Cathay Life Insurance Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For The Six-month Periods Ended
30 June 2014 and 2013
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 IAS 34 "Interim Financial Reporting" as recognized by Financial Supervisory Commission. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, the related consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013, and the related consolidated statements of changes in equity and cash flows for the six-month periods ended 30 June 2014 and 2013. 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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, and the results of its operations for the three-month and six-month periods and its cash flows for the six-month periods then ended in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, IAS 34 "Interim Financial Reporting" as recognized by Financial Supervisory Commission.

As described in the notes to consolidated financial statements, the Company and Subsidiaries change the subsequent measurements of investment property from cost model to fair value model since 1 January 2014. Consolidated financial statements for the six-month period ended 30 June 2013 and consolidated balance sheets as of 1 January 2013 and 31 December 2013 have been adjusted for the retrospective application of the accounting principle.

In addition, we have also audited the financial statements of the Company as of and for the six-month periods ended 30 June 2014 and 2013, on which we have expressed a modified unqualified opinion and an unqualified opinion, respectively.

Ernst & Young
Certified Public Accountants
Taipei, Taiwan, R.O.C.
26 August 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 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013

(Expressed in thousands of dollars)

		30 June 2014		31 December 2013		30 June 2013		1 January 2013	
Assets	Notes	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Cash and cash equivalents	4,6,49,50	$347,679,800	$11,639,766	$282,058,256	$9,455,523	$298,802,946	$9,973,396	$366,121,804	$12,603,160
Receivables	4,7,49,50	47,019,419	1,574,135	47,633,306	1,596,825	50,344,343	1,680,385	57,726,314	1,987,137
Financial assets at fair value through profit or loss	4,5,8,15,49,50	60,241,108	2,016,776	73,892,698	2,477,127	106,798,023	3,564,687	72,964,811	2,511,697
Available-for-sale financial assets	4,5,9,15,49	1,296,546,744	43,406,319	1,277,352,123	42,821,057	1,261,793,260	42,115,930	1,227,321,172	42,248,577
Derivative financial assets for hedging	4,5,10,49	279,061	9,342	453,713	15,210	763,686	25,490	1,142,094	39,315
Investments accounted for using the equity method - Net	4,5,11,49	3,065,834	102,639	1,432,832	48,033	739,113	24,670	947,731	32,624
Bond investments for which no active market exists	4,5,12,15,49,50	1,027,848,819	34,410,740	1,023,349,976	34,306,067	871,670,407	29,094,473	816,904,617	28,120,641
Held-to-maturity financial assets	4,5,13,49	9,438,212	315,976	1,619,138	54,279	-	-	-	-
Other financial assets - Net	4,5,14,49	38,200,000	1,278,875	40,900,000	1,371,103	33,400,699	1,114,843	23,500,010	808,950
Investment property	4,5,16,49,50,55	384,627,238	12,876,707	345,459,505	11,580,942	310,384,204	10,359,953	303,514,424	10,448,001
Investment property under construction	4,5,16,49,50	16,300,142	545,703	15,570,122	521,962	10,859,660	362,472	7,519,477	258,846
Prepayments for buildings and land - Investments	4,5,16,49,50	1,830,809	61,293	5,173,152	173,421	1,592,343	53,149	1,581,767	54,450
Loans	4,17,49,50	667,119,589	22,334,101	635,863,840	21,316,253	582,440,510	19,440,605	518,210,946	17,838,587
Reinsurance assets	4,18,49	680,097	22,769	683,457	22,912	4,740,197	158,218	9,170,196	315,669
Property and equipment	4,19,49,50	27,004,630	904,072	36,669,572	1,229,285	48,259,605	1,610,801	48,356,882	1,664,609
Intangible assets	4,20,49	170,891	5,721	184,090	6,171	239,182	7,983	254,878	8,774
Deferred tax assets	4,5,40,49	13,366,668	447,495	12,221,216	409,696	13,131,390	438,297	16,106,670	554,446
Other assets	21,22,49,50,51	18,859,681	631,392	18,459,723	618,831	17,328,231	578,379	16,739,474	576,230
Separate account product assets	4,42,49	440,594,625	14,750,406	376,252,736	12,613,233	351,903,031	11,745,762	329,557,246	11,344,484
Total assets		$4,400,873,367	$147,334,227	$4,195,229,455	$140,637,930	$3,965,190,830	$132,349,493	$3,817,640,513	$131,416,197

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013 were NT$29.87, NT$29.83, NT$29.96 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

Audited consolidated balance sheets - (continued)

As at 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013

(Expressed in thousands of dollars)

		30 June 2014		31 December 2013		30 June 2013		1 January 2013	
Liabilities and equity	Notes	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Short-term debts	49	$166,808	$5,584	$-	$-	$277,269	$9,255	$297,268	$10,233
Payables	23,49,50	26,160,401	875,809	19,025,676	637,803	17,595,042	587,284	38,073,655	1,310,625
Financial liabilities at fair value through profit or loss	4,5,24,49	2,451,524	82,073	16,148,024	541,335	20,569,762	686,574	2,079,457	71,582
Derivative financial liabilities for hedging	4,5,25,49	-	-	5,148	173	-	-	-	-
Preferred stock liability	26,49,50	30,000,000	1,004,352	30,000,000	1,005,699	30,000,000	1,001,335	30,000,000	1,032,702
Insurance liabilities	4,5,27,49	3,486,378,818	116,718,407	3,380,579,907	113,328,190	3,215,231,193	107,317,463	3,082,659,251	106,115,637
Reserve for insurance contracts with feature of financial instruments	4,5,27,49	55,603,174	1,861,506	57,596,449	1,930,823	58,842,583	1,964,038	61,350,872	2,111,906
Foreign exchange volatility reserve	4,5,27,49	10,903,075	365,018	10,482,181	351,397	7,995,402	266,869	4,270,856	147,017
Provisions	4,5,29,49	3,773,401	126,327	3,919,223	131,385	3,895,660	130,029	3,812,483	131,239
Deferred tax liabilities	4,5,40,49,55	24,394,739	816,697	21,281,632	713,431	19,144,667	639,008	20,217,430	695,953
Other liabilities	30,31,49,50	11,620,895	389,049	8,632,437	289,388	7,953,694	265,477	11,525,810	396,758
Separate account product liabilities	4,42,49	440,594,625	14,750,406	376,252,736	12,613,233	351,903,031	11,745,762	329,557,246	11,344,484
Total liabilities		4,092,047,460	136,995,228	3,923,923,413	131,542,857	3,733,408,303	124,613,094	3,583,844,328	123,368,136
Equity attributable to equity holders of the parent									
Capital stock									
Common stock	32	53,065,274	1,776,541	53,065,274	1,778,923	53,065,274	1,771,204	53,065,274	1,826,688
Capital surplus	33	13,029,142	436,195	13,038,791	437,103	13,009,649	434,234	13,009,649	447,836
Retained earnings	34,55								
Legal capital reserve		13,038,968	436,524	9,897,228	331,788	9,897,228	330,348	9,241,230	318,115
Special capital reserve		173,073,853	5,794,237	38,050,593	1,275,581	36,610,748	1,221,988	35,106,484	1,208,485
Unappropriated retained earnings		19,525,360	653,678	121,889,246	4,086,129	108,002,847	3,604,901	97,890,816	3,369,735
Other equity	55	35,317,103	1,182,360	34,623,655	1,160,699	10,122,081	337,853	24,469,760	842,332
Non-controlling interests	34	1,776,207	59,464	741,255	24,850	1,074,700	35,871	1,012,972	34,870
Total equity		308,825,907	10,338,999	271,306,042	9,095,073	231,782,527	7,736,399	233,796,185	8,048,061
Total liabilities and equity		$4,400,873,367	$147,334,227	$4,195,229,455	$140,637,930	$3,965,190,830	$132,349,493	$3,817,640,513	$131,416,197

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013 were NT$29.87, NT$29.83, NT$29.96 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
Audited consolidated statements of comprehensive income
For the three-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

		1 April-30 June 2014		1 April-30 June 2013	
Item	Notes	NT$	US$	NT$	US$
Operating revenue	4,50				
Direct premium income	35	$103,030,301	$3,449,290	$99,835,052	$3,332,278
Reinsurance premium income	35	22,857	765	46,785	1,562
Premium income	35	103,053,158	3,450,055	99,881,837	3,333,840
Deduct: Premiums ceded to reinsurers	35	(3,569,143)	(119,489)	(4,117,398)	(137,430)
Changes in unearned premium reserve	27,35	(420,785)	(14,087)	(2,669,897)	(89,116)
Retained earned premium	35	99,063,230	3,316,479	93,094,542	3,107,294
Reinsurance commission earned		1,879,550	62,924	3,078,416	102,751
Handling fees earned	42	1,917,188	64,184	786,760	26,260
Net investment profits and losses					
Interest income		24,713,950	827,384	22,981,653	767,078
Gains (losses) from financial assets and liabilities at fair value through profit or loss		16,323,733	546,493	(10,968,027)	(366,089)
Realized gains from available-for-sale financial assets		7,024,743	235,177	7,028,936	234,611
Realized gains from bond investments for which no active market exists		361,287	12,095	4,679,977	156,208
Share of the gains (losses) of associates and joint ventures accounted for using the equity method		5,765	193	(129,597)	(4,326)
Foreign exchange (losses) gains		(20,095,964)	(672,781)	9,416,269	314,295
Changes in foreign exchange volatility reserve	27	378,181	12,661	(516,473)	(17,239)
Gains from investment property	55	18,361,358	614,709	8,429,129	281,346
Other operating revenue		3,299	110	356,437	11,897
Separate account product revenue	4,42	41,461,404	1,388,062	6,542,651	218,380
Subtotal		191,397,724	6,407,690	144,780,673	4,832,466
Operating costs	4,50				
Insurance claim payments	36	(78,685,893)	(2,634,278)	(56,112,759)	(1,872,922)
Deduct: Claims recovered from reinsures	36	1,716,852	57,477	3,062,876	102,232
Retained claim payments	36	(76,969,041)	(2,576,801)	(53,049,883)	(1,770,690)
Changes in insurance liabilities	27	(46,253,403)	(1,548,490)	(61,592,765)	(2,055,833)
Changes in reserve for insurance contracts with feature of financial instruments	27	(131,914)	(4,416)	177,350	5,920
Brokerage expenses	37	(3,899,580)	(130,552)	(4,254,191)	(141,996)
Commission expenses		(3,563,280)	(119,293)	(3,751,757)	(125,225)
Other operating costs		(939,091)	(31,439)	(1,582,563)	(52,823)
Finance costs		(199,176)	(6,668)	167,183	5,580
Separate account product expenses	4,42	(41,461,404)	(1,388,062)	(6,542,651)	(218,380)
Subtotal		(173,416,889)	(5,805,721)	(130,429,277)	(4,353,447)
Operating expenses	4,37,50				
Business expenses		(1,599,820)	(53,559)	(1,537,108)	(51,305)
Administrative and general expenses		(2,166,896)	(72,544)	(2,018,332)	(67,368)
Employee training expenses		(9,166)	(307)	(11,794)	(394)
Subtotal		(3,775,882)	(126,410)	(3,567,234)	(119,067)
Operating income		14,204,953	475,559	10,784,162	359,952
Non-operating income and expenses	4,38,50	331,062	11,083	344,139	11,486
Income from continuing operations before income tax		14,536,015	486,642	11,128,301	371,438
Income tax expense	4,5,40,55	(1,518,095)	(50,823)	(3,142,930)	(104,904)
Net income from continuing operations		13,017,920	435,819	7,985,371	266,534
Net income		13,017,920	435,819	7,985,371	266,534
Other comprehensive income	39				
Exchange differences resulting from translating the financial statements of foreign operations		(234,861)	(7,863)	99,030	3,305
Unrealized valuation gains (losses) from available-for-sale financial assets		15,539,764	520,247	(17,004,228)	(567,564)
Effective portion of losses on hedging instruments in cash flow hedges		(94,864)	(3,176)	(187,774)	(6,267)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		(5,187)	(174)	(13,487)	(450)
Other comprehensive income, before tax		15,204,852	509,034	(17,106,459)	(570,976)
Income taxes relating to components of other comprehensive income		(346,569)	(11,602)	2,988,461	99,748
Other comprehensive income, net of tax		14,858,283	497,432	(14,117,998)	(471,228)
Total comprehensive income		$27,876,203	$933,251	$(6,132,627)	$(204,694)
Net income (loss) attributable to:					
Equity holders of the parent		$12,975,810	$434,409	$8,004,025	$267,157
Non-controlling interests		$42,110	$1,410	$(18,654)	$(623)
Total comprehensive income attributable to:					
Equity holders of the parent		$27,821,643	$931,424	$(6,114,079)	$(204,075)
Non-controlling interests		$54,560	$1,827	$(18,548)	$(619)
Basic earnings per share (In dollars)	41				
Net income from continuing operations		$2.45	$0.08	$1.51	$0.05

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014 and 2013 were NT$29.87 and NT$29.96 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 six-month periods ended 30 June 2014 and 2013

(Expressed in thousands of dollars, except earnings per share)

		1 January-30 June 2014		1 January-30 June 2013	
Item	Notes	NT$	US$	NT$	US$
Operating revenue	4,50				
Direct premium income	35	$197,589,754	$6,614,990	$193,335,635	$6,453,125
Reinsurance premium income	35	77,950	2,610	106,694	3,561
Premium income	35	197,667,704	6,617,600	193,442,329	6,456,686
Deduct: Premiums ceded to reinsurers	35	(7,134,171)	(238,841)	(8,781,900)	(293,121)
Changes in unearned premium reserve	27,35	(100,923)	(3,379)	(4,876,593)	(162,770)
Retained earned premium	35	190,432,610	6,375,380	179,783,836	6,000,795
Reinsurance commission earned		3,555,309	119,026	6,051,418	201,983
Handling fees earned	42	2,990,215	100,108	1,635,704	54,596
Net investment profits and losses					
Interest income		49,186,966	1,646,701	46,197,795	1,541,983
Losses from financial assets and liabilities at fair value through profit or loss		(255,376)	(8,549)	(30,925,625)	(1,032,230)
Realized gains from available-for-sale financial assets		17,480,970	585,235	11,638,395	388,464
Realized gains from bond investments for which no active market exists		2,822,841	94,504	7,878,766	262,976
Share of the gains (losses) of associates and joint ventures accounted for using the equity method		38,344	1,284	(148,074)	(4,942)
Foreign exchange (losses) gains		(4,959,971)	(166,052)	33,761,870	1,126,898
Changes in foreign exchange volatility reserve	27	(420,894)	(14,091)	(3,724,547)	(124,317)
Gains from investment property	55	21,618,890	723,766	10,289,526	343,442
Losses from other investments - Net		(2)	-	-	-
Other operating revenue		3,473	116	681,797	22,757
Separate account product revenue	4,42	96,406,589	3,227,539	44,450,691	1,483,668
Subtotal		378,899,964	12,684,967	307,571,552	10,266,073
Operating costs	4,50				
Insurance claim payments	36	(135,333,623)	(4,530,754)	(102,268,401)	(3,413,498)
Deduct: Claims recovered from reinsures	36	3,444,679	115,322	6,070,699	202,627
Retained claim payments	36	(131,888,944)	(4,415,432)	(96,197,702)	(3,210,871)
Changes in insurance liabilities	27	(106,154,091)	(3,553,869)	(125,252,840)	(4,180,669)
Changes in reserve for insurance contracts with feature of financial instruments	27	(163,384)	(5,470)	(124,490)	(4,155)
Brokerage expenses	37	(7,777,269)	(260,371)	(8,575,939)	(286,246)
Commission expenses		(7,407,463)	(247,990)	(8,364,385)	(279,185)
Other operating costs		(1,998,460)	(66,905)	(2,731,020)	(91,156)
Finance costs		(148,071)	(4,957)	359,108	11,986
Separate account product expenses	4,42	(96,406,589)	(3,227,539)	(44,450,691)	(1,483,668)
Subtotal		(351,944,271)	(11,782,533)	(285,337,959)	(9,523,964)
Operating expenses	4,37,50				
Business expenses		(2,988,729)	(100,058)	(2,957,657)	(98,720)
Administrative and general expenses		(4,161,855)	(139,332)	(4,012,101)	(133,915)
Employee training expenses		(16,227)	(543)	(18,669)	(623)
Subtotal		(7,166,811)	(239,933)	(6,988,427)	(233,258)
Operating income		19,788,882	662,501	15,245,166	508,851
Non-operating income and expenses	4,38,50	896,616	30,017	502,855	16,784
Income from continuing operations before income tax		20,685,498	692,518	15,748,021	525,635
Income tax expense	4,5,40,55	(1,110,135)	(37,166)	(3,425,491)	(114,336)
Net income from continuing operations		19,575,363	655,352	12,322,530	411,299
Net income		19,575,363	655,352	12,322,530	411,299
Other comprehensive income	39				
Exchange differences resulting from translating the financial statements of foreign operations		(243,358)	(8,147)	228,844	7,639
Unrealized valuation gains (losses) from available-for-sale financial assets		16,301,770	545,757	(16,999,150)	(567,395)
Effective portion of losses on hedging instruments in cash flow hedges		(169,828)	(5,686)	(386,840)	(12,912)
Gains from revaluation	55	902,335	30,209	-	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		734	25	9,053	302
Other comprehensive income, before tax		16,791,653	562,158	(17,148,093)	(572,366)
Income taxes relating to components of other comprehensive income		195,678	6,551	2,830,019	94,460
Other comprehensive income, net of tax		16,987,331	568,709	(14,318,074)	(477,906)
Total comprehensive income		$36,562,694	$1,224,061	$(1,995,544)	$(66,607)
Net income attributable to:					
Equity holders of the parent		$19,525,360	$653,678	$12,272,293	$409,622
Non-controlling interests		$50,003	$1,674	$50,237	$1,677
Total comprehensive income attributable to:					
Equity holders of the parent		$36,494,562	$1,221,780	$(2,075,386)	$(69,272)
Non-controlling interests		$68,132	$2,281	$79,842	$2,665
Basic earnings per share (In dollars)	41				
Net income from continuing operations		$3.68	$0.12	$2.31	$0.08

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014 and 2013 were NT$29.87 and NT$29.96 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 changes in equity
For the six-month periods ended 30 June 2014 and 2013
(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		Revaluation surplus		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$	NT$	US$
Balance on 1 January 2013		$53,065,274	$1,771,204	$13,009,649	$434,234	$9,241,230	$308,452	$32,111,919	$1,071,827	$5,302,513	$176,987	$(428,258)	$(14,294)	$23,938,471	$799,014	$959,547	$32,027	$-	$-	$137,200,345	$4,579,451	$1,012,972	$33,811	$138,213,317	$4,613,262
Special capital reserve recognized in accordance with Order No. 10202508140 issued by Insurance Bureau	34	-	-	-	-	-	-	2,994,565	99,952	(2,994,565)	(99,952)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects on retrospective application and restatement		-	-	-	-	-	-	-	-	95,582,868	3,190,349	-	-	-	-	-	-	-	-	95,582,868	3,190,349	-	-	95,582,868	3,190,349
Balance on 1 January 2013 (Adjusted)	55	53,065,274	1,771,204	13,009,649	434,234	9,241,230	308,452	35,106,484	1,171,779	97,890,816	3,267,384	(428,258)	(14,294)	23,938,471	799,014	959,547	32,027	-	-	232,783,213	7,769,800	1,012,972	33,811	233,796,185	7,803,611
Appropriation and distribution of earnings for the year 2012	34																								
Legal capital reserve		-	-	-	-	655,998	21,896	-	-	(655,998)	(21,896)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve		-	-	-	-	-	-	1,538,957	51,367	(1,538,957)	(51,367)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve used to cover accumulated deficits		-	-	-	-	-	-	(34,693)	(1,158)	34,693	1,158	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six-month period ended 30 June 2013 (Adjusted)	55	-	-	-	-	-	-	-	-	12,272,293	409,622	-	-	-	-	-	-	-	-	12,272,293	409,622	50,237	1,677	12,322,530	411,299
Other comprehensive income for the six-month period ended 30 June 2013	39	-	-	-	-	-	-	-	-	-	-	201,148	6,714	(14,227,750)	(474,891)	(321,077)	(10,717)	-	-	(14,347,679)	(478,894)	29,605	988	(14,318,074)	(477,906)
Total comprehensive income for the six-month period ended 30 June 2013 (Adjusted)		-	-	-	-	-	-	-	-	12,272,293	409,622	201,148	6,714	(14,227,750)	(474,891)	(321,077)	(10,717)	-	-	(2,075,386)	(69,272)	79,842	2,665	(1,995,544)	(66,607)
Changes in non-controlling interests	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,114)	(605)	(18,114)	(605)
Balance on 30 June 2013 (Adjusted)	55	$53,065,274	$1,771,204	$13,009,649	$434,234	$9,897,228	$330,348	$36,610,748	$1,221,988	$108,002,847	$3,604,901	$(227,110)	$(7,580)	$9,710,721	$324,123	$638,470	$21,310	$-	$-	$230,707,827	$7,700,528	$1,074,700	$35,871	$231,782,527	$7,736,399
Balance on 1 January 2014 (Adjusted)	55	$53,065,274	$1,776,541	$13,038,791	$436,518	$9,897,228	$331,344	$38,050,593	$1,273,873	$121,889,246	$4,080,658	$(189,809)	$(6,354)	$18,165,426	$608,149	$372,284	$12,463	$16,275,754	$544,886	$270,564,787	$9,058,078	$741,255	$24,816	$271,306,042	$9,082,894
Special capital reserve recognized in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10302501001	34	-	-	-	-	-	-	124,002,466	4,151,405	(107,726,712)	(3,606,519)	-	-	-	-	-	-	(16,275,754)	(544,886)	-	-	-	-	-	-
Appropriation and distribution of earnings for the year 2013	34																								
Legal capital reserve		-	-	-	-	3,141,740	105,180	-	-	(3,141,740)	(105,180)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve		-	-	-	-	-	-	12,705,121	425,347	(12,705,121)	(425,347)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special capital reserve used to cover accumulated deficits		-	-	-	-	-	-	(1,684,327)	(56,388)	1,684,327	56,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in other capital surplus																									
Changes in amount of associates and joint ventures accounted for using the equity method		-	-	(9,649)	(323)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,649)	(323)	-	-	(9,649)	(323)
Net income for the six-month period ended 30 June 2014		-	-	-	-	-	-	-	-	19,525,360	653,678	-	-	-	-	-	-	-	-	19,525,360	653,678	50,003	1,674	19,575,363	655,352
Other comprehensive income for the six-month period ended 30 June 2014	39	-	-	-	-	-	-	-	-	-	-	(241,678)	(8,091)	16,524,229	553,205	(140,958)	(4,719)	827,609	27,707	16,969,202	568,102	18,129	607	16,987,331	568,709
Total comprehensive income for the six-month period ended 30 June 2014		-	-	-	-	-	-	-	-	19,525,360	653,678	(241,678)	(8,091)	16,524,229	553,205	(140,958)	(4,719)	827,609	27,707	36,494,562	1,221,780	68,132	2,281	36,562,694	1,224,061
Changes in non-controlling interests	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	966,820	32,367	966,820	32,367
Balance on 30 June 2014		$53,065,274	$1,776,541	$13,029,142	$436,195	$13,038,968	$436,524	$173,073,853	$5,794,237	$19,525,360	$653,678	$(431,487)	$(14,445)	$34,689,655	$1,161,354	$231,326	$7,744	$827,609	$27,707	$307,049,700	$10,279,535	$1,776,207	$59,464	$308,825,907	$10,338,999

