securities Co., Ltd.	5,655	5,853	5,182
Cathay General Hospital	10,166	10,166	13,194
Cathay Real Estate Development Co., Ltd.	4,028	4,028	4,028
Cathay Healthcare Inc.	8,012	8,012	6,894
Subtotal	156,640	145,106	132,800
Total	$176,329	$151,710	$138,616

	Guarantee deposits received		
	31 December 2013	31 December 2012	1 January 2012
Name	US$	US$	US$
Parent company			
Cathay Financial Holding Co., Ltd.	$285	$227	$192
Associate			
Symphox Information Co., Ltd.	199	(Note)	(Note)
Cathay Insurance Company Limited (China)	176	-	-
Subtotal	375	-	-
Other related party			
Cathay United Bank	3,186	2,942	2,358
Cathay Century Insurance Co., Ltd.	820	781	768
Cathay Securities Investment Trust Co., Ltd.	311	306	294
Cathay Securities Co., Ltd.	190	201	171
Cathay General Hospital	341	350	436
Cathay Real Estate Development Co., Ltd.	135	139	133
Cathay Healthcare Inc.	269	276	228
Subtotal	5,252	4,995	4,388
Total	$5,912	$5,222	$4,580

Note: As a subsidiary during the period.

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

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):

	Rental expense			
	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Real Estate Development Co., Ltd.	$7,852	$263	$7,837	$270
Cathay United Bank	56,308	1,888	37,320	1,284
Total	$64,160	$2,151	$45,157	$1,554

	Guarantee deposits paid		
	31 December 2013	31 December 2012	1 January 2012
Name	NT$	NT$	NT$
Other related party			
Cathay United Bank	$15,172	$14,790	$8,921

	Guarantee deposits paid		
	31 December 2013	31 December 2012	1 January 2012
Name	US$	US$	US$
Other related party			
Cathay United Bank	$509	$509	$295

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

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

(2) Cash in banks

Name	Item	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Other related party				
Cathay United Bank	Time deposit	$7,482	$57,338,698	$53,383,921
	Cash in bank	25,549,308	16,746,027	9,612,041
Indovina Bank Limited	Time deposit	-	471	32,811
	Cash in bank	5,226	2,737	1,622
Total		$25,562,016	$74,087,933	$63,030,395

Name	Item	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Other related party				
Cathay United Bank	Time deposit	$251	$1,973,794	$1,763,592
	Cash in bank	856,497	576,455	317,543
Indovina Bank Limited	Time deposit	-	16	1,084
	Cash in bank	175	94	55
Total		$856,923	$2,550,359	$2,082,274

Interest income from Cathay United Bank for the years ended 31 December 2013 and 2012 were NT$325,925 (US$10,926) thousands and NT$462,751 (US$15,930) thousands, respectively.

Interest income from Indovina Bank Limited for the years ended 31 December 2013 and 2012 were NT$3,487 (US$117) thousands and NT$1,499 (US$51) thousands, respectively.

As of 31 December 2013, 31 December 2012 and 1 January 2012, time deposit pledged were NT$7,482 (US$251) thousands, NT$8,698 (US$299) thousands and NT$38,698 (US$1,278) thousands, respectively.

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

(3) Bond investments for which no active market exists

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Other related party			
Cathay United Bank	$3,000	$3,000	$-

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Other related party			
Cathay United Bank	$101	$103	$-

(4) Secured loans

	For the year ended 31 December 2013			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Other related party				
Cathay General Hospital	$3,210,519	$72,197	2.01%~2.55%	$2,926,691
Other	717,643	10,153	1.34%~3.88%	694,214
Total		$82,350		$3,620,905

	For the year ended 31 December 2013			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Other related party				
Cathay General Hospital	$107,627	$2,420	2.01%~2.55%	$98,112
Other	24,058	340	1.34%~3.88%	23,273
Total		$2,760		$121,385

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

	For the year ended 31 December 2012			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Other related party				
Cathay General Hospital	$3,485,571	$83,272	2.43%~2.55%	$3,210,519
Other	510,342	768	1.53%~3.78%	466,722
Total		$84,040		$3,677,241

	For the year ended 31 December 2012			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Other related party				
Cathay General Hospital	$119,985	$2,867	2.43%~2.55%	$110,517
Other	17,568	26	1.53%~3.78%	16,066
Total		$2,893		$126,583

(5) Financial assets at fair value through profit or loss (beneficiary certificates)

Name		31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Other related party				
Cathay Securities Investment	Market value	$2,008,405	$2,319,889	$1,666,355
Trust Co., Ltd. managed funds	Cost	$1,807,565	$2,152,997	$1,548,899

Name		31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Other related party				
Cathay Securities Investment	Market value	$67,328	$79,858	$55,050
Trust Co., Ltd. managed funds	Cost	$60,596	$74,113	$51,169

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

(6) Discretionary account management balance

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Other related party			
Cathay Securities Investment Trust Co., Ltd.	$227,376,831	$204,663,888	$121,139,793