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014 and 2013 were NT$29.87 and NT$29.96 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 cash flows
For the six-month periods ended 30 June 2014 and 2013
(Expressed in thousands of dollars)

		1 January-30 June 2014		1 January-30 June 2013	
	Notes	NT$	US$	NT$	US$
Cash flows from operating activities					
Net income, before tax	55	$20,685,498	$692,518	$15,748,021	$525,635
Adjustments:					
Non-cash revenue and expense items					
Depreciation	37,55	338,580	11,335	502,227	16,763
Amortization	37	25,009	837	34,370	1,147
Provision for bad debt expenses		139,439	4,668	664,432	22,177
Net losses from financial assets and liabilities at fair value through profit or loss		289,087	9,678	30,949,562	1,033,030
Net gains from available-for-sale financial assets		(14,427,153)	(482,998)	(9,293,567)	(310,199)
Net gains from bond investments for which no active market exists		(2,822,841)	(94,504)	(7,878,766)	(262,976)
Interest expenses		27,906	934	25,077	837
Interest income		(49,186,966)	(1,646,701)	(46,197,795)	(1,541,983)
Dividend income		(3,087,527)	(103,365)	(2,368,764)	(79,064)
Changes in insurance liabilities		105,798,911	3,541,979	132,571,941	4,424,965
Changes in reserve for insurance contracts with feature of financial instruments		(1,993,275)	(66,732)	(2,508,289)	(83,721)
Changes in foreign exchange volatility reserve		420,894	14,091	3,724,547	124,317
Share of the (gains) losses of associates and joint ventures accounted for using the equity method		(38,344)	(1,284)	148,074	4,942
(Gains) losses on disposal or scrapping of property and equipment		(100)	(3)	1,022	34
Losses on disposal of investments accounted for using the equity method		2	-	-	-
Gains on disposal of investment property		(1,259,138)	(42,154)	-	-
Gains on valuation of investment property	55	(16,494,109)	(552,196)	(6,779,180)	(226,274)
Subtotal		17,730,375	593,585	93,594,891	3,123,995
Changes in operating assets and liabilities					
Decrease (increase) in financial assets at fair value through profit or loss		37,826,834	1,266,382	(9,364,430)	(312,564)
Decrease (increase) in derivative financial assets for hedging		4,824	161	(8,432)	(281)
Decrease (increase) in available-for-sale financial assets		11,534,302	386,150	(42,177,671)	(1,407,799)
Increase in bond investments for which no active market exists		(1,676,002)	(56,109)	(46,887,024)	(1,564,987)
Increase in held-to-maturity financial assets		(7,819,074)	(261,770)	-	-
Decrease in premiums receivable		4,872	163	17,817	595
Decrease in notes receivable		433,351	14,508	471,194	15,727
Decrease in other accounts receivable		765,313	25,621	9,833,888	328,233
Decrease (increase) in prepaid expenses and other prepayments		5,618	188	(371,610)	(12,404)
Increase in guarantee deposits paid		(365,279)	(12,229)	(852,796)	(28,465)
Decrease in reinsurance assets		3,360	112	4,430,000	147,864
Decrease (increase) in other financial assets		2,700,000	90,392	(9,900,689)	(330,464)
(Increase) decrease in other assets		(999,049)	(33,446)	342,892	11,445
Decrease in financial liabilities at fair value through profit or loss		(37,202,078)	(1,245,466)	(36,635,282)	(1,222,806)
Decrease in derivative financial liabilities for hedging		(5,148)	(172)	-	-
Decrease in notes payable		(15)	(1)	(25)	(1)
(Decrease) increase in life insurance proceeds payable		(8,746)	(292)	40,000	1,335
Increase (decrease) in other payables		7,183,958	240,507	(16,846,511)	(562,300)
Decrease in due to reinsurers and ceding companies		(299,391)	(10,023)	(3,583,813)	(119,620)
Increase in reinsurance proceeds payable		27,416	918	-	-
Increase (decrease) in commissions payable		231,532	7,751	(89,049)	(2,972)
Increase (decrease) in accounts collected in advance		56,308	1,885	(4,302)	(144)
Increase in guarantee deposits received		438,652	14,685	8,923	298
(Decrease) increase in provisions		(140,227)	(4,695)	9,555	319
Decrease in deferred handling fees		(2,584)	(87)	(8,972)	(299)
Increase (decrease) in other liabilities		2,537,646	84,956	(3,567,766)	(119,084)
(Decrease) increase in provision for employee benefits		(5,595)	(187)	73,622	2,457
Subtotal		15,230,798	509,902	(155,070,481)	(5,175,917)
Cash generated from operating activities		53,646,671	1,796,005	(45,727,569)	(1,526,287)
Interest received		48,111,277	1,610,689	44,354,244	1,480,449
Dividends received		3,186,253	106,671	2,425,294	80,951
Interest paid		(27,906)	(934)	(25,077)	(837)
Income taxes received		1,525,755	51,080	216,621	7,230
Net cash provided by operating activities		106,442,050	3,563,511	1,243,513	41,506
Cash flows from investing activities					
Acquisition of investments accounted for using the equity method		(1,745,120)	(58,424)	-	-
Disposal of investments accounted for using the equity method		39,706	1,329	-	-
Disinvestment of investments accounted for using the equity method		2,673	89	13,067	436
Acquisition of property and equipment		(164,232)	(5,498)	(250,618)	(8,365)
Disposal of property and equipment		3,632	122	431	14
Acquisition of intangible assets		(13,716)	(459)	(15,844)	(529)
Increase in loans		(31,359,692)	(1,049,872)	(64,900,163)	(2,166,227)
Acquisition of investment property		(10,074,575)	(337,281)	(3,441,359)	(114,865)
Disposal of investment property		1,430,000	47,874	-	-
Net cash used in investing activities		(41,881,324)	(1,402,120)	(68,594,486)	(2,289,536)
Cash flows from financing activities					
Increase (decrease) in notes and bonds with repurchase agreements		166,808	5,584	(19,998)	(667)
Cash dividends paid		-	-	(18,114)	(605)
Capital increase by cash		966,820	32,367	-	-
Net cash provided by (used in) financing activities		1,133,628	37,951	(38,112)	(1,272)
Effects of exchange rate changes on cash and cash equivalents		(72,810)	(2,437)	70,227	2,344
Increase (decrease) in cash and cash equivalents		65,621,544	2,196,905	(67,318,858)	(2,246,958)
Cash and cash equivalents at the beginning of the periods		282,058,256	9,442,861	366,121,804	12,220,354
Cash and cash equivalents at the end of the periods		$347,679,800	$11,639,766	$298,802,946	$9,973,396

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2014 and 2013 were NT$29.87 and NT$29.96 to US$1.00)

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

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 six-month periods ended 30 June 2014 and 2013 were authorized to issue in accordance with resolution of the Company's board of directors on 26 August 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") and applicable to annual periods beginning on or after 1 January 2015, but not yet adopted by the Company and Subsidiaries at the date of issuance of the Company and Subsidiaries' financial statements are listed below:

A. *Improvements to International Financial Reporting Standards (issued in 2010):*

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

The annual improvements to International Financial Reporting Standards ("IFRS") issued in 2010 made the following amendments to IFRS 1: If a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS in accordance with paragraph 23 of IFRS 1.

Furthermore, the amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. The amendment also expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These amendments became effective for annual periods beginning on or after 1 January 2011.

IFRS 3 *Business Combinations*

Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value. The amendment also requires an entity in a business combination to account for the replacement of the acquiree's share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements. Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested — they are part of non-controlling interest; if unvested — they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense. These amendments became effective for annual periods beginning on or after 1 July 2010.

IFRS 7 *Financial Instruments: Disclosures*

The amendment requires qualitative disclosures in the context of quantitative disclosures to enable users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 1 *Presentation of Financial Statements*

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements around disclosures of financial instruments and contingent liabilities/assets. The amendment is effective for annual periods beginning on or after 1 January 2011.

IFRIC 13 *Customer Loyalty Programmes*

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is effective for annual periods beginning on or after 1 January 2011.

B. IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative* IFRS 7 *Disclosures for First-time Adopters*

IFRS 1 has been amended to allow first-time adopters to utilize the transitional provisions of IFRS 7 *Financial Instruments: Disclosures*. These provisions give relief from providing comparative information in the disclosures required by amendments to IFRS 1 in the first year of application. The amendment is effective for annual periods beginning on or after 1 July 2010.

C. IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The amendment has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amended standard has these dates coinciding with the date of transition to IFRS. The amendment is effective for annual periods beginning on or after 1 July 2011.

D. IFRS 7 *Financial Instruments: Disclosures (Amendment)*

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. The amendment is effective for annual periods beginning on or after 1 July 2011.

E. IAS 12 *Income Taxes — Deferred Taxes: Recovery of Underlying Assets*

The amendment to IAS 12 introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* has been withdrawn. The amendment is effective for annual periods beginning on or after 1 January 2012.

F. IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated. The standard is effective for annual periods beginning on or after 1 January 2013.

G. IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31. The changes introduced by IFRS 11 primarily relate to increase comparability within IFRS by removing the choice for jointly controlled entities to use proportionate consolidation, so that the structure of the arrangement is no longer the most important factor when determining the classification as a joint operation or a joint venture, which then determines the accounting. The standard is effective for annual periods beginning on or after 1 January 2013.

H. IFRS 12 *Disclosures of Interests in Other Entities*

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

I. IFRS 13 *Fair Value Measurement*

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosure is required. The standard is effective for annual periods beginning on or after 1 January 2013.

J. IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning on or after 1 July 2012.

K. IAS 19 *Employee Benefits (Revised)*

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.. The revised standard is effective for annual periods beginning on or after 1 January 2013.

L. IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*

The IASB has added an exception to the retrospective application of IFRS 9 (or IAS 39) and IAS 20. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. The amendment is effective for annual periods beginning on or after 1 January 2013.

M. IFRS 7 *Financial Instruments: Disclosures — Disclosures — Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement'. The amendment is effective for annual periods beginning on or after 1 January 2013.

N. IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

The amendment clarifies the meaning of "currently has a legally enforceable right to set-off" in IAS 32. The amendment is effective for annual periods beginning on or after 1 January 2014.

O. IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset ("stripping activity asset"), only if certain criteria are met. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. The interpretation is effective for annual periods beginning on or after 1 January 2013.

P. *Improvements to International Financial Reporting Standards (2009-2011 cycle)*

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

The amendment clarifies that an entity that has stopped applying IFRS may choose to either: Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period; or Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 1 *Presentation of Financial Statements*

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

IAS 16 *Property, Plant and Equipment (Amendment)*

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 32 *Financial Instruments: Presentation (Amendment)*

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 34 *Interim Financial Reporting (Amendment)*

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after 1 January 2013.

Q. IFRS 10 *Consolidated Financial Statements (Amendment)*

The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendment is effective for annual periods beginning on or after 1 January 2014.

The abovementioned standards and interpretations are issued by IASB, recognized by FSC and applicable to annual periods beginning on or after 1 January 2015. The Company and Subsidiaries are still determining the potential impact of the standards and interpretations.

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

A. IAS 36 *Impairment of Assets (Amendment)*

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. The amendment is effective for annual periods beginning on or after 1 January 2014.

B. IFRIC 21 *Levies*

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). The interpretation is effective for annual periods beginning on or after 1 January 2014.

C. IAS 39 *Financial Instruments: Recognition and Measurement (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after 1 January 2014.

D. IAS 19 *Employee Benefits (Defined benefit plans: employee contributions)*

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. The amendment is effective for annual periods beginning on or after 1 July 2014.

E. *Improvements to International Financial Reporting Standards (2010-2012 cycle)*

IFRS 2 *Share-based Payment*

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 *Business Combinations*

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

IFRS 8 *Operating Segments*

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

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. The amendment is effective for annual periods beginning on or after 1 July 2014.

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. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 38 *Intangible Assets*

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

F. *Improvements to International Financial Reporting Standards (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 and applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 *Business Combinations*

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

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*. The amendment is effective for annual periods beginning on or after 1 July 2014.

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 amendment is effective for annual periods beginning on or after 1 July 2014.

G. IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

H. *IFRS 11 "Joint Arrangements" (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 "Business Combinations", and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

I. *IAS 16"Property, Plant and Equipment and IAS 38 "Intangible Assets" — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

J. *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after 1 January 2017.

K. *IAS 16"Property, Plant and Equipment and IAS 41 "Agriculture"* — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

L. *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Company and Subsidiaries' financial statements, 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 six-month periods ended 30 June 2014 and 2013 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises ("the Regulations") and IAS 34 *Interim Financial Reporting* as recognized by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and investment property 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.

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.

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

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	2014.6.30	2013.12.31	2013.6.30	2013.1.1
The Company	Symphox Information Co., Ltd. ("Symphox Information") (Note1)	Type II telecom service, data processing service, information supply service	49.12	49.12	60.12	60.12
The Company	Cathay Life Insurance Ltd. (China) ("Cathay Life (China)") (Note2)	Life insurance	50.00	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	100.00
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office equipment leasing	100.00	100.00	100.00	100.00

Note1: 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.

Note2: Cathay Life (China) renamed as Cathay Lujiazui Life Insurance Company Limited with the approval of China Insurance Regulatory Commission on 12 August 2014.

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

The consolidated financial statements exclude the following:

Investors	Investees	Business	Ownership interest				Notes
			2014.6.30	2013.12.31	2013.6.30	2013.1.1	
The Company	Cathay Insurance (Bermuda) Co., Ltd.	Class 3 general business insurers and a long-term insurer	100.00	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	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	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:

A. 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

B. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

C. Total unsecured portion of loans overdue and receivable on demand.

The minimum amounts should be recorded within three years starting on January 2014.

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 at fair value, and gains or losses are recognized in profit or loss in accordance with the requirements of IAS 40 *Investment Property*, 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*.

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

<u>The Company and Subsidiaries as a lessee</u>

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

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

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

When an insurer that opts to measure investment property at fair value, the value of its insurance liabilities at the same time must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds book value, the life insurer must set aside the difference to reserve for life insurance liabilities and decrease retained earnings. The Company changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with rules issued by the FSC on 21 March 2014. The results of the measurements indicate that the fair value of the insurance liabilities doesn’t exceed book value, therefore insurance liabilities doesn’t have to be increased.

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 30 June 2014, the amount set aside was NT$10,903,075(US$365,018) 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. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(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.”

(23) Changes in accounting policy

The FSC revised the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises on 10 January 2014, and Article 9, Paragraph 3, subparagraph 13 and Article 32, paragraph 5 of the Regulations were effective as from 1 January 2014. To improve the reliability and relevance of financial reporting, enhance financial disclosure transparency, be in line with the international conventions, and increase net value and risk tolerance, the Company and Subsidiaries volunteered to change the subsequent measurements of investment property from cost model to fair value model since year of 2014. The adjustments resulted in increases of retained earnings by NT$95,582,868 (US$3,290,288) thousands as of 1 January 2013 and increases of net income by NT$12,143,844 (US$407,102) thousands, other comprehensive income by NT$16,275,754 (US$545,617) thousands, and total comprehensive income by NT$28,419,598 (US$952,719) thousands for the year 31 December 2013. Please refer to Note 55 (4) for items and amounts of retrospective adjustments.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Company and Subsidiaries' consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of 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 accounts 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. Fair value of investment property

The fair value of investment property is derived from valuation techniques, including earning value method (such as discounted cash flow model) and market method, etc., and assumptions which are used in applying valuation techniques will have impacts on the fair value of investment property.

C. 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.

D. 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.

E. 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.

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

F. Income taxes

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

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

6. Cash and cash equivalents

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Cash on hand and revolving funds	$202,205	$6,770	$184,103	$6,172
Cash in banks	69,654,905	2,331,935	52,718,933	1,767,312
Time deposits	252,134,345	8,441,056	219,761,847	7,367,142
Cash equivalents	25,688,345	860,005	9,393,373	314,897
Total	$347,679,800	$11,639,766	$282,058,256	$9,455,523

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

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Cash on hand and revolving funds	$207,133	$6,914	$202,262	$6,963
Cash in banks	67,185,812	2,242,517	83,168,415	2,862,940
Time deposits	228,230,025	7,617,824	245,620,182	8,455,083
Cash equivalents	3,179,976	106,141	37,130,945	1,278,174
Total	$298,802,946	$9,973,396	$366,121,804	$12,603,160

7. Receivables

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Note receivable - Net	$2,021,064	$67,662	$2,434,414	$81,610
Premium receivable - Net	47,843	1,602	52,715	1,767
Other receivable - Net				
Other receivable	44,962,421	1,505,270	45,175,635	1,514,436
Less:Allowance for bad debts - Other receivable	(11,909)	(399)	(29,458)	(988)
Overdue receivable	70,484	2,360	17,440	585
Less:Allowance for bad debts - Overdue receivable	(70,484)	(2,360)	(17,440)	(585)
Total	$47,019,419	$1,574,135	$47,633,306	$1,596,825

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Note receivable - Net	$2,489,595	$83,097	$2,960,789	$101,920
Premium receivable - Net	58,918	1,967	76,735	2,642
Other receivable - Net				
Other receivable	47,809,482	1,595,777	54,695,919	1,882,820
Less:Allowance for bad debts - Other receivable	(13,827)	(462)	(7,129)	(245)
Overdue receivable	14,571	486	27,308	940
Less:Allowance for bad debts - Overdue receivable	(14,396)	(480)	(27,308)	(940)
Total	$50,344,343	$1,680,385	$57,726,314	$1,987,137

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

8. Financial assets at fair value through profit or loss

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Listed stocks	$7,522,773	$251,851	$11,532,825	$386,618
Beneficiary certificates	29,463,142	986,379	41,891,576	1,404,344
Exchange traded funds	-	-	69,571	2,332
Overseas bonds	346,942	11,615	165,200	5,538
Corporate bonds	3,793,051	126,985	2,989,701	100,225
Government bonds	1,409,279	47,180	1,433,421	48,053
Derivative financial instruments	4,897,271	163,953	3,375,604	113,161
Structured time deposits	12,808,650	428,813	12,434,800	416,856
Total	$60,241,108	$2,016,776	$73,892,698	$2,477,127

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Listed stocks	$15,377,555	$513,270	$10,883,272	$374,639
Beneficiary certificates	51,796,278	1,728,848	35,827,323	1,233,298
Exchange traded funds	438,586	14,639	492,845	16,965
Overseas bonds	107,564	3,590	124,249	4,277
Corporate bonds	2,001,316	66,800	810,122	27,887
Government bonds	1,502,929	50,164	1,525,293	52,506
Derivative financial instruments	7,309,404	243,972	4,967,364	170,994
Structured time deposits	28,264,391	943,404	18,334,343	631,131
Total	$106,798,023	$3,564,687	$72,964,811	$2,511,697

As of 30 June 2013 and 1 January 2013, Symphox Information Co., Ltd. has pledged NT$47,491 (US$1,585) thousands and NT$45,103 (US$1,553) thousands, respectively, as collaterals for its e-coupon transaction. Refer to Note 51 (2) disclosure for pledged assets.

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

9. Available-for-sale financial assets

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Stocks	$309,035,074	$10,346,002	$281,317,411	$9,430,688
Overseas stocks	143,458,630	4,802,766	135,670,956	4,548,138
Beneficiary certificates	130,693,255	4,375,402	106,583,918	3,573,045
Collateralized loans obligation and collateralized bonds obligation	3,882,204	129,970	5,272,630	176,756
Exchange traded funds	1,662,753	55,666	9,374,048	314,249
Real estate investment trust	10,952,317	366,666	12,294,991	412,169
Financial debentures	150,341,548	5,033,195	167,630,534	5,619,528
Corporate bonds	52,859,167	1,769,641	57,357,231	1,922,804
Government bonds	203,977,065	6,828,827	219,881,250	7,371,145
Overseas bonds	299,095,673	10,013,247	291,480,395	9,771,384
Subtotal	1,305,957,686	43,721,382	1,286,863,364	43,139,906
Less: Litigation deposits	(44,049)	(1,475)	(37,307)	(1,251)
Less: Securities serving as deposits paid-bonds	(9,366,893)	(313,588)	(9,473,934)	(317,598)
Total	$1,296,546,744	$43,406,319	$1,277,352,123	$42,821,057

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Stocks	$256,911,289	$8,575,143	$204,284,325	$7,032,163
Overseas stocks	104,207,861	3,478,233	74,422,673	2,561,882
Beneficiary certificates	96,905,108	3,234,483	85,183,983	2,932,323
Collateralized loans obligation and collateralized bonds obligation	6,425,074	214,455	6,430,972	221,376
Exchange traded funds	8,634,093	288,187	6,761,735	232,762
Real estate investment trust	13,263,499	442,707	11,687,066	402,309
Financial debentures	192,509,980	6,425,567	198,212,492	6,823,149
Corporate bonds	50,551,785	1,687,309	51,709,182	1,780,006
Government bonds	213,072,094	7,111,886	212,364,770	7,310,319
Overseas bonds	328,881,389	10,977,349	385,787,280	13,280,113
Subtotal	1,271,362,172	42,435,319	1,236,844,478	42,576,402
Less: Litigation deposits	(8,101)	(270)	-	-
Less: Securities serving as deposits paid-bonds	(9,560,811)	(319,119)	(9,523,306)	(327,825)
Total	$1,261,793,260	$42,115,930	$1,227,321,172	$42,248,577

(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 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the Company and Subsidiaries recognized impairment losses amounting to NT$1,669,430 (US$55,890) thousands, NT$1,669,430 (US$55,965) thousands, NT$1,673,957 (US$55,873) thousands and NT$1,697,370 (US$58,429) thousands, respectively.