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Other related party			
Cathay Securities Investment Trust Co., Ltd.	$7,622,421	$7,045,229	$4,001,975

(7) Other receivables

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Parent company			
Cathay Financial Holding Co., Ltd. (Note)	$7,550,281	$5,235,287	$3,055,618
Subsidiary			
Cathay Insurance (Bermuda) Co., Ltd.	43,145	-	1,035
Other related party			
Cathay United Bank	-	12,396	10,272
Cathay Century Insurance Co., Ltd.	164,984	141,412	217,861
Cathay Securities Investment Trust Co., Ltd.	24,192	22,594	21,131

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Parent company			
Cathay Financial Holding Co., Ltd. (Note)	$253,110	$180,216	$100,945
Subsidiary			
Cathay Insurance (Bermuda) Co., Ltd.	1,446	-	34
Other related party			
Cathay United Bank	-	427	339
Cathay Century Insurance Co., Ltd.	5,531	4,868	7,197
Cathay Securities Investment Trust Co., Ltd.	811	778	698

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

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

(8) Guarantee deposits paid

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Other related party			
Cathay Futures Co., Ltd.	$711,826	$364,739	$511,844

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Other related party			
Cathay Futures Co., Ltd.	$23,863	$12,556	$16,909

For the years ended 31 December 2013 and 2012, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were NT$990 (US$33) thousands and NT$474 (US$16) thousands, respectively.

(9) Guarantee deposits received

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Other related party			
Lin Yuan Property Management Co., Ltd.	$5,000	$5,000	$5,000

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Other related party			
Lin Yuan Property Management Co., Ltd.	$168	$172	$165

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

(10) Other payables

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Parent company			
Cathay Financial Holding Co., Ltd. (Note 1)	$3,458,995	$2,550,995	$1,642,995
Subsidiary			
Cathay Insurance (Bermuda) Co., Ltd.	14,109	-	64
Associate			
Symphox Information Co., Ltd.	5,904	(Note 2)	(Note 2)
Other related party			
Cathay Century Insurance Co., Ltd.	2,390	5,732	1,635
Cathay Securities Investment Trust Co., Ltd.	12,754	10,586	10,551
Lin Yuan Property Management Co., Ltd.	1,383	3,580	5,294
San Ching Engineering Co., Ltd.	-	326	23,331

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Parent company			
Cathay Financial Holding Co., Ltd. (Note 1)	$115,957	$87,814	$54,278
Subsidiary			
Cathay Insurance (Bermuda) Co., Ltd.	473	-	2
Associate			
Symphox Information Co., Ltd.	198	(Note 2)	(Note 2)
Other related party			
Cathay Century Insurance Co., Ltd.	80	197	54
Cathay Securities Investment Trust Co., Ltd.	428	364	349
Lin Yuan Property Management Co., Ltd.	46	123	175
San Ching Engineering Co., Ltd.	-	11	771

Note 1: The payables consist of interest expenses accrued from preferred stocks.
Note 2: As a subsidiary during the period.

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

(11) Preferred stock liability

Name	31 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Parent company			
Cathay Financial Holding Co., Ltd.	$30,000,000	$30,000,000	$30,000,000

Name	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Parent company			
Cathay Financial Holding Co., Ltd.	$1,005,699	$1,032,702	$991,080

(12) Accounts collected in advance (Note)

	31 December 2012		1 January 2012	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$10,859	$374	$9,645	$319
Cathay United Bank	26,517	913	32,817	1,084
Cathay Securities Co., Ltd.	3,993	137	3,627	120

Note: As of 31 December 2013, Symphox Information Co., Ltd. is not a subsidiary.

(13) Premium income

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$428,978	$14,381	$651,850	$22,439
Cathay General Hospital	39,658	1,329	39,566	1,362
Cathay Century Insurance Co., Ltd.	14,313	480	13,545	466
Cathay Securities Co., Ltd.	5,188	174	4,710	162
Lin Yuan Property Management Co., Ltd.	3,001	101	2,925	101
Other	123,255	4,132	103,346	3,558
Total	$614,393	$20,597	$815,942	$28,088

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

(14) Insurance handling fees earned

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Securities Investment Trust Co., Ltd.	$124,880	$4,186	$126,709	$4,362

(15) Insurance expenses

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$108,543	$3,639	$111,560	$3,840

The insurance expenses were related to insurance for fixed assets, cash, public accident, etc. Amounts of NT$10,407 (US$349) thousands and NT$9,578 (US$330) thousands paid by the Company on behalf of its employees for fidelity bond insurance were included in the above insurance expenses for the years ended 31 December 2013 and 2012, respectively.

(16) Reinsurance income

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$131,331	$4,403	$130,785	$4,502

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 years ended 31 December 2013 and 2012, the Company assumed 90% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd.