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

10. Derivative financial assets for hedging

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
IRS	$279,061	$9,342	$453,713	$15,210

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
IRS	$763,686	$25,490	$1,142,094	$39,315

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:

	30 June 2014		31 December 2013	
Investee	NT$	US$	NT$	US$
Cathay Insurance (Bermuda) Co., Ltd.	$115,827	$3,878	$114,759	$3,847
Cathay Securities Investment Consulting Co., Ltd.	168,825	5,652	207,884	6,969
Total	$284,652	$9,530	$322,643	$10,816

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

	30 June 2013		1 January 2013	
Investee	NT$	US$	NT$	US$
Cathay Insurance (Bermuda) Co., Ltd.	$95,904	$3,201	$101,761	$3,503
Cathay Securities Investment Consulting Co., Ltd.	162,195	5,414	170,659	5,875
Total	$258,099	$8,615	$272,420	$9,378

(2) Investments in associates:

	30 June 2014		31 December 2013	
Investee	NT$	US$	NT$	US$
WK Technology Fund VI Co., Ltd.	$284,141	$9,513	$280,880	$9,416
Vista Technology Venture Capital Corp.	-	-	4,144	139
Omnitek Venture Capital Corp.	-	-	39,704	1,331
IBT Venture Capital Corp.	21,421	717	29,365	984
Da Sheng Venture Inc.	1,246,489	41,730	-	-
Symphox Information Co., Ltd.	407,344	13,637	405,985	13,610
Cathay Insurance Company Limited (China)	821,787	27,512	350,111	11,737
Total	$2,781,182	$93,109	$1,110,189	$37,217

	30 June 2013		1 January 2013	
Investee	NT$	US$	NT$	US$
WK Technology Fund VI Co., Ltd.	$257,056	$8,580	$279,441	$9,619
Vista Technology Venture Capital Corp.	4,651	155	7,451	256
Omnitek Venture Capital Corp.	36,620	1,222	31,694	1,091
IBT Venture Capital Corp.	45,577	1,521	56,435	1,943
Cathay Insurance Company Limited (China)	137,110	4,577	300,290	10,337
Total	$481,014	$16,055	$675,311	$23,246

Omnitek Venture Capital Corp. has completed of the liquidation in March 2014, and returned NT$39,706 (US$1,329) thousands of investments. As of 30 April 2014, the stockholders of Vista Technology Venture Capital Corp. approved to dissolve their company on 30 June 2014 at the stockholders' meeting, and have already returned NT$2,673 (US$89) thousands of investments. Before Vista Technology Venture Capital Corp. is dissolved, the remaining balance of NT$440 (US$15) in the investments accounted for using the equity method is transferred to other receivables.

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

There was no quoted price for above associates.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the carrying amount of investments in associates accounted for using the equity method amounted to NT$2,781,182 (US$93,109) thousands, NT$1,110,189 (US$37,217) thousands, NT$481,014 (US$16,055) thousands and NT$675,311 (US$23,246) thousands, respectively. The share of the losses of associates accounted for using the equity method amounted to NT$(19,641) (US$(658)) thousands and NT$(141,584) (US$(4,726)) thousands for the three-month periods ended 30 June 2014 and 2013, respectively. The share of the losses of associates accounted for using the equity method amounted to NT$(8,198) (US$(274)) thousands and NT$(186,960) (US$(6,240)) thousands for the six-month periods ended 30 June 2014 and 2013, respectively. The share of the other comprehensive income of associates accounted for using the equity method amounted to NT$(2,920) (US$(98)) thousands and NT$(14,233) (US$(475)) thousands for the three-month periods ended 30 June 2014 and 2013, respectively. The share of the other comprehensive income of associates accounted for using the equity method amounted to NT$881 (US$29) thousands and NT$5,730 (US$191) thousands for the six-month periods ended 30 June 2014 and 2013, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unaudited amounted to NT$428,765 (US$14,354) thousnads and NT$82,197 (US$2,743) thousnads, as at 30 June 2014 and 2013, respectively. The share of the gains of these associates accounted for using the equity method amounted to NT$6,154 (US$206) thousands and NT$2,331 (US$78) thousands for the three-month periods ended 30 June 2014 and 2013, respectively. The share of the gains of these associates accounted for using the equity method amounted to NT$5,997 (US$201) thousands and NT$5,458 (US$182) thousands for the six-month periods ended 30 June 2014 and 2013, respectively.

No investment in associates was pledged.

Financial information of the associates is summarized below:

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Total assets (100%)	$11,828,801	$396,009	$6,278,284	$210,469
Total liabilities (100%)	3,225,142	107,973	3,413,367	114,427

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Total assets (100%)	$4,931,462	$164,602	$3,782,690	$130,213
Total liabilities (100%)	3,109,146	103,777	1,494,250	51,437

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

	For the three-month period ended 30 June 2014		For the three-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Revenue (100%)	$1,120,061	$37,498	$565,645	$18,880
Profit (loss) (100%)	(55,063)	1,843	(340,752)	(11,374)

	For the six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Revenue (100%)	$2,235,604	$74,844	$1,077,514	$35,965
Profit (loss) (100%)	(48,005)	1,607	(423,956)	(14,151)

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

(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.

A. 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 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

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

B. 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

12. Bond investments for which no active market exists

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Stocks	$7,487,287	$250,662	$7,531,287	$252,474
Corporate bonds	13,198,050	441,850	13,000,000	435,803
Financial debentures	26,349,813	882,150	15,550,000	521,287
Overseas bonds	976,464,339	32,690,470	979,134,169	32,823,807
Time deposits	4,249,330	142,260	8,034,520	269,344
Beneficial right of real estate	100,000	3,348	100,000	3,352
Total	$1,027,848,819	$34,410,740	$1,023,349,976	$34,306,067

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Stocks	$7,531,287	$251,378	$7,531,287	$259,253
Corporate bonds	13,000,000	433,912	13,500,000	464,716
Financial debentures	10,650,000	355,474	8,950,000	308,089
Overseas bonds	830,468,495	27,719,242	768,043,949	26,438,690
Time deposits	10,020,625	334,467	18,879,381	649,893
Total	$871,670,407	$29,094,473	$816,904,617	$28,120,641

A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by the Company and Subsidiaries. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the Company and Subsidiaries recognized impairment losses amounting to NT$388,895 (US$13,020) thousands, NT$389,350 (US$13,052) thousands, NT$391,560 (US$13,069) thousands and NT$378,768 (US$13,038) 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

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Corporate bonds	$2,696,381	$90,271	$-	$-
Government bonds	4,999,168	167,364	-	-
Overseas bonds	1,742,663	58,341	1,619,138	54,279
Total	$9,438,212	$315,976	$1,619,138	$54,279

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Corporate bonds	$-	$-	$-	$-
Government bonds	-	-	-	-
Overseas bonds	-	-	-	-
Total	$-	$-	$-	$-

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

14. Other financial assets

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Structured deposits	$38,200,000	$1,278,875	$40,900,000	$1,371,103
Other	-	-	-	-
Total	$38,200,000	$1,278,875	$40,900,000	$1,371,103

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Structured deposits	$33,400,000	$1,114,820	$23,500,000	$808,950
Other	699	23	10	-
Total	$33,400,699	$1,114,843	$23,500,010	$808,950

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$15,552,046 (US$520,658) thousands, NT$8,874,813 (US$297,513) thousands, NT$7,441,030 (US$248,365) thousands and NT$7,840,496 (US$269,897) thousands as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, respectively. The details of structured notes are listed below:

	30 June 2014					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$52,722	$1,765	$24,990	$837	$77,712	$2,602
Available-for-sale financial assets	7,777,900	260,392	217,684	7,288	7,995,584	267,680
Bond investments for which no active market exists	7,478,750	250,376	-	-	7,478,750	250,376
Total	$15,309,372	$512,533	$242,674	$8,125	$15,552,046	$520,658

	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

	30 June 2013					
	Cost		Adjustment of valuation		Book value	
Item	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss	$82,118	$2,741	$25,446	$849	$107,564	$3,590
Available-for-sale financial assets	7,078,200	236,255	255,266	8,520	7,333,466	244,775
Total	$7,160,318	$238,996	$280,712	$9,369	$7,441,030	$248,365

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

	1 January 2013					
	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

16. Investment property, Investment property under construction and Prepayments for buildings and land - Investments

	NT$				
	Investment property			Investment property under construction	Prepayments for buildings and land - Investments
	Land	Buildings	Total		
1 January 2014	$277,804,325	$67,655,180	$345,459,505	$15,570,122	$5,173,152
Additions from acquisitions	-	-	-	1,914,044	7,742,036
Additions from subsequent expenditure	-	-	-	418,495	-
Transfers from (to) property and equipment	9,495,616	872,376	10,367,992	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	7,036,238	5,589,284	12,625,522	(1,602,519)	(11,083,418)
Gains (losses) generated from fair value adjustments	20,737,667	(4,243,558)	16,494,109	-	-
Disposals	(170,862)	-	(170,862)	-	-
Exchange differences	-	(149,028)	(149,028)	-	(961)
30 June 2014	$314,902,984	$69,724,254	$384,627,238	$16,300,142	$1,830,809

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

	US$				
	Investment property			Investment property under	Prepayments for buildings and
	Land	Buildings	Total	construction	land - Investments
1 January 2014	$9,300,446	$2,264,988	$11,565,434	$521,263	$173,189
Additions from acquisitions	-	-	-	64,079	259,191
Additions from subsequent expenditure	-	-	-	14,011	-
Transfers from (to) property and equipment	317,898	29,206	347,104	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	235,562	187,120	422,682	(53,650)	(371,055)
Gains (losses) generated from fair value adjustments	694,264	(142,068)	552,196	-	-
Disposals	(5,720)	-	(5,720)	-	-
Exchange differences	-	(4,989)	(4,989)	-	(32)
30 June 2014	$10,542,450	$2,334,257	$12,876,707	$545,703	$61,293

	NT$				
	Investment property			Investment property under	Prepayments for buildings and
	Land	Buildings	Total	construction	land - Investments
1 January 2013	$245,913,284	$57,601,140	$303,514,424	$7,519,477	$1,581,767
Additions from acquisitions	-	-	-	2,968,105	15,881
Additions from subsequent expenditure	-	-	-	457,373	-
Transfers from (to) investment property under construction and prepayments for buildings and land	5,305	85,295	90,600	(85,295)	(5,305)
Gains generated from fair value adjustments	5,135,538	1,643,642	6,779,180	-	-
30 June 2013	$251,054,127	$59,330,077	$310,384,204	$10,859,660	$1,592,343

	US$				
	Investment property			Investment property under	Prepayments for buildings and
	Land	Buildings	Total	construction	land - Investments
1 January 2013	$8,208,054	$1,922,601	$10,130,655	$250,984	$52,796
Additions from acquisitions	-	-	-	99,069	530
Additions from subsequent expenditure	-	-	-	15,266	-
Transfers from (to) investment property under construction and prepayments for buildings and land	177	2,847	3,024	(2,847)	(177)
Gains generated from fair value adjustments	171,413	54,861	226,274	-	-
30 June 2013	$8,379,644	$1,980,309	$10,359,953	$362,472	$53,149

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

	For the three-month period ended 30 June 2014		For the three-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Rental income from investment property	$1,845,309	$61,778	$1,639,086	$54,709
Less:				
Direct operating expenses from investment property generating rental income	(111,293)	(3,726)	(87,459)	(2,919)
Direct operating expenses from investment property without generating rental income	(30,385)	(1,017)	(31,932)	(1,066)
Total	$1,703,631	$57,035	$1,519,695	$50,724

	For the six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Rental income from investment property	$3,865,643	$129,416	$3,518,502	$117,440
Less:				
Direct operating expenses from investment property generating rental income	(170,012)	(5,692)	(134,372)	(4,485)
Direct operating expenses from investment property without generating rental income	(49,028)	(1,641)	(48,239)	(1,610)
Total	$3,646,603	$122,083	$3,335,891	$111,345

Valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and valuation dates are 30 June 2014, 31 December 2013, 30 June 2013 and 31 December 2012. Please refer to original financial report for detail information of the appraisers and agencies.

Fair value has been supported by observable evidences in the market. The appraisal approaches used are mainly the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings and residences are valued using comparison approach and income approach mostly because of the market liquidity and comparable sales and rental cases in neighboring areas. Hotels, department stores, and marketplaces are valued using income approach mostly because of the stable rental income in the long run. Industrial factory buildings for rental are valued using comparison approach and direct capitalization method, and wholesale stores located in industrial and commercial integrated district are valued using cost approach since land is industrial land and buildings are constructed for specific purposes so that seldom similar transactions can be referred in the market. Vacant land that building permission obtained and under construction are valued using comparison approach and land development analysis of cost approach. Urban renewal land that building permission obtained and under construction are value based on rental long-held buildings, hotels, etc. which is received from urban renewal scheme.

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

The inputs used are as follows:

	30 June 2014	31 December 2013	30 June 2013	1 January 2013
Direct capitalization rate (Net)	Mainly 1.5%~4.8%	Mainly 1.5%~4.8%	Mainly 1.5%~4.3%	Mainly 1.5%~4.8%
Discount rate	3.3%~4.2%	3.3%~4.2%	3.3%~4.2%	3.2%~4.2%

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

(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 30 June 2014, 31 December 2013, 30 June 2013, and 1 January 2013, no investments in real estate were pledged as collateral.

17. Loans

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Policy loans	$165,813,825	$5,551,183	$170,831,058	$5,726,820
Automatic premium loans	7,860,424	263,154	7,710,107	258,468
Secured loans	493,445,340	16,519,764	457,322,675	15,330,965
Total	$667,119,589	$22,334,101	$635,863,840	$21,316,253

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

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Policy loans	$171,657,877	$5,729,569	$175,903,780	$6,055,208
Automatic premium loans	7,721,277	257,720	7,714,178	265,548
Secured loans	403,061,356	13,453,316	334,592,988	11,517,831
Total	$582,440,510	$19,440,605	$518,210,946	$17,838,587

(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

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Secured loans	$493,622,761	$16,525,703	$457,073,632	$15,322,616
Secured loans - Related parties	3,578,651	119,808	3,620,905	121,385
Less:Allowance for bad debts	(3,823,365)	(128,000)	(3,443,283)	(115,430)
Subtotal	493,378,047	16,517,511	457,251,254	15,328,571
Overdue receivables	186,362	6,239	466,628	15,642
Less:Allowance for bad debts	(119,069)	(3,986)	(395,207)	(13,248)
Subtotal	67,293	2,253	71,421	2,394
Total	$493,445,340	$16,519,764	$457,322,675	$15,330,965

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

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Secured loans	$402,268,913	$13,426,866	$333,064,485	$11,465,215
Secured loans - Related parties	3,653,801	121,956	3,677,241	126,583
Less:Allowance for bad debts	(2,974,207)	(99,273)	(2,289,452)	(78,811)
Subtotal	402,948,507	13,449,549	334,452,274	11,512,987
Overdue receivables	516,854	17,252	558,875	19,238
Less:Allowance for bad debts	(404,005)	(13,485)	(418,161)	(14,394)
Subtotal	112,849	3,767	140,714	4,844
Total	$403,061,356	$13,453,316	$334,592,988	$11,517,831

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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 in 2013. 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 2014	$1,518,673	$50,843	$2,319,817	$77,664	$3,838,490	$128,507
Charge (reversal) for the current period	(317,754)	(10,638)	60,638	2,030	(257,116)	(8,608)
Write off	(274,798)	(9,200)	(5,325)	(178)	(280,123)	(9,378)
Minimum of statutory reserve	305,251	10,219	335,932	11,246	641,183	21,465
30 June 2014	$1,231,372	$41,224	$2,711,062	$90,762	$3,942,434	$131,986

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

	Individually impaired		Collectively impaired		Total	
	NT$	US$	NT$	US$	NT$	US$
1 January 2013	$1,398,295	$46,672	$1,309,318	$43,702	$2,707,613	$90,374
Charge (reversal) for the current period	161,503	5,391	458,046	15,289	619,549	20,680
Write off	-	-	(15,900)	(531)	(15,900)	(531)
Minimum of statutory reserve	-	-	66,950	2,235	66,950	2,235
30 June 2013	$1,559,798	$52,063	$1,818,414	$60,695	$3,378,212	$112,758

18. Reinsurance assets

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Claims recoverable from reinsurers	$-	$-	$-	$-
Due from reinsurers and ceding companies	453,479	15,182	344,600	11,552
Reinsurance reserve assets				
Ceded unearned premium reserve	210,157	7,036	321,982	10,794
Ceded reserve for claims	16,461	551	16,875	566
Subtotal	226,618	7,587	338,857	11,360
Total	$680,097	$22,769	$683,457	$22,912

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Claims recoverable from reinsurers	$1,956	$65	$1,014	$35
Due from reinsurers and ceding companies	257,107	8,582	3,547	122
Reinsurance reserve assets				
Ceded unearned premium reserve	3,653,651	121,951	8,384,281	288,615
Ceded reserve for claims	827,483	27,620	781,354	26,897
Subtotal	4,481,134	149,571	9,165,635	315,512
Total	$4,740,197	$158,218	$9,170,196	$315,669

Above reinsurance assets were not impaired.

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 six-month periods ended 30 June 2014 and 2013

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 2014	$24,266,695	$21,594,487	$2,566,133	$16,097	$3,390,310	$149,039	$275,652	$254,369	$52,512,782
Additions from acquisitions	-	-	46,067	-	66,339	670	-	4,798	117,874
Additions from subsequent expenditure	-	-	-	-	-	-	-	46,358	46,358
Transfers	(8,354,102)	(1,203,919)	-	-	-	-	-	(68,882)	(9,626,903)
Disposals	-	-	(13,463)	-	(17,657)	-	-	-	(31,120)
Exchange differences	-	(17,664)	(7,402)	(101)	(324)	(3,811)	-	(7)	(29,309)
30 June 2014	$15,912,593	$20,372,904	$2,591,335	$15,996	$3,438,668	$145,898	$275,652	$236,636	$42,989,682

	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 2014	$812,410	$722,949	$85,910	$539	$113,502	$4,990	$9,228	$8,516	$1,758,044
Additions from acquisitions	-	-	1,542	-	2,221	22	-	161	3,946
Additions from subsequent expenditure	-	-	-	-	-	-	-	1,552	1,552
Transfers	(279,682)	(40,305)	-	-	-	-	-	(2,306)	(322,293)
Disposals	-	-	(451)	-	(591)	-	-	-	(1,042)
Exchange differences	-	(591)	(248)	(3)	(11)	(128)	-	-	(981)
30 June 2014	$532,728	$682,053	$86,753	$536	$115,121	$4,884	$9,228	$7,923	$1,439,226

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

	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	-	-	22,963	-	126,136	6,895	-	38,716	194,710
Additions from subsequent expenditure	-	-	-	-	-	-	-	56,025	56,025
Transfers	-	6,385	(10,950)	-	2,881	-	-	(6,385)	(8,069)
Disposals	-	-	(18,888)	-	(7,746)	-	-	-	(26,634)
Exchange differences	-	164,700	13,459	186	625	6,394	-	-	185,364
30 June 2013	$29,580,787	$30,930,306	$2,524,252	$16,065	$4,087,840	$137,369	$275,652	$209,032	$67,761,303

	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	$987,343	$1,026,676	$84,034	$530	$132,375	$4,141	$9,201	$4,028	$2,248,328
Additions from acquisitions	-	-	767	-	4,210	230	-	1,292	6,499
Additions from subsequent expenditure	-	-	-	-	-	-	-	1,870	1,870
Transfers	-	213	(365)	-	96	-	-	(213)	(269)
Disposals	-	-	(630)	-	(259)	-	-	-	(889)
Exchange differences	-	5,498	449	6	21	213	-	-	6,187
30 June 2013	$987,343	$1,032,387	$84,255	$536	$136,443	$4,584	$9,201	$6,977	$2,261,726

	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 2014	$(105,610)	$(10,233,389)	$(2,315,718)	$(11,213)	$(2,962,060)	$(117,593)	$(97,627)	$-	$(15,843,210)
Depreciation	-	(217,394)	(38,194)	(473)	(42,849)	(5,214)	(34,456)	-	(338,580)
Transfers	-	160,066	-	-	-	-	-	-	160,066
Disposals	-	-	10,231	-	17,396	-	-	-	27,627
Other	-	-	-	-	-	(39)	-	-	(39)
Exchange differences	-	795	4,806	91	289	3,103	-	-	9,084
30 June 2014	$(105,610)	$(10,289,922)	$(2,338,875)	$(11,595)	$(2,987,224)	$(119,743)	$(132,083)	$-	$(15,985,052)

(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 2014	$(3,536)	$(342,598)	$(77,527)	$(375)	$(99,165)	$(3,937)	$(3,268)	$-	$(530,406)
Depreciation	-	(7,278)	(1,279)	(16)	(1,434)	(175)	(1,154)	-	(11,336)
Transfers	-	5,359	-	-	-	-	-	-	5,359
Disposals	-	-	343	-	582	-	-	-	925
Other	-	-	-	-	-	(1)	-	-	(1)
Exchange differences	-	27	161	3	10	104	-	-	305
30 June 2014	$(3,536)	$(344,490)	$(78,302)	$(388)	$(100,007)	$(4,009)	$(4,422)	$-	$(535,154)

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	-	(347,971)	(44,131)	(901)	(66,625)	(8,142)	(34,457)	-	(502,227)
Transfers	-	-	7,025	-	(11,859)	-	-	-	(4,834)
Disposals	-	-	18,076	-	6,987	-	-	-	25,063
Exchange differences	-	(2,436)	(8,451)	(159)	(555)	(5,074)	-	-	(16,675)
30 June 2013	$(105,610)	$(13,459,813)	$(2,246,111)	$(10,712)	$(3,506,129)	$(110,152)	$(63,171)	$-	$(19,501,698)

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	$(3,525)	$(437,564)	$(74,052)	$(322)	$(114,622)	$(3,236)	$(959)	$-	$(634,280)
Depreciation	-	(11,614)	(1,473)	(30)	(2,224)	(272)	(1,150)	-	(16,763)
Transfers	-	-	234	-	(396)	-	-	-	(162)
Disposals	-	-	603	-	233	-	-	-	836
Exchange differences	-	(81)	(282)	(5)	(19)	(169)	-	-	(556)
30 June 2013	$(3,525)	$(449,259)	$(74,970)	$(357)	$(117,028)	$(3,677)	$(2,109)	$-	$(650,925)

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

	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:									
30 June 2014	$15,806,983	$10,082,982	$252,460	$4,401	$451,444	$26,155	$143,569	$236,636	$27,004,630
31 December 2013	$24,161,085	$11,361,098	$250,415	$4,884	$428,250	$31,446	$178,025	$254,369	$36,669,572
30 June 2013	$29,475,177	$17,470,493	$278,141	$5,353	$581,711	$27,217	$212,481	$209,032	$48,259,605
1 January 2013	$29,475,177	$17,649,815	$299,038	$6,227	$531,867	$27,144	$246,938	$120,676	$48,356,882

	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:									
30 June 2014	$529,192	$337,563	$8,451	$148	$15,114	$875	$4,806	$7,923	$904,072
31 December 2013	$809,959	$380,862	$8,395	$164	$14,356	$1,054	$5,968	$8,527	$1,229,285
30 June 2013	$983,818	$583,127	$9,284	$179	$19,416	$908	$7,092	$6,977	$1,610,801
1 January 2013	$1,014,636	$607,567	$10,294	$215	$18,309	$934	$8,500	$4,154	$1,664,609