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

(17) Reinsurance service expenses

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$8,938	$300	$9,412	$324

(18) Reinsurance claim payments

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$132,439	$4,440	$136,340	$4,693

(19) Reinsurance commission expenses

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$3,755	$126	$3,105	$107

(20) Other operating income

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$30,852	$1,034	$27,659	$952
Cathay United Bank	429,214	14,389	430,341	14,814
Cathay General Hospital	48,929	1,640	37,295	1,284
Cathay Securities Co., Ltd.	19,683	660	9,280	319
Cathay Securities Investment Trust Co., Ltd.	7,289	244	5,225	180
Cathay Futures Co., Ltd.	2,200	74	3,075	106
Total	$538,167	$18,041	$512,875	$17,655

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

(21) Non-operating income

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$1,991	$67	$3,632	$125
Other related party				
Cathay Century Insurance Co., Ltd.	1,305,606	43,768	1,176,280	40,492
Cathay United Bank	123,011	4,124	95,486	3,287
Cathay Securities Investment Trust Co., Ltd.	21,179	710	15,635	538
Cathay General Hospital	5,461	183	5,467	188
Subtotal	1,455,257	48,785	1,292,868	44,505
Total	$1,457,248	$48,852	$1,296,500	$44,630

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

(22) Operating expenses

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	$11,935	$400	$13,178	$454
Other related party				
Seaward Card Co., Ltd.	108,034	3,622	108,827	3,746
Cathay United Bank	2,961,761	99,288	2,506,115	86,269
Cathay Venture Inc.	21,021	705	22,466	774
Cathay Securities Investment Trust Co., Ltd.	134,493	4,509	133,040	4,580
Lin Yuan Property Management Co., Ltd.	675,726	22,653	629,076	21,655
Cathay Real Estate Development Co., Ltd.	17,546	588	18,776	646
Cathay Healthcare Inc.	8,488	285	4,763	164
Cathay General Hospital	1,076	36	5,116	176
San Ching Engineering Co., Ltd.	3,592	120	3,769	130
Cathay Futures Co., Ltd.	1,615	54	3,554	122
Subtotal	3,933,352	131,860	3,435,502	118,262
Total	$3,945,287	$132,260	$3,448,680	$118,716

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

(23) Non-operating expenses

	For the years ended 31 December			
	2013		2012	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$908,000	$30,439	$908,000	$31,257

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

(24) Sales of securities

		For the year ended 31 December 2013		
		Shares	Amount	
Name	Securities	(thousand)	NT$	US$
Other related party				
Cathay Real Estate				
Development Co., Ltd.	Symphox Information Co., Ltd.	5,489	$90,297	$3,027

There was no significant transaction of securities with related parties for the year ended 31 December 2012.

(25) Other

As of 31 December 2013, 31 December 2012 and 1 January 2012, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

Item	31 December 2013	31 December 2012	1 January 2012
CS contracts	USD 1,045,000	USD 985,000	USD 1,900,000

(26) Key management personnel compensation

	For the years ended 31 December			
	2013		2012	
	NT$	US$	NT$	US$
Short-term employee benefits	$108,091	$3,623	$95,302	$3,281
Post-employment benefits	1,549	52	1,453	50
Total	$109,640	$3,675	$96,755	$3,331

The management of the Company includes directors, vice general managers and the above.

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

51. Pledged assets

(1) The Company

As of 31 December 2013, 31 December 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 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Guarantee deposits paid - Government bonds	$9,511,241	$9,523,306	$10,615,126
Guarantee deposits paid - Time deposits	519,782	118,698	124,298
Guarantee deposits paid - Others	3,459	8,807	10,837
Total	$10,034,482	$9,650,811	$10,750,261

Item	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Guarantee deposits paid - Government bonds	$318,848	$327,825	$350,682
Guarantee deposits paid - Time deposits	17,425	4,086	4,106
Guarantee deposits paid - Others	116	303	358
Total	$336,389	$332,214	$355,146

Pledged assets are summarized based on the net carrying amounts.

(2) Symphox Information

As of 31 December 2012 and 1 January 2012, the pledged property details are as follows:

Item	31 December 2012		1 January 2012	
	NT$	US$	NT$	US$
Cash in bank (recognized as other financial assets)	$10	$-	$-	$-
Financial assets at fair value through profit and loss	45,103	1,553	39,313	1,299
Total	$45,113	$1,553	$39,313	$1,299

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

Symphox Information maintains a trust account at Cathay United Bank for its electronic gift certificates. As of 31 December 2012, the account balance was NT$10 (US$0) thousands.

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 December 2013 NT$	31 December 2012 NT$	1 January 2012 NT$
Guarantee deposits paid	$1,187,328	$1,157,835	$1,192,563

Item	31 December 2013 US$	31 December 2012 US$	1 January 2012 US$
Guarantee deposits paid	$39,803	$39,857	$39,398

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.

52. 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.

53. Significant disaster damages

None.

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

54. Significant subsequent events

None.