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

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

20. Intangible assets

	Computer software	
	NT$	US$
Cost:		
1 January 2014	$1,732,150	$57,990
Addition - acquired separately	13,716	459
Exchange differences	(5,039)	(169)
30 June 2014	$1,740,827	$58,280

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

	Computer software	
	NT$	US$
Cost:		
1 January 2013	$1,716,232	$57,284
Addition - acquired separately	16,380	546
Transfers	(4,805)	(160)
Exchange differences	9,585	320
30 June 2013	$1,737,392	$57,990

	Computer software	
	NT$	US$
Amortization and impairment:		
1 January 2014	$(1,548,060)	$(51,827)
Amortization	(25,009)	(837)
Exchange differences	3,133	105
30 June 2014	$(1,569,936)	$(52,559)

	Computer software	
	NT$	US$
Amortization and impairment:		
1 January 2013	$(1,461,354)	$(48,777)
Amortization	(34,370)	(1,147)
Transfers	2,537	85
Exchange differences	(5,023)	(168)
30 June 2013	$(1,498,210)	$(50,007)

	Computer software	
	NT$	US$
Net carrying amount as at:		
30 June 2014	$170,891	$5,721
31 December 2013	$184,090	$6,171
30 June 2013	$239,182	$7,983
1 January 2013	$254,878	$8,774

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

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

	For the three-month period ended 30 June 2014		For the three-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Operating costs	$-	$-	$415	$14
Operating expenses - business expenses	$7,774	$260	$9,961	$333
Operating expenses - administrative and general expenses	$4,383	$147	$6,182	$206

	For the six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Operating costs	$-	$-	$803	$27
Operating expenses - business expenses	$16,181	$540	$20,632	$688
Operating expenses - administrative and general expenses	$8,828	$295	$12,935	$432

21. Other assets

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Prepayment	$458,420	$15,347	$464,037	$15,556
Deferred acquisition costs	40,178	1,345	44,005	1,475
Guarantee deposits paid	16,121,453	539,721	16,714,926	560,340
Other assets - other	2,239,630	74,979	1,236,755	41,460
Total	$18,859,681	$631,392	$18,459,723	$618,831

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Prepayment	$1,062,439	$35,462	$690,829	$23,781
Deferred acquisition costs	47,831	1,597	51,659	1,778
Guarantee deposits paid	14,936,159	498,536	14,376,119	494,875
Other assets - other	1,281,802	42,784	1,620,867	55,796
Total	$17,328,231	$578,379	$16,739,474	$576,230

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

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 six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Beginning balance	$44,005	$1,473	$51,659	$1,725
Amortization	(3,827)	(128)	(3,828)	(128)
Ending balance	$40,178	$1,345	$47,831	$1,597

23. Payables

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Notes payable	$1,063	$36	$1,079	$36
Life insurance proceeds payable	280,068	9,376	288,814	9,682
Reinsurance proceeds payable	36,368	1,218	8,952	300
Commissions payable	2,148,400	71,925	1,916,868	64,260
Due to reinsurers and ceding companies	348,217	11,658	647,607	21,710
Other payables	23,346,285	781,596	16,162,356	541,815
Total	$26,160,401	$875,809	$19,025,676	$637,803

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Notes payable	$1,078	$36	$1,104	$38
Life insurance proceeds payable	283,714	9,470	243,714	8,390
Commissions payable	555,841	18,553	644,891	22,199
Due to reinsurers and ceding companies	4,472,529	149,284	8,056,342	277,327
Other payables	12,281,880	409,941	29,127,604	1,002,671
Total	$17,595,042	$587,284	$38,073,655	$1,310,625

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

24. Financial liabilities at fair value through profit or loss

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Held for trading				
Derivatives that are not designated hedging				
Forward	$388,797	$13,016	$4,932,173	$165,343
CS	2,039,207	68,269	11,166,453	374,336
IRS	23,520	788	49,398	1,656
Total	$2,451,524	$82,073	$16,148,024	$541,335

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Held for trading				
Derivatives that are not designated hedging				
Forward	$6,603,541	$220,412	$726,786	$25,018
CS	13,890,656	463,640	1,246,005	42,892
IRS	75,565	2,522	106,666	3,672
Total	$20,569,762	$686,574	$2,079,457	$71,582

25. Derivative financial liabilities for hedging

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
IRS	$-	$-	$5,148	$173

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
IRS	$-	$-	$-	$-

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.

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

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".

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

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,950,679,574	$26,615,338	$2,977,294,912	$2,826,901,255	$41,698,426	$2,868,599,681
Injury insurance	7,932,075	-	7,932,075	7,948,252	-	7,948,252
Health insurance	338,625,226	-	338,625,226	317,225,766	-	317,225,766
Annuity insurance	1,249,856	80,822,065	82,071,921	1,230,168	98,089,349	99,319,517
Investment-linked insurance	1,097,251	-	1,097,251	1,054,750	-	1,054,750
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
Total	$3,299,647,274	$107,437,403	$3,407,084,677	$3,154,423,483	$139,787,775	$3,294,211,258

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

	30 June 2014 US$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$98,784,050	$891,039	$99,675,089	$94,767,055	$1,397,869	$96,164,924
Injury insurance	265,553	-	265,553	266,452	-	266,452
Health insurance	11,336,633	-	11,336,633	10,634,454	-	10,634,454
Annuity insurance	41,843	2,705,794	2,747,637	41,239	3,288,278	3,329,517
Investment-linked insurance	36,734	-	36,734	35,359	-	35,359
Recover from major incident reserve	2,119	-	2,119	2,122	-	2,122
Total	$110,466,932	$3,596,833	$114,063,765	$105,746,681	$4,686,147	$110,432,828

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$2,666,905,718	$43,127,513	$2,710,033,231	$2,540,691,009	$44,435,855	$2,585,126,864
Injury insurance	7,886,868	-	7,886,868	7,888,169	-	7,888,169
Health insurance	290,294,767	-	290,294,767	270,513,728	-	270,513,728
Annuity insurance	1,225,184	114,522,967	115,748,151	1,226,217	124,300,017	125,526,234
Investment-linked insurance	1,113,385	-	1,113,385	1,059,809	-	1,059,809
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
Total	$2,967,489,214	$157,650,480	$3,125,139,694	$2,821,442,224	$168,735,872	$2,990,178,096

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

	30 June 2013 US$			1 January 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$89,015,545	$1,439,503	$90,455,048	$87,459,243	$1,529,634	$88,988,877
Injury insurance	263,247	-	263,247	271,538	-	271,538
Health insurance	9,689,411	-	9,689,411	9,312,004	-	9,312,004
Annuity insurance	40,894	3,822,529	3,863,423	42,211	4,278,830	4,321,041
Investment-linked insurance	37,162	-	37,162	36,482	-	36,482
Recover from major incident reserve	2,113	-	2,113	2,179	-	2,179
Total	$99,048,372	$5,262,032	$104,310,404	$97,123,657	$5,808,464	$102,932,121

Reserve for life insurance liabilities is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,154,423,483	$139,787,775	$3,294,211,258	$2,821,442,224	$168,735,872	$2,990,178,096
Reserve	198,292,689	1,651,938	199,944,627	191,341,304	5,572,454	196,913,758
Recover	(52,421,849)	(34,356,989)	(86,778,838)	(52,572,411)	(16,044,784)	(68,617,195)
Losses (gains) on foreign exchange	(647,049)	354,679	(292,370)	7,278,097	(613,062)	6,665,035
Ending balance	$3,299,647,274	$107,437,403	$3,407,084,677	$2,967,489,214	$157,650,480	$3,125,139,694

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$105,605,071	$4,679,872	$110,284,943	$94,173,639	$5,632,039	$99,805,678
Reserve	6,638,523	55,304	6,693,827	6,386,559	185,996	6,572,555
Recover	(1,755,000)	(1,150,217)	(2,905,217)	(1,754,753)	(535,540)	(2,290,293)
Losses (gains) on foreign exchange	(21,662)	11,874	(9,788)	242,927	(20,463)	222,464
Ending balance	$110,466,932	$3,596,833	$114,063,765	$99,048,372	$5,262,032	$104,310,404

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

B. Unearned premium reserve

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$351,133	$-	$351,133	$354,815	$-	$354,815
Individual injury insurance	4,671,151	-	4,671,151	4,679,885	-	4,679,885
Individual health insurance	6,409,874	-	6,409,874	6,454,421	-	6,454,421
Group insurance	807,260	-	807,260	702,318	-	702,318
Investment-linked insurance	110,627	-	110,627	111,466	-	111,466
Total	12,350,045	-	12,350,045	12,302,905	-	12,302,905
Less ceded unearned premium reserve:						
Individual life insurance	60,158	-	60,158	132,337	-	132,337
Individual injury insurance	149,762	-	149,762	150,618	-	150,618
Group insurance	89	-	89	89	-	89
Total	210,009	-	210,009	283,044	-	283,044
Net	$12,140,036	$-	$12,140,036	$12,019,861	$-	$12,019,861

	30 June 2014 US$			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	$11,755	$-	$11,755	$11,895	$-	$11,895
Individual injury insurance	156,383	-	156,383	156,885	-	156,885
Individual health insurance	214,592	-	214,592	216,373	-	216,373
Group insurance	27,026	-	27,026	23,544	-	23,544
Investment-linked insurance	3,704	-	3,704	3,737	-	3,737
Total	413,460	-	413,460	412,434	-	412,434
Less ceded unearned premium reserve:						
Individual life insurance	2,014	-	2,014	4,437	-	4,437
Individual injury insurance	5,014	-	5,014	5,049	-	5,049
Group insurance	3	-	3	3	-	3
Total	7,031	-	7,031	9,489	-	9,489
Net	$406,429	$-	$406,429	$402,945	$-	$402,945

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

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$301,098	$-	$301,098	$286,321	$-	$286,321
Individual injury insurance	4,509,619	-	4,509,619	4,528,407	-	4,528,407
Individual health insurance	6,105,106	-	6,105,106	6,135,137	-	6,135,137
Group insurance	995,599	-	995,599	780,294	-	780,294
Investment-linked insurance	110,913	-	110,913	118,616	-	118,616
Total	12,022,335	-	12,022,335	11,848,775	-	11,848,775
Less ceded unearned premium reserve:						
Individual life insurance	2,305,391	-	2,305,391	3,686,613	-	3,686,613
Individual injury insurance	1,341,899	-	1,341,899	4,690,419	-	4,690,419
Group insurance	-	-	-	89	-	89
Total	3,647,290	-	3,647,290	8,377,121	-	8,377,121
Net	$8,375,045	$-	$8,375,045	$3,471,654	$-	$3,471,654

	30 June 2013 US$			1 January 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$10,050	$-	$10,050	$9,856	$-	$9,856
Individual injury insurance	150,522	-	150,522	155,883	-	155,883
Individual health insurance	203,775	-	203,775	211,192	-	211,192
Group insurance	33,231	-	33,231	26,861	-	26,861
Investment-linked insurance	3,702	-	3,702	4,083	-	4,083
Total	401,280	-	401,280	407,875	-	407,875
Less ceded unearned premium reserve:						
Individual life insurance	76,949	-	76,949	126,906	-	126,906
Individual injury insurance	44,790	-	44,790	161,460	-	161,460
Group insurance	-	-	-	3	-	3
Total	121,739	-	121,739	288,369	-	288,369
Net	$279,541	$-	$279,541	$119,506	$-	$119,506

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

Unearned premium reserve is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,302,905	$-	$12,302,905	$11,848,775	$-	$11,848,775
Reserve	12,350,044	-	12,350,044	12,022,336	-	12,022,336
Recover	(12,302,905)	-	(12,302,905)	(11,848,775)	-	(11,848,775)
Losses (gains) on foreign exchange	1	-	1	(1)	-	(1)
Ending balance	12,350,045	-	12,350,045	12,022,335	-	12,022,335
Less ceded unearned premium reserve:						
Beginning balance-Net	283,044	-	283,044	8,377,121	-	8,377,121
Increase	-	-	-	4,398	-	4,398
Decrease	(73,035)	-	(73,035)	(4,734,229)	-	(4,734,229)
Ending balance-Net	210,009	-	210,009	3,647,290	-	3,647,290
Total	$12,140,036	$-	$12,140,036	$8,375,045	$-	$8,375,045

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$411,882	$-	$411,882	$395,486	$-	$395,486
Reserve	413,460	-	413,460	401,280	-	401,280
Recover	(411,882)	-	(411,882)	(395,486)	-	(395,486)
Losses (gains) on foreign exchange	-	-	-	-	-	-
Ending balance	413,460	-	413,460	401,280	-	401,280
Less ceded unearned premium reserve:						
Beginning balance-Net	9,476	-	9,476	279,610	-	279,610
Increase	-	-	-	147	-	147
Decrease	(2,445)	-	(2,445)	(158,018)	-	(158,018)
Ending balance-Net	7,031	-	7,031	121,739	-	121,739
Total	$406,429	$-	$406,429	$279,541	$-	$279,541

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

C. Reserve for claims

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$186,088	$863	$186,951	$116,070	$1,091	$117,161
－Unreported claim	56,411	-	56,411	52,064	-	52,064
Individual injury insurance						
－Reported but not paid claim	103,578	-	103,578	99,655	-	99,655
－Unreported claim	1,158,382	-	1,158,382	1,131,904	-	1,131,904
Individual health insurance						
－Reported but not paid claim	136,551	-	136,551	156,336	-	156,336
－Unreported claim	1,812,475	-	1,812,475	1,657,838	-	1,657,838
Group insurance						
－Reported but not paid claim	22,761	-	22,761	37,286	-	37,286
－Unreported claim	951,949	-	951,949	913,688	-	913,688
Investment-linked insurance						
－Reported but not paid claim	16,141	-	16,141	3,856	-	3,856
Total	$4,444,336	$863	$4,445,199	$4,168,697	$1,091	$4,169,788

	30 June 2014 US$			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	$6,230	$29	$6,259	$3,891	$37	$3,928
－Unreported claim	1,888	-	1,888	1,745	-	1,745
Individual injury insurance						
－Reported but not paid claim	3,468	-	3,468	3,341	-	3,341
－Unreported claim	38,781	-	38,781	37,945	-	37,945
Individual health insurance						
－Reported but not paid claim	4,571	-	4,571	5,241	-	5,241
－Unreported claim	60,679	-	60,679	55,576	-	55,576
Group insurance						
－Reported but not paid claim	762	-	762	1,250	-	1,250
－Unreported claim	31,870	-	31,870	30,630	-	30,630
Investment-linked insurance						
－Reported but not paid claim	540	-	540	129	-	129
Total	$148,789	$29	$148,818	$139,748	$37	$139,785

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

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$124,624	$1,027	$125,651	$105,856	$797	$106,653
－Unreported claim	52,387	-	52,387	49,750	-	49,750
Individual injury insurance						
－Reported but not paid claim	161,818	-	161,818	147,062	-	147,062
－Unreported claim	1,033,129	-	1,033,129	1,024,487	-	1,024,487
Individual health insurance						
－Reported but not paid claim	165,613	-	165,613	124,100	-	124,100
－Unreported claim	1,624,001	-	1,624,001	1,535,223	-	1,535,223
Group insurance						
－Reported but not paid claim	33,769	-	33,769	36,141	-	36,141
－Unreported claim	939,653	-	939,653	1,124,644	-	1,124,644
Investment-linked insurance						
－Reported but not paid claim	22,887	-	22,887	4,210	-	4,210
Total	4,157,881	1,027	4,158,908	4,151,473	797	4,152,270
Less ceded reserve for claims:						
Individual injury insurance	770,448	-	770,448	780,831	-	780,831
Net	$3,387,433	$1,027	$3,388,460	$3,370,642	$797	$3,371,439

	30 June 2013 US$			1 January 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	$4,160	$34	$4,194	$3,644	$27	$3,671
－Unreported claim	1,748	-	1,748	1,713	-	1,713
Individual injury insurance						
－Reported but not paid claim	5,401	-	5,401	5,062	-	5,062
－Unreported claim	34,484	-	34,484	35,266	-	35,266
Individual health insurance						
－Reported but not paid claim	5,528	-	5,528	4,272	-	4,272
－Unreported claim	54,206	-	54,206	52,848	-	52,848
Group insurance						
－Reported but not paid claim	1,127	-	1,127	1,244	-	1,244
－Unreported claim	31,363	-	31,363	38,714	-	38,714
Investment-linked insurance						
－Reported but not paid claim	764	-	764	145	-	145
Total	138,781	34	138,815	142,908	27	142,935
Less ceded reserve for claims:						
Individual injury insurance	25,716	-	25,716	26,879	-	26,879
Net	$113,065	$34	$113,099	$116,029	$27	$116,056

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

Reserve for claims is summarized below:

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$4,168,697	$1,091	$4,169,788	$4,151,473	$797	$4,152,270
Reserve	4,444,345	863	4,445,208	4,157,873	1,027	4,158,900
Recover	(4,168,697)	(1,091)	(4,169,788)	(4,151,473)	(797)	(4,152,270)
Losses (gains) on foreign exchange	(9)	-	(9)	8	-	8
Ending balance	4,444,336	863	4,445,199	4,157,881	1,027	4,158,908
Less ceded reserve for claims:						
Beginning balance-Net	-	-	-	780,831	-	780,831
Decrease	-	-	-	(10,383)	-	(10,383)
Ending balance-Net	-	-	-	770,448	-	770,448
Total	$4,444,336	$863	$4,445,199	$3,387,433	$1,027	$3,388,460

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$139,561	$37	$139,598	$138,567	$27	$138,594
Reserve	148,789	29	148,818	138,781	34	138,815
Recover	(139,561)	(37)	(139,598)	(138,567)	(27)	(138,594)
Losses (gains) on foreign exchange	-	-	-	-	-	-
Ending balance	148,789	29	148,818	138,781	34	138,815
Less ceded reserve for claims:						
Beginning balance-Net	-	-	-	26,062	-	26,062
Decrease	-	-	-	(346)	-	(346)
Ending balance-Net	-	-	-	25,716	-	25,716
Total	$148,789	$29	$148,818	$113,065	$34	$113,099

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

D. Special reserve

	30 June 2014 NT$				31 December 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,197	$-	$-	$1,197	$1,931	$-	$-	$1,931
Special reserve for revaluation increments of property	-	-	40,436,619	40,436,619	-	-	45,416,619	45,416,619
Total	$1,197	$-	$40,436,619	$40,437,816	$1,931	$-	$45,416,619	$45,418,550

	30 June 2014 US$				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	$40	$-	$-	$40	$65	$-	$-	$65
Special reserve for revaluation increments of property	-	-	1,353,754	1,353,754	-	-	1,522,515	1,522,515
Total	$40	$-	$1,353,754	$1,353,794	$65	$-	$1,522,515	$1,522,580

	30 June 2013 NT$				1 January 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	$1,462	$-	$-	$1,462	$1,970	$-	$-	$1,970
Special reserve for revaluation increments of property	-	-	50,436,619	50,436,619	-	-	55,416,619	55,416,619
Total	$1,462	$-	$50,436,619	$50,438,081	$1,970	$-	$55,416,619	$55,418,589

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

	30 June 2013 US$				1 January 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	$49	$-	$-	$49	$68	$-	$-	$68
Special reserve for revaluation increments of property	-	-	1,683,465	1,683,465	-	-	1,907,629	1,907,629
Total	$49	$-	$1,683,465	$1,683,514	$68	$-	$1,907,629	$1,907,697

Special reserve is summarized below:

	For the six-month period ended 30 June 2014 NT$				For the six-month period ended 30 June 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$1,931	$-	$45,416,619	$45,418,550	$1,970	$-	$55,416,619	$55,418,589
Reserve for participating policies dividends reserve	584	-	-	584	687	-	-	687
Recover from participating policies dividends reserve	(1,318)	-	-	(1,318)	(1,195)	-	-	(1,195)
Recover from special reserve for revaluation increments of property (Note)	-	-	(4,980,000)	(4,980,000)	-	-	(4,980,000)	(4,980,000)
Ending balance	$1,197	$-	$40,436,619	$40,437,816	$1,462	$-	$50,436,619	$50,438,081

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

	For the six-month period ended 30 June 2014 US$				For the six-month period ended 30 June 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$65	$-	$1,520,476	$1,520,541	$66	$-	$1,849,687	$1,849,753
Reserve for participating policies dividends reserve	19	-	-	19	23	-	-	23
Recover from participating policies dividends reserve	(44)	-	-	(44)	(40)	-	-	(40)
Recover from special reserve for revaluation increments of property (Note)	-	-	(166,722)	(166,722)	-	-	(166,222)	(166,222)
Ending balance	$40	$-	$1,353,754	$1,353,794	$49	$-	$1,683,465	$1,683,514

Note: According to the regulations authorized by the FSC on 29 January 2014 and 28 January 2013, the Company can recover special reserve for revaluation increments of property by month, and the total recovered amount in 2014 and 2013 are both NT$10 billion.

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

	30 June 2014 NT$				31 December 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$114,720	$-	$-	$114,720	$103,850	$-	$-	$103,850
Individual injury insurance	2,140,681	-	-	2,140,681	1,938,063	-	-	1,938,063
Individual health insurance	3,978,139	-	-	3,978,139	3,376,834	-	-	3,376,834
Group insurance	2,959,300	-	-	2,959,300	2,614,441	-	-	2,614,441
Total	$9,192,840	$-	$-	$9,192,840	$8,033,188	$-	$-	$8,033,188

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

	30 June 2014 US$				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	$3,841	$-	$-	$3,841	$3,481	$-	$-	$3,481
Individual injury insurance	71,666	-	-	71,666	64,970	-	-	64,970
Individual health insurance	133,182	-	-	133,182	113,203	-	-	113,203
Group insurance	99,073	-	-	99,073	87,645	-	-	87,645
Total	$307,762	$-	$-	$307,762	$269,299	$-	$-	$269,299

	30 June 2013 NT$				1 January 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Individual life insurance	$90,043	$-	$-	$90,043	$79,172	$-	$-	$79,172
Individual injury insurance	1,409,952	-	-	1,409,952	1,194,433	-	-	1,194,433
Individual health insurance	2,943,915	-	-	2,943,915	2,361,060	-	-	2,361,060
Group insurance	2,211,063	-	-	2,211,063	1,860,655	-	-	1,860,655
Total	$6,654,973	$-	$-	$6,654,973	$5,495,320	$-	$-	$5,495,320

	30 June 2013 US$				1 January 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	$3,005	$-	$-	$3,005	$2,725	$-	$-	$2,725
Individual injury insurance	47,061	-	-	47,061	41,117	-	-	41,117
Individual health insurance	98,262	-	-	98,262	81,276	-	-	81,276
Group insurance	73,801	-	-	73,801	64,050	-	-	64,050
Total	$222,129	$-	$-	$222,129	$189,168	$-	$-	$189,168

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

F. Premium deficiency reserve

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$16,547,708	$-	$16,547,708	$19,012,225	$-	$19,012,225
Individual health insurance	620,154	-	620,154	615,791	-	615,791
Group insurance	997	-	997	1,237	-	1,237
Total	$17,168,859	$-	$17,168,859	$19,629,253	$-	$19,629,253

	30 June 2014 US$			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	$553,991	$-	$553,991	$637,353	$-	$637,353
Individual health insurance	20,762	-	20,762	20,643	-	20,643
Group insurance	33	-	33	41	-	41
Total	$574,786	$-	$574,786	$658,037	$-	$658,037

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$18,347,795	$-	$18,347,795	$16,389,516	$-	$16,389,516
Individual health insurance	615,164	-	615,164	690,546	-	690,546
Group insurance	36,360	-	36,360	41,573	-	41,573
Total	$18,999,319	$-	$18,999,319	$17,121,635	$-	$17,121,635

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

	30 June 2013 US$			1 January 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$612,410	$-	$612,410	$564,183	$-	$564,183
Individual health insurance	20,533	-	20,533	23,771	-	23,771
Group insurance	1,213	-	1,213	1,431	-	1,431
Total	$634,156	$-	$634,156	$589,385	$-	$589,385

Premium deficiency reserve is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$19,629,253	$-	$19,629,253	$17,121,635	$-	$17,121,635
Reserve	-	-	-	2,044,783	-	2,044,783
Recover	(2,528,108)	-	(2,528,108)	(434,839)	-	(434,839)
Losses (gains) on foreign exchange	67,714	-	67,714	267,740	-	267,740
Ending balance	$17,168,859	$-	$17,168,859	$18,999,319	$-	$18,999,319

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$657,156	$-	$657,156	$571,483	$-	$571,483
Reserve	-	-	-	68,250	-	68,250
Recover	(84,637)	-	(84,637)	(14,514)	-	(14,514)
Losses (gains) on foreign exchange	2,267	-	2,267	8,937	-	8,937
Ending balance	$574,786	$-	$574,786	$634,156	$-	$634,156

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

G. Liability adequacy reserve

	30 June 2014 NT$	30 June 2014 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$3,407,084,677	$114,063,765
Unearned premium reserve	12,350,045	413,460
Premium deficiency reserve	17,168,859	574,786
Total	$3,436,603,581	$115,052,011
Book value of insurance liabilities	$3,436,603,581	$115,052,011
Estimated present value of cash flows	$2,758,024,700	$92,334,272
Balance of 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	$-	$-

	30 June 2013 NT$ Insurance contract and financial instruments with discretionary participation feature	30 June 2013 US$ Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$3,125,139,694	$104,310,404
Unearned premium reserve	12,022,335	401,280
Premium deficiency reserve	18,999,319	634,156
Total	$3,156,161,348	$105,345,840
Book value of insurance liabilities	$3,156,161,348	$105,345,840
Estimated present value of cash flows	$2,488,603,304	$83,064,196
Balance of liability adequacy reserve	$-	$-

	1 January 2013 NT$ Insurance contract and financial instruments with discretionary participation feature	1 January 2013 US$ 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	$-	$-

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:

	30 June 2014
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 30 June 2014. (2) Discount rate: Under assets allocation plan on 31 March 2014, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2013, with neutral assumption for discount rates after 30 years.

	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.

	30 June 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 30 June 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.

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

		1 January 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 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.

H. Reserve for insurance contracts with feature of financial instruments

The Company issues financial instruments without discretionary participation feature. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, reserve for insurance contracts with feature of financial instruments is summarized below:

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Life insurance	$50,994,623	$1,707,219	$52,910,750	$1,773,743
Investment-linked insurance	1,147	38	459	15
Total	$50,995,770	$1,707,257	$52,911,209	$1,773,758

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Life insurance	$54,356,244	$1,814,294	$56,461,371	$1,943,593
Investment-linked insurance	489	16	-	-
Total	$54,356,733	$1,814,310	$56,461,371	$1,943,593

	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2014
	NT$	US$
Beginning balance	$52,911,209	$1,771,383
Insurance claim payments	(2,328,989)	(77,971)
Net provision of statutory reserve	413,549	13,845
Losses (gains) on foreign exchange	1	-
Ending balance	$50,995,770	$1,707,257

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

	For the six-month period ended 30 June 2013 NT$	For the six-month period ended 30 June 2013 US$
Beginning balance	$56,461,371	$1,884,558
Premiums received	231	8
Insurance claim payments	(2,575,476)	(85,964)
Net provision of statutory reserve	470,606	15,708
Losses (gains) on foreign exchange	1	-
Ending balance	$54,356,733	$1,814,310

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 six-month period ended 30 June 2014 NT$	For the six-month period ended 30 June 2014 US$
Beginning balance	$10,482,181	$350,927
Reserve		
Compulsory reserve	1,396,083	46,739
Extra reserve	2,402,714	80,439
Subtotal	3,798,797	127,178
Recover	(3,377,903)	(113,087)
Ending balance	$10,903,075	$365,018

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

	For the six-month period ended 30 June 2013 NT$	For the six-month period ended 30 June 2013 US$
Beginning balance	$4,270,856	$142,552
Reserve		
Compulsory reserve	1,093,432	36,496
Extra reserve	3,150,350	105,152
Subtotal	4,243,782	141,648
Recover	(519,236)	(17,331)
Ending balance	$7,995,402	$266,869

c. Effects due to foreign exchange volatility reserve

	For the six-month period ended 30 June 2014					
	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	$19,874,702	$665,373	$19,525,360	$653,678	$(349,342)	$(11,695)
Earnings per share	3.75	0.12	3.68	0.12	(0.07)	-
Foreign exchange volatility reserve	-	-	10,903,075	365,018	10,903,075	365,018
Equity attributable to equity holders of the parent	312,354,785	10,457,140	307,049,700	10,279,535	(5,305,085)	(177,605)

	For the six-month period ended 30 June 2013					
	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	$15,363,667	$512,806	$12,272,293	$409,622	$(3,091,374)	$(103,184)
Earnings per share	2.89	0.10	2.31	0.08	(0.58)	(0.02)
Foreign exchange volatility reserve	-	-	7,995,402	266,869	7,995,402	266,869
Equity attributable to equity holders of the parent	233,599,544	7,797,047	230,707,827	7,700,528	(2,891,717)	(96,519)

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

(2) Cathay Life (China)

A. Reserve for life insurance liabilities

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,679,906	$-	$3,679,906	$3,539,526	$-	$3,539,526
Health insurance	161,669	-	161,669	190,727	-	190,727
Investment-linked insurance	7,699	-	7,699	6,653	-	6,653
Total	$3,849,274	$-	$3,849,274	$3,736,906	$-	$3,736,906

	30 June 2014 US$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$123,197	$-	$123,197	$118,656	$-	$118,656
Health insurance	5,413	-	5,413	6,394	-	6,394
Investment-linked insurance	258	-	258	223	-	223
Total	$128,868	$-	$128,868	$125,273	$-	$125,273

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$3,258,872	$-	$3,258,872	$2,875,460	$-	$2,875,460
Health insurance	166,125	-	166,125	58,989	-	58,989
Investment-linked insurance	6,514	-	6,514	50,436	-	50,436
Total	$3,431,511	$-	$3,431,511	$2,984,885	$-	$2,984,885

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

	30 June 2013 US$			1 January 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$108,774	$-	$108,774	$98,983	$-	$98,983
Health insurance	5,545	-	5,545	2,031	-	2,031
Investment-linked insurance	217	-	217	1,736	-	1,736
Total	$114,536	$-	$114,536	$102,750	$-	$102,750

Reserve for life insurance liabilities is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,736,906	$-	$3,736,906	$2,984,885	$-	$2,984,885
Reserve	540,420	-	540,420	460,523	-	460,523
Recover	(328,525)	-	(328,525)	(171,242)	-	(171,242)
(Gains) losses on foreign exchange	(99,527)	-	(99,527)	157,345	-	157,345
Ending balance	$3,849,274	$-	$3,849,274	$3,431,511	$-	$3,431,511

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$125,106	$-	$125,106	$99,629	$-	$99,629
Reserve	18,092	-	18,092	15,371	-	15,371
Recover	(10,998)	-	(10,998)	(5,716)	-	(5,716)
(Gains) losses on foreign exchange	(3,332)	-	(3,332)	5,252	-	5,252
Ending balance	$128,868	$-	$128,868	$114,536	$-	$114,536

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

B. Unearned premium reserve

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$7,760	$-	$7,760	$14,429	$-	$14,429
Individual health insurance	705	-	705	1,327	-	1,327
Group insurance	226,683	-	226,683	244,579	-	244,579
Total	235,148	-	235,148	260,335	-	260,335
Less ceded unearned premium reserve:						
Individual life insurance	1	-	1	27	-	27
Individual injury insurance	2	-	2	391	-	391
Individual health insurance	59	-	59	6,151	-	6,151
Group insurance	86	-	86	32,369	-	32,369
Total	148	-	148	38,938	-	38,938
Net	$235,000	$-	$235,000	$221,397	$-	$221,397

	30 June 2014 US$			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	$260	$-	$260	$484	$-	$484
Individual health insurance	23	-	23	44	-	44
Group insurance	7,589	-	7,589	8,199	-	8,199
Total	7,872	-	7,872	8,727	-	8,727
Less ceded unearned premium reserve:						
Individual life insurance	-	-	-	1	-	1
Individual injury insurance	-	-	-	13	-	13
Individual health insurance	2	-	2	206	-	206
Group insurance	3	-	3	1,085	-	1,085
Total	5	-	5	1,305	-	1,305
Net	$7,867	$-	$7,867	$7,422	$-	$7,422

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

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$7,157	$-	$7,157	$6,787	$-	$6,787
Individual health insurance	658	-	658	624	-	624
Group insurance	229,363	-	229,363	245,310	-	245,310
Total	237,178	-	237,178	252,721	-	252,721
Less ceded unearned premium reserve:						
Individual life insurance	14	-	14	61	-	61
Individual injury insurance	194	-	194	66	-	66
Individual health insurance	3,051	-	3,051	2,862	-	2,862
Group insurance	3,102	-	3,102	4,171	-	4,171
Total	6,361	-	6,361	7,160	-	7,160
Net	$230,817	$-	$230,817	$245,561	$-	$245,561

	30 June 2013 US$			1 January 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$239	$-	$239	$234	$-	$234
Individual health insurance	22	-	22	22	-	22
Group insurance	7,655	-	7,655	8,444	-	8,444
Total	7,916	-	7,916	8,700	-	8,700
Less ceded unearned premium reserve:						
Individual life insurance	-	-	-	2	-	2
Individual injury insurance	6	-	6	2	-	2
Individual health insurance	102	-	102	98	-	98
Group insurance	104	-	104	144	-	144
Total	212	-	212	246	-	246
Net	$7,704	$-	$7,704	$8,454	$-	$8,454

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

Unearned premium reserve is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$260,335	$-	$260,335	$252,721	$-	$252,721
Reserve	126,318	-	126,318	122,396	-	122,396
Recover	(145,252)	-	(145,252)	(149,774)	-	(149,774)
(Gains) losses on foreign exchange	(6,253)	-	(6,253)	11,835	-	11,835
Ending balance	235,148	-	235,148	237,178	-	237,178
Less ceded unearned premium reserve:						
Beginning balance-Net	38,938	-	38,938	7,160	-	7,160
Decrease	(38,576)	-	(38,576)	(1,124)	-	(1,124)
(Losses) gains on foreign exchange	(214)	-	(214)	325	-	325
Ending balance-Net	148	-	148	6,361	-	6,361
Total	$235,000	$-	$235,000	$230,817	$-	$230,817

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$8,715	$-	$8,715	$8,435	$-	$8,435
Reserve	4,229	-	4,229	4,085	-	4,085
Recover	(4,863)	-	(4,863)	(4,999)	-	(4,999)
(Gains) losses on foreign exchange	(209)	-	(209)	395	-	395
Ending balance	7,872	-	7,872	7,916	-	7,916
Less ceded unearned premium reserve:						
Beginning balance-Net	1,304	-	1,304	239	-	239
Decrease	(1,292)	-	(1,292)	(38)	-	(38)
(Losses) gains on foreign exchange	(7)	-	(7)	11	-	11
Ending balance-Net	5	-	5	212	-	212
Total	$7,867	$-	$7,867	$7,704	$-	$7,704

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

C. Reserve for claims

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$2,887	$-	$2,887	$4,223	$-	$4,223
－Unreported claim	2,318	-	2,318	3,435	-	3,435
Individual injury insurance						
－Reported but not paid claim	3,578	-	3,578	5,264	-	5,264
－Unreported claim	2,968	-	2,968	4,400	-	4,400
Individual health insurance						
－Reported but not paid claim	3,253	-	3,253	4,786	-	4,786
－Unreported claim	7,278	-	7,278	10,736	-	10,736
Group insurance						
－Reported but not paid claim	65,462	-	65,462	96,393	-	96,393
－Unreported claim	318,852	-	318,852	341,158	-	341,158
Total	406,596	-	406,596	470,395	-	470,395
Less ceded reserve for claims:						
Individual health insurance	16,461	-	16,461	16,875	-	16,875
Net	$390,135	$-	$390,135	$453,520	$-	$453,520

	30 June 2014 US$			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	$97	$-	$97	$142	$-	$142
－Unreported claim	77	-	77	115	-	115
Individual injury insurance						
－Reported but not paid claim	120	-	120	176	-	176
－Unreported claim	99	-	99	148	-	148
Individual health insurance						
－Reported but not paid claim	109	-	109	160	-	160
－Unreported claim	244	-	244	360	-	360
Group insurance						
－Reported but not paid claim	2,191	-	2,191	3,231	-	3,231
－Unreported claim	10,675	-	10,675	11,437	-	11,437
Total	13,612	-	13,612	15,769	-	15,769
Less ceded reserve for claims:						
Individual health insurance	551	-	551	566	-	566
Net	$13,061	$-	$13,061	$15,203	$-	$15,203

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

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$2,094	$-	$2,094	$2,899	$-	$2,899
－Unreported claim	1,704	-	1,704	2,358	-	2,358
Individual injury insurance						
－Reported but not paid claim	2,611	-	2,611	3,613	-	3,613
－Unreported claim	2,182	-	2,182	3,020	-	3,020
Individual health insurance						
－Reported but not paid claim	2,374	-	2,374	3,285	-	3,285
－Unreported claim	5,325	-	5,325	7,369	-	7,369
Group insurance						
－Reported but not paid claim	47,810	-	47,810	66,165	-	66,165
－Unreported claim	405,698	-	405,698	307,740	-	307,740
Total	469,798	-	469,798	396,449	-	396,449
Less ceded reserve for claims:						
Individual health insurance	57,035	-	57,035	523	-	523
Net	$412,763	$-	$412,763	$395,926	$-	$395,926

	30 June 2013 US$			1 January 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	$70	$-	$70	$100	$-	$100
－Unreported claim	57	-	57	81	-	81
Individual injury insurance						
－Reported but not paid claim	87	-	87	124	-	124
－Unreported claim	73	-	73	104	-	104
Individual health insurance						
－Reported but not paid claim	79	-	79	113	-	113
－Unreported claim	178	-	178	254	-	254
Group insurance						
－Reported but not paid claim	1,596	-	1,596	2,278	-	2,278
－Unreported claim	13,541	-	13,541	10,594	-	10,594
Total	15,681	-	15,681	13,648	-	13,648
Less ceded reserve for claims:						
Individual health insurance	1,904	-	1,904	18	-	18
Net	13,777	$-	13,777	$13,630	$-	$13,630

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

Reserve for claims is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$470,395	$-	$470,395	$396,449	$-	$396,449
Reserve	181,030	-	181,030	279,542	-	279,542
Recover	(233,906)	-	(233,906)	(227,482)	-	(227,482)
(Gains) losses on foreign exchange	(10,923)	-	(10,923)	21,289	-	21,289
Ending balance	406,596	-	406,596	469,798	-	469,798
Less ceded reserve for claims:						
Beginning balance-Net	16,875	-	16,875	523	-	523
Increase	16	-	16	54,911	-	54,911
(Losses) gains on foreign exchange	(430)	-	(430)	1,601	-	1,601
Ending balance-Net	16,461	-	16,461	57,035	-	57,035
Total	$390,135	$-	$390,135	$412,763	$-	$412,763

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$15,748	$-	$15,748	$13,233	$-	$13,233
Reserve	6,061	-	6,061	9,331	-	9,331
Recover	(7,831)	-	(7,831)	(7,593)	-	(7,593)
(Gains) losses on foreign exchange	(366)	-	(366)	710	-	710
Ending balance	13,612	-	13,612	15,681	-	15,681
Less ceded reserve for claims:						
Beginning balance-Net	565	-	565	17	-	17
Increase	-	-	-	1,833	-	1,833
(Losses) gains on foreign exchange	(14)	-	(14)	54	-	54
Ending balance-Net	551	-	551	1,904	-	1,904
Total	$13,061	$-	$13,061	$13,777	$-	$13,777

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

D. Liability adequacy reserve

	30 June 2014 NT$	30 June 2014 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$3,849,274	$128,868
Unearned premium reserve	235,148	7,872
Total	$4,084,422	$136,740
Book value of insurance liabilities	$4,084,422	$136,740
Estimated present value of cash flows	$2,859,096	$95,718
Balance of 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	$-	$-

	30 June 2013 NT$	30 June 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	$3,431,511	$114,536
Unearned premium reserve	237,178	7,916
Total	$3,668,689	$122,452
Book value of insurance liabilities	$3,668,689	$122,452
Estimated present value of cash flows	$2,934,951	$97,962
Balance of liability adequacy reserve	$-	$-

	1 January 2013 NT$	1 January 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	$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	$-	$-

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.

Liability adequacy testing methodology is listed as follows:

	30 June 2014
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 30 June 2014. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2013, with neutral assumption for discount rates after 30 years.

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

	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.

	30 June 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 30 June 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.

	1 January 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 2012. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2011, with neutral assumption for discount rates after 30 years.

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

E. Reserve for insurance contracts with feature of financial instruments

Cathay Life (China) issues financial instruments without discretionary participation feature. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, reserve for insurance contracts with feature of financial instruments is summarized below:

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Life insurance	$4,607,404	$154,249	$4,685,240	$157,065

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Life insurance	$4,485,850	$149,728	$4,889,501	$168,313

	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2014
	NT$	US$
Beginning balance	$4,685,240	$156,855
Premiums received	509,812	17,068
Insurance claim payments	(140,210)	(4,694)
Net recovery of statutory reserve	(327,158)	(10,953)
Losses on foreign exchange	(120,280)	(4,027)
Ending balance	$4,607,404	$154,249

	For the six-month period ended 30 June 2013	For the six-month period ended 30 June 2013
	NT$	US$
Beginning balance	$4,889,501	$163,201
Premiums received	845,207	28,211
Insurance claim payments	(443,540)	(14,804)
Net recovery of statutory reserve	(1,031,416)	(34,426)
Gains on foreign exchange	226,098	7,546
Ending balance	$4,485,850	$149,728

(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

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$396,048	$-	$396,048	$374,862	$-	$374,862
Investment-linked insurance	102	-	102	36	-	36
Total	$396,150	$-	$396,150	$374,898	$-	$374,898

	30 June 2014 US$			31 December 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$13,259	$-	$13,259	$12,567	$-	$12,567
Investment-linked insurance	4	-	4	1	-	1
Total	$13,263	$-	$13,263	$12,568	$-	$12,568

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$329,659	$-	$329,659	$299,490	$-	$299,490
Investment-linked insurance	19	-	19	9	-	9
Total	$329,678	$-	$329,678	$299,499	$-	$299,499

	30 June 2013 US$			1 January 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$11,003	$-	$11,003	$10,309	$-	$10,309
Investment-linked insurance	1	-	1	-	-	-
Total	$11,004	$-	$11,004	$10,309	$-	$10,309

(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 six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$374,898	$-	$374,898	$299,499	$-	$299,499
Reserve	24,359	-	24,359	24,612	-	24,612
(Gains) losses on foreign exchange	(3,107)	-	(3,107)	5,567	-	5,567
Ending balance	$396,150	$-	$396,150	$329,678	$-	$329,678

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$12,551	$-	$12,551	$9,997	$-	$9,997
Reserve	816	-	816	821	-	821
(Gains) losses on foreign exchange	(104)	-	(104)	186	-	186
Ending balance	$13,263	$-	$13,263	$11,004	$-	$11,004

B. Unearned premium reserve

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,540	$-	$1,540	$1,611	$-	$1,611
Individual health insurance	1,281	-	1,281	1,356	-	1,356
Total	$2,821	$-	$2,821	$2,967	$-	$2,967

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

	30 June 2014			31 December 2013		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$51	$-	$51	$54	$-	$54
Individual health insurance	43	-	43	46	-	46
Total	$94	$-	$94	$100	$-	$100

	30 June 2013			1 January 2013		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$1,487	$-	$1,487	$1,666	$-	$1,666
Individual health insurance	1,183	-	1,183	1,614	-	1,614
Total	$2,670	$-	$2,670	$3,280	$-	$3,280

	30 June 2013			1 January 2013		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual injury insurance	$50	$-	$50	$57	$-	$57
Individual health insurance	39	-	39	56	-	56
Total	$89	$-	$89	$113	$-	$113

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

Unearned premium reserve is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$2,967	$-	$2,967	$3,280	$-	$3,280
Recover	(126)	-	(126)	(670)	-	(670)
(Gains) losses on foreign exchange	(20)	-	(20)	60	-	60
Ending balance	$2,821	$-	$2,821	$2,670	$-	$2,670

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$99	$-	$99	$109	$-	$109
Recover	(4)	-	(4)	(22)	-	(22)
(Gains) losses on foreign exchange	(1)	-	(1)	2	-	2
Ending balance	$94	$-	$94	$89	$-	$89

C. Reserve for claims

	30 June 2014 NT$			31 December 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$68	$-	$68	$494	$-	$494
Individual injury insurance						
－Reported but not paid claim	-	-	-	3	-	3
－Unreported claim	181	-	181	172	-	172
Individual health insurance						
－Reported but not paid claim	89	-	89	88	-	88
－Unreported claim	157	-	157	144	-	144
Total	$495	$-	$495	$901	$-	$901

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

	30 June 2014 US$			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	$3	$-	$3	$16	$-	$16
Individual injury insurance						
－Reported but not paid claim	-	-	-	-	-	-
－Unreported claim	6	-	6	6	-	6
Individual health insurance						
－Reported but not paid claim	3	-	3	3	-	3
－Unreported claim	5	-	5	5	-	5
Total	$17	$-	$17	$30	$-	$30