55. Others matters

(1) Discretionary account management

	31 December 2013			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$129,828,751	$4,352,288	$129,828,751	$4,352,288
Overseas stocks	55,726,731	1,868,144	55,726,731	1,868,144
Repurchase bonds	2,088,200	70,003	2,088,200	70,003
Cash in banks	22,994,358	770,847	22,994,358	770,847
Beneficiary certificates	18,109,871	607,103	18,109,871	607,103
Futures and options	911,776	30,566	911,776	30,566
Corporate bonds	837,194	28,065	837,194	28,065
Total	$230,496,881	$7,727,016	$230,496,881	$7,727,016

	31 December 2012			
	Carrying amount		Fair value	
Item	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	$204,663,888	$7,045,229	$204,663,888	$7,045,229

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

	1 January 2012			
	Carrying amount		Fair value	
Item	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	$121,139,793	$4,001,975	$121,139,793	$4,001,975

As of 31 December 2013, the Company entered into discretionary account management contracts in the amounts of NT$143,000,000 (US$4,793,832) thousands, US$1,990,000 thousands, and HK$2,000,000 (US$257,935) 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 1 January 2012, the amount was NT$139,500,000 (US$4,608,523) thousands.

(2) Revenue 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.

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

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.

(4) The Company adjusted certain items in light of the result of FSC's general business examination in 2013. The adjustments cumulatively resulted in increases of retained earnings by NT$785,321 (US$25,944) thousands and NT$254,007 (US$8,744) thousands as of 1 January 2012 and 31 December 2012, respectively. In addition, the adjustments also resulted in a decrease of net income for the year ended 31 December 2012 by NT$531,314 (US$18,290) thousands.

The amounts of the adjustments are as follows:

	1 January 2012	
	NT$	US$
Effects on the balance sheet items:		
Decrease in receivables	$(2,645,238)	$(87,388)
Increase in investment property	1,811,677	59,851
Increase in loans	1,618,882	53,481
Increase in retained earnings	785,321	25,944

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

	For the year ended 31 December 2012	
	NT$	US$
Effects on the statement of comprehensive income items:		
Decrease in operating revenue	$(220,963)	$(7,606)
Increase in operating costs	(419,175)	(14,430)
Increase in income tax benefit	108,824	3,746
Decrease in net income	(531,314)	(18,290)
Decrease in earnings per share	$(0.1)	$-

	31 December 2012	
	NT$	US$
Effects on the balance sheet items:		
Decrease in receivables	$(3,264,740)	$(112,383)
Increase in investment property	1,811,677	62,364
Increase in loans	1,707,070	58,763
Increase in retained earnings	254,007	8,744

56. 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 December 2013, the Company's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US$78,210 thousands.

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. On 28 May 2013, MOEAIC authorized the Company to remit CNY$200,000 thousands to increase the share capital. As of 31 December 2013, the Company's remittances to this general insurance company totaled approximately US$44,364 thousands.

On 1 November 2011 and 11 April 2012, the Investment Commission of the Ministry of Economic Affairs (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. On 1 April 2013, MOEAIC authorized the Company to remit CNY$700,000 (US$111,000) thousands to increase the share capital. As of 31 December 2013, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US$126,064 thousands.

57. 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.

58. 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 year ended 31 December 2013 are the first the Company and Subsidiaries have prepared in accordance with TIFRS.

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 consolidated balance sheet was 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. These properties are continuously being rented out and therefore generate steady, medium to long-term cash flows. Valuation was performed by a valuer who holds a recognized and relevant professional qualification. Also, the fair value was limited to the properties' discounted cash flow of contractual rental income. The weighted average cost of capital was used as the discount rate, estimated at 3.29%. The rental growth rates were estimated mostly at between 1% and 1.5%.

(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 consolidated balance sheet as at 1 January 2012 (the date of transition to TIFRS) and 31 December 2012 and consolidated statements of comprehensive income for the year ended 31 December 2012:

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

(1) Reconciliation of consolidated balance sheet items as at 1 January 2012

NT$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	379,048,580		(4,995,000)	374,053,580	Cash and cash equivalents	1
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)	-	-	11
Due from reinsurers and ceding companies - Net	2,755		(2,755)	-	-	11
Other receivables - Net	39,981,949	362,936		40,344,885	Other receivables - Net	2
Subtotal	43,485,678			43,842,919	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	3
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)		-	-	3
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	1
Other financial assets	13,300,000			13,300,000	Other financial assets - Net	
Investments in real estate - Net	147,897,508	61,339,031		209,236,539	Investment property - Net	4
Loans	491,420,622			491,420,622	Loans	
Subtotal	2,517,789,239					
Reinsurance reserve assets - Net	9,168,433		5,695	9,174,128	Reinsurance assets	11
Land	5,622,358	6,812,944		12,435,302	Land	4
Buildings and construction	11,314,685	9,211,625		20,526,310	Buildings and construction	4
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)		-	-	4
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	4,5
Less: Accumulated impairment	(140,412)	(118,096)		(258,508)	Less: Accumulated impairment	4
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	11
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)	-	-	10,11
Other assets - Other	2,261,166	(60,482)		2,200,684	Other assets - Other	8
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	3,290,581,861			3,359,904,844	Total assets	