	30 June 2013 NT$			1 January 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance						
－Reported but not paid claim	$790	$-	$790	$1,251	$-	$1,251
Individual injury insurance						
－Reported but not paid claim	138	-	138	231	-	231
－Unreported claim	168	-	168	163	-	163
Individual health insurance						
－Reported but not paid claim	254	-	254	206	-	206
－Unreported claim	146	-	146	294	-	294
Investment-linked insurance						
－Reported but not paid claim	-	-	-	390	-	390
Total	$1,496	$-	$1,496	$2,535	$-	$2,535

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

	30 June 2013 US$			1 January 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	$26	$-	$26	$43	$-	$43
Individual injury insurance						
－Reported but not paid claim	5	-	5	8	-	8
－Unreported claim	6	-	6	6	-	6
Individual health insurance						
－Reported but not paid claim	8	-	8	7	-	7
－Unreported claim	5	-	5	10	-	10
Investment-linked insurance						
－Reported but not paid claim	-	-	-	13	-	13
Total	$50	$-	$50	$87	$-	$87

Reserve for claims is summarized below:

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$901	$-	$901	$2,535	$-	$2,535
Recover	(406)	-	(406)	(1,086)	-	(1,086)
Losses on foreign exchange	-	-	-	47	-	47
Ending balance	$495	$-	$495	$1,496	$-	$1,496

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$30	$-	$30	$85	$-	$85
Recover	(13)	-	(13)	(36)	-	(36)
Losses on foreign exchange	-	-	-	1	-	1
Ending balance	$17	$-	$17	$50	$-	$50

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

D. Special reserve

	30 June 2014 NT$				31 December 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Others	$1,738	$-	$-	$1,738	$1,751	$-	$-	$1,751

	30 June 2014 US$				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	$58	$-	$-	$58	$59	$-	$-	$59

	30 June 2013 NT$				1 January 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Others	$525	$-	$-	$525	$517	$-	$-	$517

	30 June 2013 US$				1 January 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Others	$18	$-	$-	$18	$17	$-	$-	$17

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

Special reserve is summarized below:

	For the six-month period ended 30 June 2014 NT$				For the six-month period ended 30 June 2013 NT$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$1,751	$-	$-	$1,751	$517	$-	$-	$517
(Gains) losses on foreign exchange	(13)	-	-	(13)	8	-	-	8
Ending balance	$1,738	$-	$-	$1,738	$525	$-	$-	$525

	For the six-month period ended 30 June 2014 US$				For the six-month period ended 30 June 2013 US$			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	$59	$-	$-	$59	$17	$-	$-	$17
(Gains) losses on foreign exchange	(1)	-	-	(1)	1	-	-	1
Ending balance	$58	$-	$-	$58	$18	$-	$-	$18

E. Liability adequacy reserve

	30 June 2014 NT$	30 June 2014 US$
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	$396,150	$13,263
Unearned premium reserve	2,821	94
Total	$398,971	$13,357
Book value of insurance liabilities	$398,971	$13,357
Estimated present value of cash flows	Negative amount	Negative amount
Balance of 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	$-	$-

	30 June 2013 NT$	30 June 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	$329,678	$11,004
Unearned premium reserve	2,670	89
Total	$332,348	$11,093
Book value of insurance liabilities	$332,348	$11,093
Estimated present value of cash flows	Negative amount	Negative amount
Balance of liability adequacy reserve	$-	$-

	1 January 2013 NT$	1 January 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	$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	$-	$-

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

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 plans

Expenses under the defined contribution plans for the three-month periods ended 30 June 2014 and 2013 were NT$223,996 (US$7,499) thousands and NT$248,154 (US$8,283) thousands, respectively. Expenses under the defined contribution plans for the six-month periods ended 30 June 2014 and 2013 were NT$450,027 (US$15,066) thousands and NT$500,185 (US$16,695) thousands, respectively.

Defined benefit plans

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

	For the three-month period ended 30 June 2014		For the three-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Operating costs	$36,085	$1,208	$73,062	$2,439
Operating expenses	7,373	247	13,899	464
Total	$43,458	$1,455	$86,961	$2,903

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

	For the six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Operating costs	$72,217	$2,418	$146,222	$4,880
Operating expenses	14,699	492	27,704	925
Total	$86,916	$2,910	$173,926	$5,805

29. Provisions

	NT$		
	Litigation liability	Employee benefit liability	Total
1 January 2014	$285,672	$3,633,551	$3,919,223
Reversal	(140,227)	(5,595)	(145,822)
30 June 2014	$145,445	$3,627,956	$3,773,401

	US$		
	Litigation liability	Employee benefit liability	Total
1 January 2014	$9,564	$121,645	$131,209
Reversal	(4,695)	(187)	(4,882)
30 June 2014	$4,869	$121,458	$126,327

30. Other liabilities

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Accounts collected in advance	$171,487	$5,741	$115,178	$3,861
Deferred handling fees	85,152	2,851	87,737	2,941
Guarantee deposits received	2,649,891	88,714	2,211,239	74,128
Other liabilities - Other	8,714,365	291,743	6,218,283	208,458
Total	$11,620,895	$389,049	$8,632,437	$289,388

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

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Accounts collected in advance	$296,516	$9,897	$300,819	$10,355
Deferred handling fees	91,230	3,045	100,202	3,449
Guarantee deposits received	2,086,676	69,649	2,077,752	71,524
Other liabilities - Other	5,479,272	182,886	9,047,037	311,430
Total	$7,953,694	$265,477	$11,525,810	$396,758

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 six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Beginning balance	$87,737	$2,938	$100,202	$3,344
Amortization	(7,980)	(267)	(7,613)	(254)
Losses (gains) on foreign exchange	5,395	180	(1,359)	(45)
Ending balance	$85,152	$2,851	$91,230	$3,045

32. Common stock

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the total authorized thousand shares were all 5,306,527 at par value of NT$10.

33. Capital surplus

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Additional paid-in capital	$13,000,000	$435,219	$13,000,000	$435,803
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	976	29,142	977
Changes in amount of associates and joint ventures accounted for using the equity method	-	-	9,649	323
Total	$13,029,142	$436,195	$13,038,791	$437,103

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

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Additional paid-in capital	$13,000,000	$433,912	$13,000,000	$447,504
Changes in amount of associates and joint ventures accounted for using the equity method	9,649	322	9,649	332
Total	$13,009,649	$434,234	$13,009,649	$447,836

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 21 April 2014, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of NT$3,141,740 (US$105,321) thousands. 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.

(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 21 April 2014, 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$1,684,327 (US$56,464) thousands after recognizing special capital reserves of NT$14,144,966 (US$474,186) thousands, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of NT$1,439,845 (US$48,268) thousands had been recognized at the end of 2013 in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.” The resolution was authorized by Financial Supervisory Commission on 22 April 2014.

When distributing distributable earnings for the years 2013 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.

The Company changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. In order to ensure the soundness and stability of the financial structure, the FSC as of 12 February 2014 requires insurance companies to set aside special capital reserve equal to the amount of the increase in retained earnings net of the increase in reserve for life insurance liabilities resulting from valid contracts' fair value approved by the authority. The amount set aside by the Company is NT$124,002,466 (US$4,151,405) thousands.

(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. If there is any surplus earnings of the then current year not distributed by a profit-seeking enterprise, an additional profit-seeking income tax shall be levied at the rate of ten percent on such undistributed surplus earnings. Before the year 2004, the term "undistributed surplus earnings" as referred to in the preceding paragraph means the approved income. Beginning from the year 2005, the term shall denote the amount of income after tax as calculated by a profit-seeking enterprise in accordance with the Commercial Accounting Act. The income tax will only be levied on the undistributed surplus earnings once.

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

C. The employee bonus and remuneration of directors for the six-month periods ended 30 June 2014 and 2013, 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 been approved by the board of directors on behalf of the shareholders. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

E. Special reserves for major incidents and special reserves for fluctuation of risks are recorded as special capital reserve under equity at the end of this year. As of 30 June 2014, the reserves amounted to NT$680,515 (US$22,783) thousands.

(4) Non-controlling interests

	For the six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Beginning balance	$741,255	$24,816	$1,012,972	$33,811
Net income attributable to non-controlling interests	50,003	1,674	50,237	1,677
Other comprehensive income attributable to non-controlling interests				
Exchange differences resulting from translating the financial statements of foreign operations	(24,138)	(808)	41,379	1,381
Unrealized valuation gains from available-for-sale financial assets	42,267	1,415	(11,774)	(393)
Capital increase by cash from non-controlling interests	966,820	32,367	-	-
Other	-	-	(18,114)	(605)
Ending balance	$1,776,207	$59,464	$1,074,700	$35,871

(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 three-month period ended 30 June 2014 NT$			For the three-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$102,417,794	$73,344	$102,491,138	$97,269,790	$2,008,712	$99,278,502
Reinsurance premium income	22,857	-	22,857	46,785	-	46,785
Premium income	102,440,651	73,344	102,513,995	97,316,575	2,008,712	99,325,287
Less:						
Premiums ceded to reinsurers	(3,564,606)	-	(3,564,606)	(4,112,508)	-	(4,112,508)
Changes in unearned premium reserve	(433,110)	-	(433,110)	(2,696,876)	-	(2,696,876)
Subtotal	(3,997,716)	-	(3,997,716)	(6,809,384)	-	(6,809,384)
Retained earned premium	$98,442,935	$73,344	$98,516,279	$90,507,191	$2,008,712	$92,515,903

	For the three-month period ended 30 June 2014 US$			For the three-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$3,428,785	$2,455	$3,431,240	$3,246,655	$67,047	$3,313,702
Reinsurance premium income	765	-	765	1,562	-	1,562
Premium income	3,429,550	2,455	3,432,005	3,248,217	$67,047	3,315,264
Less:						
Premiums ceded to reinsurers	(119,337)	-	(119,337)	(137,267)	-	(137,267)
Changes in unearned premium reserve	(14,500)	-	(14,500)	(90,016)	-	(90,016)
Subtotal	(133,837)	-	(133,837)	(227,283)	-	(227,283)
Retained earned premium	$3,295,713	$2,455	$3,298,168	$3,020,934	$67,047	$3,087,981

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

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$195,655,682	$744,502	$196,400,184	$187,821,790	$4,343,974	$192,165,764
Reinsurance premium income	77,950	-	77,950	106,694	-	106,694
Premium income	195,733,632	744,502	196,478,134	187,928,484	4,343,974	192,272,458
Less:						
Premiums ceded to reinsurers	(7,121,227)	-	(7,121,227)	(8,772,114)	-	(8,772,114)
Changes in unearned premium reserve	(120,174)	-	(120,174)	(4,903,392)	-	(4,903,392)
Subtotal	(7,241,401)	-	(7,241,401)	(13,675,506)	-	(13,675,506)
Retained earned premium	$188,492,231	$744,502	$189,236,733	$174,252,978	$4,343,974	$178,596,952

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$6,550,240	$24,925	$6,575,165	$6,269,085	$144,993	$6,414,078
Reinsurance premium income	2,610	-	2,610	3,561	-	3,561
Premium income	6,552,850	24,925	6,577,775	6,272,646	144,993	6,417,639
Less:						
Premiums ceded to reinsurers	(238,407)	-	(238,407)	(292,794)	-	(292,794)
Changes in unearned premium reserve	(4,023)	-	(4,023)	(163,665)	-	(163,665)
Subtotal	(242,430)	-	(242,430)	(456,459)	-	(456,459)
Retained earned premium	$6,310,420	$24,925	$6,335,345	$5,816,187	$144,993	$5,961,180

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

(2) Cathay life (China)

	For the three-month period ended 30 June 2014 NT$			For the three-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$494,559	$-	$494,559	$525,322	$-	$525,322
Reinsurance premium income	-	-	-	-	-	-
Premium income	494,559	-	494,559	525,322	-	525,322
Less:						
Premiums ceded to reinsurers	(4,537)	-	(4,537)	(4,890)	-	(4,890)
Changes in unearned premium reserve	12,561	-	12,561	25,573	-	25,573
Subtotal	8,024	-	8,024	20,683	-	20,683
Retained earned premium	$502,583	$-	$502,583	$546,005	$-	$546,005

	For the three-month period ended 30 June 2014 US$			For the three-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$16,557	$-	$16,557	$17,534	$-	$17,534
Reinsurance premium income	-	-	-	-	-	-
Premium income	16,557	-	16,557	17,534	-	17,534
Less:						
Premiums ceded to reinsurers	(152)	-	(152)	(163)	-	(163)
Changes in unearned premium reserve	421	-	421	853	-	853
Subtotal	269	-	269	690	-	690
Retained earned premium	$16,826	$-	$16,826	$18,224	$-	$18,224

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

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$1,112,593	$-	$1,112,593	$1,121,657	$-	$1,121,657
Reinsurance premium income	-	-	-	-	-	-
Premium income	1,112,593	-	1,112,593	1,121,657	-	1,121,657
Less:						
Premiums ceded to reinsurers	(12,944)	-	(12,944)	(9,786)	-	(9,786)
Changes in unearned premium reserve	19,125	-	19,125	26,129	-	26,129
Subtotal	6,181	-	6,181	16,343	-	16,343
Retained earned premium	$1,118,774	$-	$1,118,774	$1,138,000	$-	$1,138,000

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$37,248	$-	$37,248	$37,438	$-	$37,438
Reinsurance premium income	-	-	-	-	-	-
Premium income	37,248	-	37,248	37,438	-	37,438
Less:						
Premiums ceded to reinsurers	(434)	-	(434)	(327)	-	(327)
Changes in unearned premium reserve	640	-	640	872	-	872
Subtotal	206	-	206	545	-	545
Retained earned premium	$37,454	$-	$37,454	$37,983	$-	$37,983

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

(3) Cathay life (Vietnam)

	For the three-month period ended 30 June 2014			For the three-month period ended 30 June 2013		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$44,604	$-	$44,604	$31,228	$-	$31,228
Reinsurance premium income	-	-	-	-	-	-
Premium income	44,604	-	44,604	31,228	-	31,228
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	(236)	-	(236)	1,406	-	1,406
Subtotal	(236)	-	(236)	1,406	-	1,406
Retained earned premium	$44,368	$-	$44,368	$32,634	$-	$32,634

	For the three-month period ended 30 June 2014			For the three-month period ended 30 June 2013		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$1,493	$-	$1,493	$1,042	$-	$1,042
Reinsurance premium income	-	-	-	-	-	-
Premium income	1,493	-	1,493	1,042	-	1,042
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	(8)	-	(8)	47	-	47
Subtotal	(8)	-	(8)	47	-	47
Retained earned premium	$1,485	$-	$1,485	$1,089	$-	$1,089

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

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	NT$			NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$76,977	$-	$76,977	$48,214	$-	$48,214
Reinsurance premium income	-	-	-	-	-	-
Premium income	76,977	-	76,977	48,214	-	48,214
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	126	-	126	670	-	670
Subtotal	126	-	126	670	-	670
Retained earned premium	$77,103	$-	$77,103	$48,884	$-	$48,884

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	US$			US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct premium income	$2,577	$-	$2,577	$1,609	$-	$1,609
Reinsurance premium income	-	-	-	-	-	-
Premium income	2,577	-	2,577	1,609	-	1,609
Less:						
Premiums ceded to reinsurers	-	-	-	-	-	-
Changes in unearned premium reserve	4	-	4	23	-	23
Subtotal	4	-	4	23	-	23
Retained earned premium	$2,581	$-	$2,581	$1,632	$-	$1,632

(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 three-month period ended 30 June 2014 NT$			For the three-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$54,499,248	$23,961,508	$78,460,756	$46,630,733	$9,106,198	$55,736,931
Reinsurance claim payments	5,239	-	5,239	76,919	-	76,919
Insurance claim payments	54,504,487	23,961,508	78,465,995	46,707,652	9,106,198	55,813,850
Less:						
Claims recovered from reinsures	(1,716,918)	-	(1,716,918)	(3,061,172)	-	(3,061,172)
Retained claim payments	$52,787,569	$23,961,508	$76,749,077	$43,646,480	$9,106,198	$52,752,678

	For the three-month period ended 30 June 2014 US$			For the three-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$1,824,548	$802,193	$2,626,741	$1,556,433	$303,945	$1,860,378
Reinsurance claim payments	175	-	175	2,567	-	2,567
Insurance claim payments	1,824,723	802,193	2,626,916	1,559,000	303,945	1,862,945
Less:						
Claims recovered from reinsures	(57,479)	-	(57,479)	(102,175)	-	(102,175)
Retained claim payments	$1,767,244	$802,193	$2,569,437	$1,456,825	$303,945	$1,760,770

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

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$100,086,446	$34,567,764	$134,654,210	$85,382,735	$16,224,989	$101,607,724
Reinsurance claim payments	61,440	-	61,440	115,724	-	115,724
Insurance claim payments	100,147,886	34,567,764	134,715,650	85,498,459	16,224,989	101,723,448
Less:						
Claims recovered from reinsures	(3,433,353)	-	(3,433,353)	(6,059,727)	-	(6,059,727)
Retained claim payments	$96,714,533	$34,567,764	$131,282,297	$79,438,732	$16,224,989	$95,663,721

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$3,350,734	$1,157,274	$4,508,008	$2,849,891	$541,555	$3,391,446
Reinsurance claim payments	2,057	-	2,057	3,863	-	3,863
Insurance claim payments	3,352,791	1,157,274	4,510,065	2,853,754	541,555	3,395,309
Less:						
Claims recovered from reinsures	(114,943)	-	(114,943)	(202,261)	-	(202,261)
Retained claim payments	$3,237,848	$1,157,274	$4,395,122	$2,651,493	$541,555	$3,193,048

(2) Cathay life (China)

	For the three-month period ended 30 June 2014 NT$			For the three-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$216,957	$-	$216,957	$295,862	$-	$295,862
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	216,957	-	216,957	295,862	-	295,862
Less:						
Claims recovered from reinsures	66	-	66	(1,704)	-	(1,704)
Retained claim payments	$217,023	$-	$217,023	$294,158	$-	$294,158

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

	For the three-month period ended 30 June 2014 US$			For the three-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$7,264	$-	$7,264	$9,875	$-	$9,875
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	7,264	-	7,264	9,875	-	9,875
Less:						
Claims recovered from reinsures	2	-	2	(57)	-	(57)
Retained claim payments	$7,266	$-	$7,266	$9,818	$-	$9,818

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$606,108	$-	$606,108	$538,020	$-	$538,020
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	606,108	-	606,108	538,020	-	538,020
Less:						
Claims recovered from reinsures	(11,326)	-	(11,326)	(10,972)	-	(10,972)
Retained claim payments	$594,782	$-	$594,782	$527,048	$-	$527,048

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$20,292	$-	$20,292	$17,958	$-	$17,958
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	20,292	-	20,292	17,958	-	17,958
Less:						
Claims recovered from reinsures	(379)	-	(379)	(366)	-	(366)
Retained claim payments	$19,913	$-	$19,913	$17,592	$-	$17,592

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

(3) Cathay life (Vietnam)

	For the three-month period ended 30 June 2014 NT$			For the three-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$2,941	$-	$2,941	$3,047	$-	$3,047
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	2,941	-	2,941	3,047	-	3,047
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$2,941	$-	$2,941	$3,047	$-	$3,047

	For the three-month period ended 30 June 2014 US$			For the three-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$98	$-	$98	$102	$-	$102
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	98	-	98	102	-	102
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$98	$-	$98	$102	$-	$102

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

	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2013 NT$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$11,865	$-	$11,865	$6,933	$-	$6,933
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	11,865	-	11,865	6,933	-	6,933
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$11,865	$-	$11,865	$6,933	$-	$6,933

	For the six-month period ended 30 June 2014 US$			For the six-month period ended 30 June 2013 US$		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Direct insurance claim payments	$397	$-	$397	$231	$-	$231
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	397	-	397	231	-	231
Less:						
Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$397	$-	$397	$231	$-	$231

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

Item	For the three-month period ended 30 June 2014 NT$			For the three-month period ended 30 June 2014 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$6,250,430	$728,204	$6,978,634	$209,255	$24,379	$233,634
Labor and health insurance expenses	400,956	91,025	491,981	13,423	3,048	16,471
Pension expenses	222,079	45,375	267,454	7,435	1,519	8,954
Other expenses	298,142	78,512	376,654	9,981	2,629	12,610
Depreciation	1,299	161,983	163,282	43	5,423	5,466
Amortization	-	12,157	12,157	-	407	407

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

Item	For the three-month period ended 30 June 2013 NT$			For the three-month period ended 30 June 2013 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$6,580,194	$716,216	$7,296,410	$219,632	$23,906	$243,538
Labor and health insurance expenses	429,520	89,179	518,699	14,336	2,977	17,313
Pension expenses	281,058	54,057	335,115	9,381	1,804	11,185
Other expenses	315,664	79,674	395,338	10,536	2,659	13,195
Depreciation	11,668	240,349	252,017	389	8,022	8,411
Amortization	415	16,143	16,558	14	539	553

Item	For the six-month period ended 30 June 2014 NT$			For the six-month period ended 30 June 2014 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$12,471,237	$1,488,805	$13,960,042	$417,517	$49,843	$467,360
Labor and health insurance expenses	868,623	193,622	1,062,245	29,080	6,482	35,562
Pension expenses	446,136	90,807	536,943	14,936	3,040	17,976
Other expenses	598,132	152,841	750,973	20,024	5,117	25,141
Depreciation	2,440	336,140	338,580	82	11,253	11,335
Amortization	-	25,009	25,009	-	837	837

Item	For the six-month period ended 30 June 2013 NT$			For the six-month period ended 30 June 2013 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$13,961,960	$1,514,057	$15,476,017	$466,020	$50,536	$516,556
Labor and health insurance expenses	952,974	195,460	1,148,434	31,808	6,524	38,332
Pension expenses	565,730	108,381	674,111	18,883	3,618	22,501
Other expenses	624,154	159,724	783,878	20,833	5,331	26,164
Depreciation	22,334	479,893	502,227	745	16,018	16,763
Amortization	803	33,567	34,370	27	1,120	1,147

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

38. Non-operating income and expenses

	For the three-month period ended 30 June 2014		For the three-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Gains (losses) on disposal of property and equipment	$164	$5	$(925)	$(31)
Dividend on preferred stock liabilities	(226,378)	(7,579)	(226,378)	(7,556)
Other	557,276	18,657	571,442	19,073
Total	$331,062	$11,083	$344,139	$11,486

	For the six-month period ended 30 June 2014		For the six-month period ended 30 June 2013	
	NT$	US$	NT$	US$
Gains (losses) on disposal of property and equipment	$100	$3	$(1,022)	$(34)
Dividend on preferred stock liabilities	(450,268)	(15,074)	(450,268)	(15,029)
Other	1,346,784	45,088	954,145	31,847
Total	$896,616	$30,017	$502,855	$16,784