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

NT$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
-	-		201,158	201,158	Short-term debts	11
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	22,611,251			22,611,251	Payables	
Short-term debts	201,158		(201,158)	-	-	11
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	47,670,059					
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	6,7
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)	-	-	11
Subtotal	2,803,536,690			2,787,557,192	Insurance liabilities	
-	-		66,884,712	66,884,712	Reserve for insurance contracts with feature of financial instruments	11
-	-	346,155	3,299,572	3,645,727	Provisions	8,11
-	-		12,916,045	12,916,045	Deferred tax liabilities	11
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)	-	-	10,11
Accrued pension liability	1,884,983	1,414,589	(3,299,572)	-	-	9,11
Deferred income tax liabilities	-	5,904,744	(5,904,744)	-	-	10,11
Other liabilities - Other	4,122,246			4,122,246	Other liabilities - Other	
Subtotal	8,369,185			6,480,715	Other liabilities	
Separate account product liabilities	294,051,012			294,051,012	Separate account product liabilities	
Total liabilities	3,176,238,197			3,241,816,713	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	6
Unappropriated retained earnings	499,250	2,994,565		3,493,815	Unappropriated retained earnings	2~5,7~10
Equity adjustments			6,866,131	6,866,131	Other equity	11
Unrealized revaluation increments	1,462	(1,462)		-	-	5
Unrealized gains on financial instruments	10,673,438	(3,502,777)	(7,170,661)	-	-	3,10,11
Cumulative conversion adjustments	(304,530)		304,530	-	-	11
Net loss not recognized as pension cost	(509,674)	509,674		-	-	9
Minority interests	1,133,769			1,133,769	Non-controlling interests	
Total stockholders' equity	114,343,664			118,088,131	Total equity	
Total liabilities and stockholders' equity	3,290,581,861			3,359,904,844	Total liabilities and equity	

English Translation of Financial Statements Originally Issued in Chinese
Cathay Life Insurance Co., Ltd. and Subsidiaries
Notes to consolidated financial statements-continued
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
For the years ended 31 December 2013 and 2012

US$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	12,522,252		(165,015)	12,357,237	Cash and cash equivalents	1
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)	-	-	11
Due from reinsurers and ceding companies - Net	91		(91)	-	-	11
Other receivables - Net	1,320,844	11,990		1,332,834	Other receivables - Net	2
Subtotal	1,436,593			1,448,395	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	3
Derivative financial assets for hedging	64,679			64,679	Derivative financial assets for hedging	
Financial assets carried at cost	336,697	(336,697)		-	-	3
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	1
Other financial assets	439,379			439,379	Other financial assets - Net	
Investments in real estate - Net	4,885,943	2,026,397		6,912,340	Investment property - Net	4
Loans	16,234,577			16,234,577	Loans	
Subtotal	83,177,709					
Reinsurance reserve assets - Net	302,888		188	303,076	Reinsurance assets	11
Land	185,740	225,073		410,813	Land	4
Buildings and construction	373,792	304,315		678,107	Buildings and construction	4
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)		-	-	4
Subtotal of cost and revaluation	773,998			1,303,365	-	
Less: Accumulated depreciation	(330,378)	(185,475)		(515,853)	Less: Accumulated depreciation	4,5
Less: Accumulated impairment	(4,639)	(3,901)		(8,540)	Less: Accumulated impairment	4
Construction in progress and prepayment for real estate equipment	1,284			1,284	Construction in progress and prepayment for real estate equipment	
Subtotal	440,265			780,256	Property and equipment	
Intangible assets	13,110			13,110	Intangible assets	
-	-		396,096	396,096	Deferred tax assets	11
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)	-	-	10,11
Other assets - Other	74,700	(1,998)		72,702	Other assets - Other	8
Subtotal	1,100,604			602,300	Other assets	
Separate account product assets	9,714,272			9,714,272	Separate account product assets	
Total assets	108,707,693			110,997,848	Total assets	

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to consolidated financial statements-continued