39. Components of other comprehensive income

	For the three-month period ended 30 June 2014 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	$(234,861)	$-	$(234,861)	$-	$(234,861)
Unrealized valuation gains from available-for-sale financial assets	20,092,172	(4,552,408)	15,539,764	(362,695)	15,177,069
Effective portion of losses on hedging instruments in cash flow hedges	36,944	(131,808)	(94,864)	16,126	(78,738)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(5,174)	(13)	(5,187)	-	(5,187)
Total	$19,889,081	$(4,684,229)	$15,204,852	$(346,569)	$14,858,283

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

	For the three-month period ended 30 June 2014 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	$(7,863)	$-	$(7,863)	$-	$(7,863)
Unrealized valuation gains from available-for-sale financial assets	672,654	(152,407)	520,247	(12,142)	508,105
Effective portion of losses on hedging instruments in cash flow hedges	1,237	(4,413)	(3,176)	540	(2,636)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(174)	-	(174)	-	(174)
Total	$665,854	$(156,820)	$509,034	$(11,602)	$497,432

	For the three-month period ended 30 June 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	$99,030	$-	$99,030	$-	$99,030
Unrealized valuation losses from available-for-sale financial assets	(11,883,740)	(5,120,488)	(17,004,228)	2,956,539	(14,047,689)
Effective portion of losses on hedging instruments in cash flow hedges	(6,842)	(180,932)	(187,774)	31,922	(155,852)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(13,487)	-	(13,487)	-	(13,487)
Total	$(11,805,039)	$(5,301,420)	$(17,106,459)	$2,988,461	$(14,117,998)

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

	For the three-month period ended 30 June 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	$3,305	$-	$3,305	$-	$3,305
Unrealized valuation losses from available-for-sale financial assets	(396,653)	(170,911)	(567,564)	98,683	(468,881)
Effective portion of losses on hedging instruments in cash flow hedges	(228)	(6,039)	(6,267)	1,065	(5,202)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(450)	-	(450)	-	(450)
Total	$(394,026)	$(176,950)	$(570,976)	$99,748	$(471,228)

	For the six-month period ended 30 June 2014				
	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	$(243,358)	$-	$(243,358)	$-	$(243,358)
Unrealized valuation gains from available-for-sale financial assets	30,681,942	(14,380,172)	16,301,770	241,534	16,543,304
Effective portion of losses on hedging instruments in cash flow hedges	99,913	(269,741)	(169,828)	28,870	(140,958)
Gains from revaluation	902,335	-	902,335	(74,726)	827,609
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	747	(13)	734	-	734
Total	$31,441,579	$(14,649,926)	$16,791,653	$195,678	$16,987,331

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

	For the six-month period ended 30 June 2014 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	$(8,147)	$-	$(8,147)	$-	$(8,147)
Unrealized valuation gains from available-for-sale financial assets	1,027,182	(481,425)	545,757	8,086	553,843
Effective portion of losses on hedging instruments in cash flow hedges	3,345	(9,031)	(5,686)	967	(4,719)
Gains from revaluation	30,209	-	30,209	(2,502)	27,707
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	25	-	25	-	25
Total	$1,052,614	$(490,456)	$562,158	$6,551	$568,709

	For the six-month period ended 30 June 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	$228,844	$-	$228,844	$-	$228,844
Unrealized valuation losses from available-for-sale financial assets	(7,802,908)	(9,196,242)	(16,999,150)	2,764,256	(14,234,894)
Effective portion of losses on hedging instruments in cash flow hedges	(14,756)	(372,084)	(386,840)	65,763	(321,077)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	9,053	-	9,053	-	9,053
Total	$(7,579,767)	$(9,568,326)	$(17,148,093)	$2,830,019	$(14,318,074)

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

	For the six-month period ended 30 June 2013 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	$7,639	$-	$7,639	$-	$7,639
Unrealized valuation losses from available-for-sale financial assets	(260,445)	(306,950)	(567,395)	92,265	(475,130)
Effective portion of losses on hedging instruments in cash flow hedges	(493)	(12,419)	(12,912)	2,195	(10,717)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	302	-	302	-	302
Total	$(252,997)	$(319,369)	$(572,366)	$94,460	$(477,906)

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 three-month period ended 30 June 2014 NT$	For the three-month period ended 30 June 2014 US$
Current income tax expense (benefit)		
Current income tax charge	$87,264	$2,921
Adjustments in respect of current income tax of prior periods	(2,356)	(79)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	933,167	31,241
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	462,810	15,494
Other		
Tax effect under consolidated income tax systems	37,210	1,246
Total income tax expense	$1,518,095	$50,823

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

	For the three-month period ended 30 June 2013 NT$	For the three-month period ended 30 June 2013 US$
Current income tax expense (benefit)		
Current income tax charge	$22,793	$761
Adjustments in respect of current income tax of prior periods	(228,628)	(7,631)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	4,179,391	139,499
Other		
Tax effect under consolidated income tax systems	(830,626)	(27,725)
Total income tax expense	$3,142,930	$104,904

	For the six-month period ended 30 June 2014 NT$	For the six-month period ended 30 June 2014 US$
Current income tax expense (benefit)		
Current income tax charge	$189,768	$6,353
Adjustments in respect of current income tax of prior periods	(55,175)	(1,847)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	4,583,276	153,441
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	(3,645,113)	(122,032)
Other		
Tax effect under consolidated income tax systems	37,379	1,251
Total income tax expense	$1,110,135	$37,166

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

	For the six-month period ended 30 June 2013 NT$	For the six-month period ended 30 June 2013 US$
Current income tax expense (benefit)		
Current income tax charge	$26,434	$882
Adjustments in respect of current income tax of prior periods	(228,402)	(7,623)
Deferred tax expense (benefit)		
Deferred tax expense relating to origination and reversal of temporary differences	4,732,269	157,953
Other		
Tax effect under consolidated income tax systems	(1,104,810)	(36,876)
Total income tax expense	$3,425,491	$114,336

Income taxes relating to components of other comprehensive income

	For the three-month period ended 30 June 2014 NT$	For the three-month period ended 30 June 2014 US$
Deferred tax expense (benefit)		
Unrealized valuation gains from available-for-sale financial assets	$362,695	$12,142
Effective portion of losses on hedging instruments in cash flow hedges	(16,126)	(540)
Income taxes relating to components of other comprehensive income	$346,569	$11,602

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

	For the three-month period ended 30 June 2013 NT$	For the three-month period ended 30 June 2013 US$
Deferred tax expense (benefit)		
Unrealized valuation losses from available-for-sale financial assets	$(2,956,539)	$(98,683)
Effective portion of losses on hedging instruments in cash flow hedges	(31,922)	(1,065)
Income taxes relating to components of other comprehensive income	$(2,988,461)	$(99,748)

	For the six-month period ended 30 June 2014 NT$	For the six-month period ended 30 June 2014 US$
Deferred tax expense (benefit)		
Unrealized valuation losses from available-for-sale financial assets	$(241,534)	$(8,086)
Effective portion of losses on hedging instruments in cash flow hedges	(28,870)	(967)
Gains from revaluation	74,726	2,502
Income taxes relating to components of other comprehensive income	$(195,678)	$(6,551)

	For the six-month period ended 30 June 2013 NT$	For the six-month period ended 30 June 2013 US$
Deferred tax expense (benefit)		
Unrealized valuation losses from available-for-sale financial assets	$(2,764,256)	$(92,265)
Effective portion of losses on hedging instruments in cash flow hedges	(65,763)	(2,195)
Income taxes relating to components of other comprehensive income	$(2,830,019)	$(94,460)

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

Imputation credit information

	30 June 2014		31 December 2013	
	NT$	US$	NT$	US$
Balances of imputation credit amounts	$2,774,331	$92,880	$6,295,838	$211,057

	30 June 2013		1 January 2013	
	NT$	US$	NT$	US$
Balances of imputation credit amounts	$4,907,198	$163,792	$5,584,641	$192,242

The actual creditable ratio for 2013 and 2012 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 30 June 2014, 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 2008

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 period attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

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

	For the three-month period ended 30 June 2014 NT$	For the three-month period ended 30 June 2014 US$
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	$12,975,810	$434,409
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)	$2.45	$0.08

	For the three-month period ended 30 June 2013 (Adjusted) NT$	For the three-month period ended 30 June 2013 (Adjusted) US$
Profit attributable to ordinary equity holders of the Company	$8,004,025	$267,157
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)	$1.51	$0.05

	For the six-month period ended 30 June 2014 NT$	For the six-month period ended 30 June 2014 US$
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	$19,525,360	$653,678
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)	$3.68	$0.12

	For the six-month period ended 30 June 2013 (Adjusted) NT$	For the six-month period ended 30 June 2013 (Adjusted) US$
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	$12,272,293	$409,622
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)	$2.31	$0.08

(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$2.4 (US$0.08) and NT$1.58 (US$0.05) for the three-month periods ended 30 June 2014 and 2013, respectively. If foreign exchange volatility reserve was not applied, basic earnings per share would be NT$3.75 (US$0.12) and NT$2.89 (US$0.10) for the six-month periods ended 30 June 2014 and 2013, respectively. If gains from recovery of special reserve for revaluation increment of property was not included, basic earnings per share would be NT$1.97 (US$0.07) and NT$1.03 (US$0.03) for the three-month periods ended 30 June 2014 and 2013, respectively. If gains from recovery of special reserve for revaluation increment of property was not included, basic earnings per share would be NT$2.74 (US$0.09) and NT$1.37 (US$0.05) for the six-month periods ended 30 June 2014 and 2013, respectively.

42. Separate account insurance products

(1) The Company

A. Separate account insurance products - assets and liabilities

Assets			Liabilities		
Item	30 June 2014		Item	30 June 2014	
	NT$	US$		NT$	US$
Cash in bank	$1,583,341	$53,008	Other payables	$1,647,859	$55,168
Financial assets at fair value through profit or loss	430,097,160	14,398,968	Reserve for separate account-Insurance contracts	374,742,916	12,545,796
Other receivables	8,595,704	287,770	Reserve for separate account-Investment contracts	63,885,430	2,138,782
Total	$440,276,205	$14,739,746	Total	$440,276,205	$14,739,746

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

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

Assets			Liabilities		
Item	30 June 2013		Item	30 June 2013	
	NT$	US$		NT$	US$
Cash in bank	$389,246	$12,992	Other payables	$1,337,721	$44,650
Financial assets at fair value through profit or loss	345,200,911	11,522,060	Reserve for separate account-Insurance contracts	310,397,040	10,360,382
Other receivables	5,956,612	198,819	Reserve for separate account-Investment contracts	39,812,008	1,328,839
Total	$351,546,769	$11,733,871	Total	$351,546,769	$11,733,871

Assets			Liabilities		
Item	1 January 2013		Item	1 January 2013	
	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

B. Separate account insurance products - revenue and expenses

Expenses			Revenue		
Item	1 April - 30 June 2014		Item	1 April - 30 June 2014	
	NT$	US$		NT$	US$
Insurance claim payments	$12,884,468	$431,352	Premium income	$36,187,251	$1,211,492
Cash surrender value	14,481,286	484,810	Interest income	6,173	207
Dividends	177	6	Gains from financial assets and liabilities at fair value through profit or loss	9,989,969	334,448
Recovery of separate account reserve	12,929,380	432,855			
Gains on surrender	-	-			
Administrative expenses	1,183,086	39,608	Foreign exchange gains	(4,742,903)	(158,785)
Non-operating income and expenses	(37,907)	(1,269)			
Total	$41,440,490	$1,387,362	Total	$41,440,490	$1,387,362

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 six-month periods ended 30 June 2014 and 2013

Expenses			Revenue		
Item	1 April - 30 June 2013		Item	1 April - 30 June 2013	
	NT$	US$		NT$	US$
Insurance claim payments	$2,549,612	$85,100	Premium income	$26,551,025	$886,216
Cash surrender value	13,631,384	454,986	Interest income	3,114	104
Dividends	77	3	Gains from financial assets and liabilities at fair value through profit or loss	(10,920,395)	(364,499)
Recovery of separate account reserve	(10,510,953)	(350,833)	Foreign exchange losses	(9,118,521)	(304,357)
Gains on surrender	(3)	-			
Administrative expenses	871,835	29,100			
Non-operating income and expenses	(26,729)	(892)			
Total	$6,515,223	$217,464	Total	$6,515,223	$217,464

Expenses			Revenue		
Item	1 January - 30 June 2014		Item	1 January - 30 June 2014	
	NT$	US$		NT$	US$
Insurance claim payments	$17,153,775	$574,281	Premium income	$75,693,656	$2,534,103
Cash surrender value	32,340,696	1,082,715	Interest income	8,642	289
Dividends	451	15	Gains from financial assets and liabilities at fair value through profit or loss	16,013,068	536,092
Provision for separate account reserve	44,708,164	1,496,758	Foreign exchange gains	4,669,276	156,320
Administrative expenses	2,244,129	75,130			
Non-operating income and expenses	(62,573)	(2,095)			
Total	$96,384,642	$3,226,804	Total	$96,384,642	$3,226,804

Expenses			Revenue		
Item	1 January - 30 June 2013		Item	1 January - 30 June 2013	
	NT$	US$		NT$	US$
Insurance claim payments	$4,981,431	$166,269	Premium income	$51,841,656	$1,730,362
Cash surrender value	26,486,982	884,078	Interest income	5,990	200
Dividends	159	5	Losses from financial assets and liabilities at fair value through profit or loss	(6,238,349)	(208,222)
Provision for separate account reserve	11,202,127	373,903	Foreign exchange losses	(1,212,113)	(40,458)
Gains on surrender	(3)	-			
Administrative expenses	1,772,659	59,168			
Non-operating income and expenses	(46,171)	(1,541)			
Total	$44,397,184	$1,481,882	Total	$44,397,184	$1,481,882

(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 three-month periods ended 30 June 2014 and 2013 were NT$855,634 (US$28,645) thousands and NT$324,577 (US$10,834) thousands, respectively. The commission earned for the sales of separate account insurance products from counterparties for the six-month periods ended 30 June 2014 and 2013 were NT$1,520,834 (US$50,915) thousands and NT$629,687 (US$21,018) thousands, respectively.

(2) Cathay life (China)

A. Separate account insurance products - assets and liabilities

Assets			Liabilities		
Item	30 June 2014		Item	30 June 2014	
	NT$	US$		NT$	US$
Cash in bank	$3,485	$117	Other payables	$515	$17
Financial assets at fair value through profit or loss	314,891	10,542	Reserve for separate account	304,580	10,197
			Other	13,325	446
Interest receivable	44	1			
Total	$318,420	$10,660	Total	$318,420	$10,660

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
			Other	22,757	763
Interest receivable	25	1			
Total	$362,681	$12,158	Total	$362,681	$12,158

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

Assets			Liabilities		
Item	30 June 2013		Item	30 June 2013	
	NT$	US$		NT$	US$
Cash in bank	$19,059	$636	Tax Payable	$1,108	$37
Financial assets at fair value through profit or loss	337,191	11,255	Reserve for separate account	343,435	11,463
Interest receivable	12	-	Other	11,719	391
Total	$356,262	$11,891	Total	$356,262	$11,891

Assets			Liabilities		
Item	1 January 2013		Item	1 January 2013	
	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

B. Separate account insurance products - revenue and expenses

Expenses			Revenue		
Item	1 April - 30 June 2014		Item	1 April - 30 June 2014	
	NT$	US$		NT$	US$
Cash surrender value	$32,892	$1,101	Premium income	$13,315	$446
Administrative expenses	1,108	37	Interest income	75	2
Interest expenses	2	-	Tax expenses	(174)	(6)
Recovery of separate account reserve	(13,088)	(438)	Gains from financial assets and liabilities at fair value through profit or loss	7,698	258
Total	$20,914	$700	Total	$20,914	$700

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

Expenses			Revenue		
Item	1 April - 30 June 2013		Item	1 April - 30 June 2013	
	NT$	US$		NT$	US$
Cash surrender value	$16,899	$564	Premium income	$5,375	$180
Losses from financial assets and liabilities at fair value through profit or loss	9,229	308	Interest income	26	1
Administrative expenses	1,300	44	Tax expenses	120	4
			Recovery of separate account reserve	31,375	1,047
			Losses from financial assets and liabilities at fair value through profit or loss	(9,468)	(316)
Total	$27,428	$916	Total	$27,428	$916

Expenses			Revenue		
Item	1 January - 30 June 2014		Item	1 January - 30 June 2014	
	NT$	US$		NT$	US$
Cash surrender value	$45,307	$1,517	Premium income	$13,827	$463
Administrative expenses	2,301	77	Interest income	108	4
Interest expenses	5	-	Tax expenses	107	3
Recovery of separate account reserve	(25,666)	(859)	Gains from financial assets and liabilities at fair value through profit or loss	7,905	265
Total	$21,947	$735	Total	$21,947	$735

Expenses			Revenue		
Item	1 January - 30 June 2013		Item	1 January - 30 June 2013	
	NT$	US$		NT$	US$
Cash surrender value	$32,958	$1,100	Premium income	$21,894	$731
Losses from financial assets and liabilities at fair value through profit or loss	18,386	614	Interest income	55	2
			Tax expenses	183	6
			Recovery of separate account reserve	31,375	1,047
Administrative expenses	2,163	72			
Total	$53,507	$1,786	Total	$53,507	$1,786

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 laws and 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, together with 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 be aware of the risk arising from daily operations, ensure the effectiveness of risk management and bear 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 made 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. Chief Risk Officer

a. The Chief Risk Officer should maintain independence and should not concurrently play a business or financial role nor hold a position in any profit center of the Company.

b. The Chief Risk Officer should be able to access any and all information which may have an impact on risk overview of the Company.

c. The Chief Risk Officer should be in charge of overall risk management of the Company.

d. The Chief Risk Officer should participate in the company’s important decision-making process and express opinions from a risk management perspective.

D. 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.
(G) Execute back testing if necessary.
(H) Manage other risk management related issues.

E. Business Units

a. Manager(s) of each business unit shall:

(A) be responsible for daily risk management and risk reporting of such unit if necessary and take necessary measures in response to such risks; and
(B) procure such unit to disclose risk management related information regularly to the risk management department.

b. Each business unit shall:

(A) identify and measure risks and report risk exposure and potential influence against the Company on time;
(B) regularly review the risk limits and in the event of any excess of such limits, the designated person shall report such excess along with what actions have been taken against it;
(C) assist to develop the risk model and to ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent;
(D) ensure that internal control procedure are executed effectively to comply with applicable laws and regulations and the Company's risk management policies; and
(E) assist to collect operational risk related data.

F. Audit department

The department is required to oversee risk management policies execution among all departments pursuant to the applicable laws and regulations and the Company's risk management policies.

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

The Company's procedures for risk management include risk identification, risk measurement, risk control and risk reporting. The Company sets its management standards for a broad variety of risks as specified below, i.e. market risk, credit risk, sovereign risk, liquidity risk, operational risk, insurance risk, and assets/liability management, as well as for capital adequacy. The Company also develop methods of assessment and evaluation, monitors its 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 use back testing regularly to ensure the accuracy of the market risk model. Furthermore, the Company applies scenario analysis and stress testing to evaluating the change in 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 foreign exchange risk regularly.

B. Credit risk

This risk refers to the Company's losses due to the default of debtors. The measurements that the Company uses include credit rating, concentration analysis and value-at-risk (VaR) under 95% confidence level. Furthermore, the Company applies scenario analysis and stress testing to evaluating the change in 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 indicators 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 the index of high risk. Relevant business units have established funding communication system and the risk management department manages funding liquidity based on the information provided by such units. Furthermore, business units have also built up their own cash flow analysis models and monitor the result of the analysis. They also set the annual assets allocation plan to better maintain the liquidity of funding. ‘Market liquidity risk’ occurs when 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. Operational risk

This risk occurs when there are errors caused by internal process, employee(s), system breakdown or external issues such as legislative risk; however, strategic risk and reputation risk are excluded. The Company had set the standard operating procedure based on all characteristics of operations and established losses reporting system as well to collect and manage information with respect to losses resulting from operational risk.

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.