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

For the years ended 31 December 2013 and 2012

US$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
-	-		6,646	6,646	Short-term debts	11
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)	-	-	11
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			89,113,596	Reserve for life insurance liabilities	
Special reserve	298,103	1,681,705		1,979,808	Special reserve	6,7
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)	-	-	11
Subtotal	92,617,664			92,089,765	Insurance liabilities	
-			2,209,604	2,209,604	Reserve for insurance contracts with feature of financial instruments	11
-	-	11,436	109,004	120,440	Provisions	8,11
-	-		426,695	426,695	Deferred tax liabilities	11
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)	-	-	10,11
Accrued pension liability	62,272	46,732	(109,004)	-	-	9,11
Deferred income tax liabilities	-	195,069	(195,069)	-	-	10,11
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	6
Unappropriated retained earnings	16,493	98,928		115,421	Unappropriated retained earnings	2~5,7~10
Equity adjustments			226,830	226,830	Other equity	11
Unrealized revaluation increments	48	(48)		-	-	5
Unrealized gains on financial instruments	352,608	(115,718)	(236,890)	-	-	3,10,11
Cumulative conversion adjustments	(10,060)		10,060	-	-	11
Net loss not recognized as pension cost	(16,838)	16,838		-	-	9
Minority interests	37,455			37,455	Non-controlling interests	
Total stockholders' equity	3,777,458			3,901,160	Total equity	
Total liabilities and stockholders' equity	108,707,693			110,997,848	Total liabilities and equity	

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

(2) Reconciliation of consolidated balance sheet items as at 31 December 2012

NT$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	385,001,185		(18,879,381)	366,121,804	Cash and cash equivalents	1
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)	-	-	11
Due from reinsurers and ceding companies - Net	3,547		(3,547)	-	-	11
Other receivables - Net	54,226,550	462,240		54,688,790	Other receivables - Net	2,8
Subtotal	57,268,635			57,726,314	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	3
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)		-	-	3
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	1
Other financial assets	23,500,010			23,500,010	Other financial assets - Net	
Investments in real estate - Net	165,612,005	46,983,690	(389,722)	212,205,973	Investment property - Net	4
Loans	518,210,946			518,210,946	Loans	
Subtotal	2,807,427,661					
Reinsurance reserve assets - Net	9,165,635		4,561	9,170,196	Reinsurance assets	11
Land	12,025,710	17,555,077		29,580,787	Land	4
Buildings and construction	16,053,269	14,705,952		30,759,221	Buildings and construction	4
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)		-	-	4
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	4,5
Less: Accumulated impairment	(140,412)	(118,096)		(258,508)	Less: Accumulated impairment	4
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	11
Prepayment	301,107		389,722	690,829	Prepayment	4
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)	-	-	10,11
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	3,646,920,809			3,717,230,818	Total assets	

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Notes to consolidated financial statements-continued

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

For the years ended 31 December 2013 and 2012

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R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
-	-		297,268	297,268	Short-term debts	11
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)	-	-	11
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	6,7
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)	-	-	11
Foreign exchange volatility reserve	4,270,856		(4,270,856)	-	-	11
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	11
-	-		4,270,856	4,270,856	Foreign exchange volatility reserve	11
-	-	333,439	3,479,044	3,812,483	Provisions	8,11
-	-		15,390,603	15,390,603	Deferred tax liabilities	11
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)	-	-	10,11
Accrued pension liability	1,601,379	1,877,665	(3,479,044)	-	-	9,11
Deferred income tax liabilities	-	8,379,302	(8,379,302)	-	-	10,11
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	6
Unappropriated retained earnings	2,414,269	2,888,244		5,302,513	Unappropriated retained earnings	2~5,7~10
Equity adjustments			24,469,760	24,469,760	Other equity	11
Unrealized revaluation increments	1,462	(1,462)		-	-	5
Unrealized gains on financial instruments	29,856,213	(4,958,195)	(24,898,018)	-	-	3,10,11
Cumulative conversion adjustments	(428,258)		428,258	-	-	11
Minority interests	1,012,972			1,012,972	Non-controlling interests	
Total stockholders' equity	136,540,263			138,213,317	Total equity	
Total liabilities and stockholders' equity	3,646,920,809			3,717,230,818	Total liabilities and equity	

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Cathay Life Insurance Co., Ltd. and Subsidiaries

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

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R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
Cash and cash equivalents	13,253,053		(649,893)	12,603,160	Cash and cash equivalents	1
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)	-	-	11
Due from reinsurers and ceding companies -Net	122		(122)	-	-	11
Other receivables - Net	1,866,663	15,912		1,882,575	Other receivables - Net	2,8
Subtotal	1,971,382			1,987,137	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	3
Derivative financial assets for hedging	39,315			39,315	Derivative financial assets for hedging	
Financial assets carried at cost	368,599	(368,599)		-	-	3
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	1
Other financial assets	808,950			808,950	Other financial assets - Net	
Investments in real estate - Net	5,700,930	1,617,339	(13,416)	7,304,853	Investment property - Net	4
Loans	17,838,587			17,838,587	Loans	
Subtotal	96,641,227					
Reinsurance reserve assets - Net	315,512		157	315,669	Reinsurance assets	11
Land	413,966	604,305		1,018,271	Land	4
Buildings and construction	552,608	506,229		1,058,837	Buildings and construction	4
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)		-	-	4
Subtotal of cost and revaluation	1,204,090			2,314,603	-	
Less: Accumulated depreciation	(375,007)	(270,243)		(645,250)	Less: Accumulated depreciation	4,5
Less: Accumulated impairment	(4,833)	(4,065)		(8,898)	Less: Accumulated impairment	4
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	11
Prepayment	10,365		13,416	23,781	Prepayment	4
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)	-	-	10,11
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	125,539,443			$127,959,753	Total assets	

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

US$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
-	-		10,233	10,233	Short-term debts	11
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)	-	-	11
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	6,7
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)	-	-	11
Foreign exchange volatility reserve	147,017		(147,017)	-	-	11
Subtotal	106,617,633			106,115,637	Insurance liabilities	
-	-		2,111,906	2,111,906	Reserve for insurance contracts with feature of financial instruments	11
-	-		147,017	147,017	Foreign exchange volatility reserve	11
-	-	11,478	119,761	131,239	Provisions	8,11
-	-		529,797	529,797	Deferred tax liabilities	11
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)	-	-	10,11
Accrued pension liability	55,125	64,636	(119,761)	-	-	9,11
Deferred income tax liabilities	-	288,444	(288,444)	-	-	10,11
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	6
Unappropriated retained earnings	83,108	99,423		182,531	Unappropriated retained earnings	2~5,7~10
Equity adjustments			842,332	842,332	Other equity	11
Unrealized revaluation increments	50	(50)		-	-	5
Unrealized gains on financial instruments	1,027,752	(170,678)	(857,074)	-	-	3,10,11
Cumulative conversion adjustments	(14,742)		14,742	-	-	11
Minority interests	34,870			34,870	Non-controlling interests	
Total stockholders' equity	4,700,181			4,757,773	Total equity	
Total liabilities and stockholders' equity	125,539,443			127,959,753	Total liabilities and equity	

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

(3) Reconciliation of consolidated statement of comprehensive income items for the year ended 31 December 2012

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R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
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	92,156,847		(1,041,312)	91,115,535	Interest income	11
Gains from valuation on financial assets	1,521,073		(1,521,073)	-	-	11
Gains from valuation on financial liabilities	15,613,095		(15,613,095)	-	-	11
Losses on equity investments	(347,618)		347,618	-	-	11
-	-		25,210,403	25,210,403	Gains from financial assets and liabilities at fair value through profit or loss	11
-	-		26,445,589	26,445,589	Realized gains from available-for-sale financial assets	11
-	-		5,651,739	5,651,739	Realized gains from bond investments for which no active market exists	11
-	-		(347,618)	(347,618)	Share of the losses of associates and joint ventures accounted for using the equity method	11
Losses on foreign exchange	(35,624,016)			(35,624,016)	Foreign exchange losses	
Gains on disposal of investments	39,877,689	24	(39,877,713)	-	-	3,11
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	2
Impairment losses on investments and gains on reversal of impairment losses	(41,436)			(41,436)	Impairment losses on investments and gains on reversal of impairment losses	
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	688,225,889			687,391,763	Subtotal	

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

NT$

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
Operating costs					Operating costs	
Insurance claim payments	(233,951,147)			(233,951,147)	Insurance claim payments	
Deduct: Claims recovered from reinsures	11,778,148			11,778,148	Deduct: Claims recovered from reinsures	
Retained claim payments	(222,172,999)			(222,172,999)	Retained claim payments	
Changes in liability reserves			(305,354,797)	(305,354,797)	Changes in insurance liabilities	11
Changes in provision claim reserve	(43,930)		43,930	-	-	11
Changes in provision for life insurance	(301,554,545)		301,554,545	-	-	11
Changes in provision for special reserve	131,779	(133,523)	1,744	-	-	6,11
Changes in provision for premium deficiency reserve	(3,754,578)		3,754,578	-	-	11
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	11
Separate account product expenses	(104,179,520)			(104,179,520)	Separate account product expenses	
Subtotal	(670,934,503)			(670,322,564)	Subtotal	
Operating expenses	(17,492,519)	(308,523)		(17,801,042)	Operating expenses	4,5,9
Operating loss	(201,133)			(731,843)	Operating loss	
-	-		965,281	965,281	Non-operating income and expenses	11
Non-operating revenues and gains	1,882,337		(1,882,337)	-	-	11
Non-operating expenses and losses	(917,056)		917,056	-	-	11
Income from continuing operations before income tax	764,148			233,438	Income from continuing operations before income tax	
Income tax benefit	1,861,111	424,389		2,285,500	Income tax benefit	2,4~6, 8~10
Consolidated income	2,625,259			2,518,938	Net income from continuing operations	
				2,518,938	Net income	
					Other comprehensive income	
				(129,453)	Exchange differences resulting from translating the financial statements of foreign operations	
				19,955,699	Unrealized valuation gains from available-for-sale financial assets	
				(841,132)	Effective portion of losses on hedging instruments in cash flow hedges	
				(26,402)	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	
				(1,328,420)	Income taxes relating to components of other comprehensive income	
				17,630,292	Other comprehensive income, net of tax	
				20,149,230	Total comprehensive income	

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

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R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
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	3,172,353		(35,846)	3,136,507	Interest income	11
Gains from valuation on financial assets	52,360		(52,360)	-	-	11
Gains from valuation on financial liabilities	537,456		(537,456)	-	-	11
Losses on equity investments	(11,966)		11,966	-	-	11
-	-		867,828	867,828	Gains from financial assets and liabilities at fair value through profit or loss	11
-	-		910,347	910,347	Realized gains from available-for-sale financial assets	11
-	-		194,552	194,552	Realized gains from bond investments for which no active market exists	11
-	-		(11,966)	(11,966)	Share of the losses of associates and joint ventures accounted for using the equity method	11
Losses on foreign exchange	(1,226,300)			(1,226,300)	Foreign exchange losses	
Gains on disposal of investments	1,372,726	1	(1,372,727)	-	-	3,11
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	2
Impairment losses on investments and gains on reversal of impairment losses	(1,426)			(1,426)	Impairment losses on investments and gains on reversal of impairment losses	
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	23,691,081			23,662,367	Subtotal	

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R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Adjusted amounts (Note)	Remeasurements	Presentation	Amounts	Items	Notes
Operating costs					Operating costs	
Insurance claim payments	(8,053,395)			(8,053,395)	Insurance claim payments	
Deduct : Claims recovered from reinsures	405,444			405,444	Deduct : Claims recovered from reinsures	
Retained claim payments	(7,647,951)			(7,647,951)	Retained claim payments	
Changes in liability reserves			(10,511,352)	(10,511,352)	Changes in insurance liabilities	11
Changes in provision claim reserve	(1,512)		1,512	-	-	11
Changes in provision for life insurance	(10,380,535)		10,380,535	-	-	11
Changes in provision for special reserve	4,536	(4,596)	60	-	-	6,11
Changes in provision for premium deficiency reserve	(129,245)		129,245	-	-	11
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	
-	-		25,661	25,661	Finance costs	11
Separate account product expenses	(3,586,214)			(3,586,214)	Separate account product expenses	
Subtotal	(23,095,852)			(23,074,787)	Subtotal	
Operating expenses	(602,152)	(10,620)		(612,772)	Operating expenses	4,5,9
Operating loss	(6,923)			(25,192)	Operating loss	
-	-		33,228	33,228	Non-operating income and expenses	11
Non-operating revenues and gains	64,796		(64,796)	-	-	11
Non-operating expenses and losses	(31,568)		31,568	-	-	11
Income from continuing operations before income tax	26,305			8,036	Income from continuing operations before income tax	
Income tax benefit	64,067	14,608		78,675	Income tax benefit	2,4~6, 8~10
Consolidated income	90,372			86,711	Net income from continuing operations	
				86,711	Net income	
					Other comprehensive income	
				(4,456)	Exchange differences resulting from translating the financial statements of foreign operations	
				686,943	Unrealized valuation gains from available-for-sale financial assets	
				(28,954)	Effective portion of losses on hedging instruments in cash flow hedges	
				(909)	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	
				(45,729)	Income taxes relating to components of other comprehensive income	
				606,895	Other comprehensive income, net of tax	
				693,606	Total comprehensive income	

Note: The financial data is presented as if the adjustments had always been made. Please refer to Note 55 (4) for more details on the influence of retrospective application and retrospective adjustments.

Material adjustments to the consolidated statement of cash flows for 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 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, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

(1) Under the requirements of IAS 7 *Statement of Cash Flows*, certain time deposits held by the Company and Subsidiaries are reclassified to bond investments for which no active market exists. As of 1 January 2012, cash and cash equivalents reclassified to bond investments for which no active market exists was NT$4,995,000 (US$165,015) thousands.

As of 31 December 2012, cash and cash equivalents reclassified to bond investments for which no active market exists was NT$18,879,381 (US$649,893) thousands.

(2) 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 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.

(3) 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 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.

(4) 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.

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 and Subsidiaries 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.

(5) 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$4,367,471 (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$2,236,241 (US$76,979) thousands and income tax benefit by NT$380,161 (US$13,086) thousands as of 31 December 2012.

(6) 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$4,511,405 (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 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.

(7) 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$1,907,628 as of 31 December 2012) thousands and a corresponding decrease of retained earnings.

(8) 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 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.

(9) 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.

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.

(10)According to IAS 12, the Company and Subsidiaries reviewed income tax effects of the above adjustment items. As of 1 January 2012, 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 income 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 carry-forward would probably not 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 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$9,102,564 (US$313,341) thousands, respectively. In addition, upon assessing income tax effects directly recognized in other comprehensive income 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 carry-forward would probably not 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.

(11) Presentation of consolidated balance sheet and consolidated statement of comprehensive income

The Company and Subsidiaries prepared their consolidated balance sheets and consolidated statements of comprehensive income under 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 item 1-10.