44. Information of insurance risk

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

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

A. The Company

For the six-month period ended 30 June 2014
NT$

	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	1,008,578	837,119
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,169,932	971,043
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	202,526	168,097
Rate of return	+0.1%	Increase 1,847,361	Increase 1,533,310
Rate of return	-0.1%	Decrease 1,848,275	Decrease 1,534,068

For the six-month period ended 30 June 2014
US$

	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	33,766	28,025
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	39,167	32,509
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	6,780	5,628
Rate of return	+0.1%	Increase 61,847	Increase 51,333
Rate of return	-0.1%	Decrease 61,877	Decrease 51,358

For the six-month period ended 30 June 2013
NT$

	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	966,264	801,999
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,296,474	1,076,074
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	152,681	126,725
Rate of return	+0.1%	Increase 1,622,308	Increase 1,346,515
Rate of return	-0.1%	Decrease 1,623,111	Decrease 1,347,182

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

	For the six-month period ended 30 June 2013 US$		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.05 (×0.95)	Decrease (increase) 32,252	Decrease (increase) 26,769
Expense	×1.05 (×0.95)	Decrease (increase) 43,273	Decrease (increase) 35,917
Surrender rates	×1.05 (×0.95)	Increase (decrease) 5,096	Increase (decrease) 4,230
Rate of return	+0.1%	Increase 54,149	Increase 44,944
Rate of return	-0.1%	Decrease 54,176	Decrease 44,966

B. Cathay life (China)

	For the six-month period ended 30 June 2014 NT$		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 48,142	Decrease (increase) 36,106
Expense	×1.05 (×0.95)	Decrease (increase) 38,395	Decrease (increase) 28,796
Surrender rates	×1.10 (×0.90)	Increase (decrease) 15,318	Increase (decrease) 11,489
Rate of return	+0.25%	Increase 154,833	Increase 116,125
Rate of return	-0.25%	Decrease 175,856	Decrease 131,892

	For the six-month period ended 30 June 2014 US$		
	Scenarios	Change in income before tax	Change in equity
Mortality/Morbidity	×1.10 (×0.90)	Decrease (increase) 1,612	Decrease (increase) 1,209
Expense	×1.05 (×0.95)	Decrease (increase) 1,285	Decrease (increase) 964
Surrender rates	×1.10 (×0.90)	Increase (decrease) 513	Increase (decrease) 385
Rate of return	+0.25%	Increase 5,184	Increase 3,888
Rate of return	-0.25%	Decrease 5,887	Decrease 4,416

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

	For the six-month period ended 30 June 2013 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	41,124	30,843
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	37,020	27,765
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	13,067	9,800
Rate of return	+0.25%	Increase 158,192	Increase 118,644
Rate of return	-0.25%	Decrease 143,174	Decrease 107,380

	For the six-month period ended 30 June 2013 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.10 (×0.90)	1,373	1,029
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,236	927
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	436	327
Rate of return	+0.25%	Increase 5,280	Increase 3,960
Rate of return	-0.25%	Decrease 4,779	Decrease 3,584

C. Cathay Life (Vietnam)

	For the six-month period ended 30 June 2014 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	61	47
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	4,431	3,456
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	299	233
Rate of return	+0.1%	Increase 1,660	Increase 1,295
Rate of return	-0.1%	Decrease 1,661	Decrease 1,296

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

	For the six-month period ended 30 June 2014 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	2	2
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	148	116
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	10	8
Rate of return	+0.1%	Increase 56	Increase 43
Rate of return	-0.1%	Decrease 56	Decrease 43

	For the six-month period ended 30 June 2013 NT$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	146	110
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	4,628	3,471
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	324	243
Rate of return	+0.1%	Increase 1,194	Increase 895
Rate of return	-0.1%	Decrease 1,194	Decrease 896

	For the six-month period ended 30 June 2013 US$		
	Scenarios	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Mortality/Morbidity	×1.05 (×0.95)	5	4
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	154	116
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	11	8
Rate of return	+0.1%	Increase 40	Increase 30
Rate of return	-0.1%	Decrease 40	Decrease 30

a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the six-month periods ended 30 June 2014 and 2013. 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 22% (25% for the six-month period ended 30 June 2013) 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$ 1	2	3	4	5	6	7	Expected future payment
2007Q3~2008Q2	12,562,311	14,951,930	15,117,368	15,170,737	15,224,557	15,248,250	15,259,648	-
2008Q3~2009Q2	13,615,581	16,157,704	16,359,090	16,445,402	16,499,836	16,527,738	16,540,243	12,505
2009Q3~2010Q2	14,369,300	17,331,855	17,588,505	17,676,347	17,745,630	17,774,177	17,787,383	41,753
2010Q3~2011Q2	14,582,924	17,837,368	18,127,956	18,243,487	18,310,616	18,340,115	18,353,691	110,204
2011Q3~2012Q2	14,768,726	18,234,468	18,547,502	18,638,338	18,703,351	18,732,395	18,745,832	198,330
2012Q3~2013Q2	13,686,305	16,909,537	17,138,617	17,216,213	17,264,781	17,288,491	17,299,791	390,254
2013Q3~2014Q2	13,945,362	16,861,391	17,089,004	17,165,305	17,211,486	17,234,347	17,245,375	3,300,013

Expected future payment	$4,053,059
Less: Expected reported but not paid claim	122,897
Add: Assumed reserve for incurred but not reported claim	49,055
Reserve for unreported claim	3,979,217
Add: Reported but not paid claim	465,982
Claims reserve balance	$4,445,199

Accident year	Development year US$ 1	2	3	4	5	6	7	Expected future payment
2007Q3~2008Q2	420,566	500,567	506,105	507,892	509,694	510,487	510,869	-
2008Q3~2009Q2	455,828	540,934	547,676	550,566	552,388	553,322	553,741	419
2009Q3~2010Q2	481,061	580,243	588,835	591,776	594,095	595,051	595,493	1,398
2010Q3~2011Q2	488,213	597,167	606,895	610,763	613,010	613,998	614,452	3,689
2011Q3~2012Q2	494,433	610,461	620,941	623,982	626,158	627,131	627,581	6,640
2012Q3~2013Q2	458,196	566,104	573,774	576,371	577,997	578,791	579,169	13,065
2013Q3~2014Q2	466,869	564,493	572,113	574,667	576,213	576,978	577,348	110,479

Expected future payment	$135,690
Less: Expected reported but not paid claim	4,114
Add: Assumed reserve for incurred but not reported claim	1,642
Reserve for unreported claim	133,218
Add: Reported but not paid claim	15,600
Claims reserve balance	$148,818

(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
2007Q3~2008Q2	12,680,718	15,093,860	15,260,002	15,312,943	15,368,900	15,412,048	15,415,054	-
2008Q3~2009Q2	13,546,181	15,937,437	16,122,013	16,205,507	16,276,788	16,290,906	16,303,625	12,719
2009Q3~2010Q2	12,738,179	15,081,899	15,260,212	15,343,654	15,400,737	15,429,765	15,443,179	42,442
2010Q3~2011Q2	12,734,259	15,324,990	15,549,755	15,644,490	15,712,338	15,742,293	15,756,068	111,578
2011Q3~2012Q2	12,949,254	15,777,446	16,029,944	16,121,901	16,187,649	16,217,159	16,230,800	200,856
2012Q3~2013Q2	12,117,865	14,979,692	15,212,329	15,291,038	15,340,337	15,364,509	15,376,011	396,319
2013Q3~2014Q2	13,793,033	16,741,096	16,972,317	17,049,748	17,096,669	17,120,000	17,131,233	3,338,200

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

Expected future payment	$4,102,114
Less: Expected reported but not paid claim	122,897
Add: Reported but not paid claim	465,982
Retained claims reserve balance	$4,445,199

Accident year	Development year US$ 1	2	3	4	5	6	7	Expected future payment
2007Q3~2008Q2	424,530	505,318	510,881	512,653	514,526	515,971	516,071	-
2008Q3~2009Q2	453,505	533,560	539,739	542,535	544,921	545,393	545,819	426
2009Q3~2010Q2	426,454	504,918	510,888	513,681	515,592	516,564	517,013	1,421
2010Q3~2011Q2	426,323	513,056	520,581	523,753	526,024	527,027	527,488	3,735
2011Q3~2012Q2	433,520	528,204	536,657	539,736	541,937	542,925	543,381	6,724
2012Q3~2013Q2	405,687	501,496	509,285	511,920	513,570	514,379	514,764	13,268
2013Q3~2014Q2	461,768	560,465	568,206	570,798	572,369	573,150	573,526	111,758

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

Expected future payment	$137,332
Less: Expected reported but not paid claim	4,114
Add: Reported but not paid claim	15,600
Retained claims reserve balance	$148,818

(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$ 1	2	3	4	5	6	7	Expected future payment
2007Q3~2008Q2	27	53	54	54	54	54	54	-
2008Q3~2009Q2	808	3,247	3,259	3,259	3,259	3,259	3,259	-
2009Q3~2010Q2	9,276	17,866	18,656	18,656	18,656	18,656	18,656	-
2010Q3~2011Q2	51,143	115,565	121,630	121,630	121,630	121,630	121,630	-
2011Q3~2012Q2	96,139	192,402	204,717	204,717	204,717	204,717	204,717	-
2012Q3~2013Q2	129,403	356,195	375,092	375,092	375,092	375,092	375,092	18,897
2013Q3~2014Q2	147,106	480,925	491,547	491,547	491,547	491,547	491,547	344,441

Expected future payment	$363,338
Less: Expected reported but not paid claim	31,922
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	331,416
Add: Reported but not paid claim	75,180
Claims reserve balance	$406,596

Accident year	Development year US$ 1	2	3	4	5	6	7	Expected future payment
2007Q3~2008Q2	1	2	2	2	2	2	2	-
2008Q3~2009Q2	27	109	109	109	109	109	109	-
2009Q3~2010Q2	311	598	625	625	625	625	625	-
2010Q3~2011Q2	1,712	3,869	4,072	4,072	4,072	4,072	4,072	-
2011Q3~2012Q2	3,219	6,441	6,854	6,854	6,854	6,854	6,854	-
2012Q3~2013Q2	4,332	11,925	12,558	12,558	12,558	12,558	12,558	633
2013Q3~2014Q2	4,925	16,101	16,456	16,456	16,456	16,456	16,456	11,531

Expected future payment	$12,164
Less: Expected reported but not paid claim	1,069
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	11,095
Add: Reported but not paid claim	2,517
Claims reserve balance	$13,612

(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 payment
Accident year	1	2	3	4	5	6	7	
2007Q3~2008Q2	27	53	54	54	54	54	54	-
2008Q3~2009Q2	808	3,247	3,259	3,259	3,259	3,259	3,259	-
2009Q3~2010Q2	9,276	17,866	18,656	18,656	18,656	18,656	18,656	-
2010Q3~2011Q2	51,143	115,565	121,630	121,630	121,630	121,630	121,630	-
2011Q3~2012Q2	96,139	192,267	204,580	204,580	204,580	204,580	204,580	-
2012Q3~2013Q2	119,361	362,059	373,154	373,154	373,154	373,154	373,154	11,095
2013Q3~2014Q2	137,899	417,877	473,681	473,681	473,681	473,681	473,681	335,782

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

Expected future payment	$346,877
Less: Expected reported but not paid claim	31,922
Add: Reported but not paid claim	75,180
Retained claims reserve balance	$390,135

	Development year US$							Expected future payment
Accident year	1	2	3	4	5	6	7	
2007Q3~2008Q2	1	2	2	2	2	2	2	-
2008Q3~2009Q2	27	109	109	109	109	109	109	-
2009Q3~2010Q2	311	598	625	625	625	625	625	-
2010Q3~2011Q2	1,712	3,869	4,072	4,072	4,072	4,072	4,072	-
2011Q3~2012Q2	3,219	6,437	6,849	6,849	6,849	6,849	6,849	-
2012Q3~2013Q2	3,996	12,121	12,493	12,493	12,493	12,493	12,493	372
2013Q3~2014Q2	4,617	13,990	15,858	15,858	15,858	15,858	15,858	11,241

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

Expected future payment	$11,613
Less: Expected reported but not paid claim	1,069
Add: Reported but not paid claim	2,517
Retained claims reserve balance	$13,061

(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
2009Q3~2010Q2	200	211	211	211	211
2010Q3~2011Q2	144	222	222	222	222
2011Q3~2012Q2	801	1,004	1,004	1,004	1,004
2012Q3~2013Q2	1,045	1,116	1,116	1,116	1,116
2013Q3~2014Q2	584	681	681	681	681

(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
2009Q3~2010Q2	7	7	7	7	7
2010Q3~2011Q2	5	7	7	7	7
2011Q3~2012Q2	27	34	34	34	34
2012Q3~2013Q2	35	37	37	37	37
2013Q3~2014Q2	20	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.

30 June 2014			Unit: Billion
NT$	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments with discretionary participation features	$(90.5)	$200.1	$10,877.8

30 June 2014			Unit: Billion
US$	Within 1 year	1 to 5 years	Over 5 years
Insurance contracts and financial instruments with discretionary participation features	$(3.03)	$6.70	$364.17

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 suffer financial losses for holding debt instruments or bank savings because the issuers (guarantors) or banks are not able to repay due to default, bankruptcy, liquidation or any other similar circumstances.

b. Counterparty credit risk refers to the risk that the counterparty will not meet its obligations to perform or pay as and when due and, as a result, the Company will bear financial losses.

c. Underlying asset credit risk means the risk that the Company may suffer losses arising from deterioration of the credit quality and/or credit rating, increase of credit risk premium or breach of any contract terms of any underlying assets to 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:

30 June 2014
NT$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$139,239,222	$45,842	$20,084	$59,857,812	$146,398,060	$345,561,020
Financial assets at fair value through profit or loss	18,764,099	557,831	2,145,621	1,518,412	-	22,985,963
Available-for-sale financial assets	401,649,042	33,994,814	77,682,746	148,316,489	33,784,197	695,427,288
Derivative financial assets for hedging	94,782	-	118,836	65,443	-	279,061
Bond investments for which no active market exists	49,938,150	74,064,818	243,286,204	406,734,148	250,620,271	1,024,643,591
Held-to-maturity financial assets	7,695,549	-	-	-	-	7,695,549
Other financial assets	34,700,000	-	3,500,000	-	-	38,200,000
Total	$652,080,844	$108,663,305	$326,753,491	$616,492,304	$430,802,528	$2,134,792,472
Proportion	30.5%	5.1%	15.3%	28.9%	20.2%	100%

30 June 2014
US$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$4,661,507	$1,535	$672	$2,003,944	$4,901,174	$11,568,832
Financial assets at fair value through profit or loss	628,192	18,675	71,832	50,834	-	769,533
Available-for-sale financial assets	13,446,570	1,138,092	2,600,695	4,965,400	1,131,041	23,281,798
Derivative financial assets for hedging	3,173	-	3,978	2,191	-	9,342
Bond investments for which no active market exists	1,671,850	2,479,572	8,144,835	13,616,811	8,390,367	34,303,435
Held-to-maturity financial assets	257,635	-	-	-	-	257,635
Other financial assets	1,161,701	-	117,174	-	-	1,278,875
Total	$21,830,628	$3,637,874	$10,939,186	$20,639,180	$14,422,582	$71,469,450
Proportion	30.5%	5.1%	15.3%	28.9%	20.2%	100%

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

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)

30 June 2013

NT$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$170,572,676	$-	$-	$59,077,870	$64,810,039	$294,460,585
Financial assets at fair value through profit or loss	31,787,493	977,054	3,811,205	2,609,852	-	39,185,604
Available-for-sale financial assets	452,990,021	16,788,042	69,441,872	202,212,308	34,812,205	776,244,448
Derivative financial assets for hedging	200,697	23,203	436,255	103,531	-	763,686
Bond investments for which no active market exists	39,484,287	38,074,249	214,779,904	332,764,137	244,022,310	869,124,887
Other financial assets	29,900,000	-	3,500,000	-	-	33,400,000
Total	$724,935,174	$55,862,548	$291,969,236	$596,767,698	$343,644,554	$2,013,179,210
Proportion	36.0%	2.8%	14.5%	29.6%	17.1%	100.0%

30 June 2013

US$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	$5,693,347	$-	$-	$1,971,891	$2,163,219	$9,828,457
Financial assets at fair value through profit or loss	1,060,998	32,612	127,209	87,111	-	1,307,930
Available-for-sale financial assets	15,119,827	560,349	2,317,820	6,749,409	1,161,956	25,909,361
Derivative financial assets for hedging	6,699	774	14,561	3,456	-	25,490
Bond investments for which no active market exists	1,317,900	1,270,836	7,168,889	11,106,947	8,144,937	29,009,509
Other financial assets	997,997	-	116,823	-	-	1,114,820
Total	$24,196,768	$1,864,571	$9,745,302	$19,918,814	$11,470,112	$67,195,567
Proportion	36.0%	2.8%	14.5%	29.6%	17.1%	100.0%

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

1 January 2013

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%

1 January 2013

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)

C. Credit Quality

Classification of credit quality for financial assets of the Company:

30 June 2014
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	$345,561,020	$-	$-	$-	$-	$345,561,020
Financial assets at fair value through profit or loss	20,796,868	2,189,095	-	-	-	22,985,963
Available-for-sale financial assets	689,331,138	6,096,150	-	735,000	(735,000)	695,427,288
Derivative financial assets for hedging	279,061	-	-	-	-	279,061
Bond investments for which no active market exists	1,018,084,288	6,559,303	-	388,895	(388,895)	1,024,643,591
Held-to-maturity financial assets	7,695,549	-	-	-	-	7,695,549
Other financial assets	38,200,000	-	-	-	-	38,200,000
Total	$2,119,947,924	$14,844,548	$-	$1,123,895	$(1,123,895)	$2,134,792,472
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100%

30 June 2014
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	$11,568,832	$-	$-	$-	$-	$11,568,832
Financial assets at fair value through profit or loss	696,246	73,287	-	-	-	769,533
Available-for-sale financial assets	23,077,708	204,090	-	24,607	(24,607)	23,281,798
Derivative financial assets for hedging	9,342	-	-	-	-	9,342
Bond investments for which no active market exists	34,083,840	219,595	-	13,020	(13,020)	34,303,435
Held-to-maturity financial assets	257,635	-	-	-	-	257,635
Other financial assets	1,278,875	-	-	-	-	1,278,875
Total	$70,972,478	$496,972	$-	$37,627	$(37,627)	$71,469,450
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100%

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

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)

30 June 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	$294,458,515	$2,070	$-	$-	$-	$294,460,585
Financial assets at fair value through profit or loss	38,087,631	1,097,973	-	-	-	39,185,604
Available-for-sale financial assets	767,169,442	8,989,544	-	820,462	(735,000)	776,244,448
Derivative financial assets for hedging	763,686	-	-	-	-	763,686
Bond investments for which no active market exists	865,719,219	3,405,668	-	391,560	(391,560)	869,124,887
Other financial assets	33,400,000	-	-	-	-	33,400,000
Total	$1,999,598,493	$13,495,255	$-	$1,212,022	$(1,126,560)	$2,013,179,210
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100.0%

30 June 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	$9,828,388	$69	$-	$-	$-	$9,828,457
Financial assets at fair value through profit or loss	1,271,282	36,648	-	-	-	1,307,930
Available-for-sale financial assets	25,606,457	300,052	-	27,385	(24,533)	25,909,361
Derivative financial assets for hedging	25,490	-	-	-	-	25,490
Bond investments for which no active market exists	28,895,835	113,674	-	13,069	(13,069)	29,009,509
Other financial assets	1,114,820	-	-	-	-	1,114,820
Total	$66,742,272	$450,443	$-	$40,454	$(37,602)	$67,195,567
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100.0%

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

1 January 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	$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%

1 January 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	$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)

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:

30 June 2014 NT$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$352,005,405	$53,900,004	$91,296,003	$497,201,412
Overdue receivables	74,675	90,134	21,553	186,362
Total	$352,080,080	$53,990,138	$91,317,556	$497,387,774
Proportion	71%	11%	18%	100%

30 June 2014 US$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$11,784,580	$1,804,486	$3,056,445	$16,645,511
Overdue receivables	2,500	3,018	721	6,239
Total	$11,787,080	$1,807,504	$3,057,166	$16,651,750
Proportion	71%	11%	18%	100%

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%

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

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%

30 June 2013 NT$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$273,680,019	$47,718,318	$84,524,377	$405,922,714
Overdue receivables	40,770	411,689	64,395	516,854
Total	$273,720,789	$48,130,007	$84,588,772	$406,439,568
Proportion	67%	12%	21%	100%

30 June 2013 US$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	$9,134,847	$1,592,734	$2,821,241	$13,548,822
Overdue receivables	1,361	13,741	2,150	17,252
Total	$9,136,208	$1,606,475	$2,823,391	$13,566,074
Proportion	67%	12%	21%	100%

1 January 2013 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)

1 January 2013 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%

E. Secured loans and overdue receivables

30 June 2014

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	$230,233,874	$160,162,695	$44,828,145	$77,970	$4,338,572	$439,641,256	$2,446,615	$437,194,641
Corporate finance	47,331,388	4,077,408	1,480,567	-	4,857,155	57,746,518	1,495,819	56,250,699
Total	$277,565,262	$164,240,103	$46,308,712	$77,970	$9,195,727	$497,387,774	$3,942,434	$493,445,340

30 June 2014

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	$7,707,864	$5,361,992	$1,500,775	$2,610	$145,248	$14,718,489	$81,909	$14,636,580
Corporate finance	1,584,579	136,505	49,567	-	162,610	1,933,261	50,077	1,883,184
Total	$9,292,443	$5,498,497	$1,550,342	$2,610	$307,858	$16,651,750	$131,986	$16,519,764

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	Neither past due nor impaired			Past due but		Total (EIR	Provision for	
Overdue receivables	Excellent	Good	Normal	not impaired	Impaired	Principal)	impairment	Net
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

30 June 2013

NT$

Secured loans and	Neither past due nor impaired			Past due but		Total (EIR	Provision for	
Overdue receivables	Excellent	Good	Normal	not impaired	Impaired	Principal)	impairment	Net
Consumer finance	$186,043,414	$129,421,506	$36,223,954	$115,809	$4,419,516	$356,224,199	$1,655,444	$354,568,755
Corporate finance	37,793,962	4,026,721	1,634,698	-	6,759,988	50,215,369	1,722,768	48,492,601
Total	$223,837,376	$133,448,227	$37,858,652	$115,809	$11,179,504	$406,439,568	$3,378,212	$403,061,356

30 June 2013

US$

Secured loans and	Neither past due nor impaired			Past due but		Total (EIR	Provision for	
Overdue receivables	Excellent	Good	Normal	not impaired	Impaired	Principal)	impairment	Net
Consumer finance	$6,209,727	$4,319,810	$1,209,077	$3,865	$147,514	$11,889,993	$55,255	$11,834,738
Corporate finance	1,261,481	134,403	54,563	-	225,634	1,676,081	57,503	1,618,578
Total	$7,471,208	$4,454,213	$1,263,640	$3,865	$373,148	$13,566,074	$112,758	$13,453,316

1 January 2013

NT$

Secured loans and	Neither past due nor impaired			Past due but		Total (EIR	Provision for	
Overdue receivables	Excellent	Good	Normal	not impaired	Impaired	Principal)	impairment	Net
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

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

1 January 2013

US$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	$5,508,002	$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

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
30 June 2014	$68,132	$9,838	$77,970
31 December 2013	109,251	14,217	123,468
30 June 2013	101,687	14,122	115,809
1 January 2013	157,700	26,242	183,942

	Past due but not impaired US$		
	Due in 1~2 months	Due in 2~3 months	Total
30 June 2014	$2,281	$329	$2,610
31 December 2013	3,662	477	4,139
30 June 2013	3,394	471	3,865
1 January 2013	5,429	903	6,332

(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.

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

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.

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	
30 June 2014	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$166,808	$5,584	$-	$-	$-	$-
Payables	22,251,004	744,928	3,909,263	130,876	134	5
Preferred stock liability	-	-	457,732	15,324	15,897,931	532,237

	Due in 2~5 years		Over 5 years		Total	
30 June 2014	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$-	$-	$-	$-	$166,808	$5,584
Payables	-	-	-	-	26,160,401	875,809
Preferred stock liability	15,543,328	520,366	-	-	31,898,991	1,067,927

	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

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

	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	
30 June 2013	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$277,269	$9,255	$-	$-	$-	$-
Payables	14,593,581	487,102	3,001,263	100,176	198	6
Preferred stock liability	-	-	457,732	15,278	908,000	30,307

	Due in 2~5 years		Over 5 years		Total	
30 June 2013	NT$	US$	NT$	US$	NT$	US$
Short-term debts	$-	$-	$-	$-	$277,269	$9,255
Payables	-	-	-	-	17,595,042	587,284
Preferred stock liability	26,361,254	879,882	5,080,005	169,559	32,806,991	1,095,026

	Less than six months		Due in 6~12 months		Due in 1~2 years	
1 January 2013	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	
1 January 2013	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

D. Maturity analysis of derivative financial liability:

	Less than six months		Due in 6~12 months		Due in 1~2 years	
30 June 2014	NT$	US$	NT$	US$	NT$	US$
IRS	$14,089	$472	$8,144	$273	$3,391	$113
Forward	417,563	13,979	-	-	-	-
CS	1,514,964	50,719	876,570	29,346	-	-

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

	Due in 2~5 years		Over 5 years		Total	
30 June 2014	NT$	US$	NT$	US$	NT$	US$
IRS	$(3,201)	$(107)	$-	$-	$22,423	$751
Forward	-	-	-	-	417,563	13,979
CS	-	-	-	-	2,391,534	80,065

	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	
30 June 2013	NT$	US$	NT$	US$	NT$	US$
IRS	$26,529	$885	$25,384	$847	$17,433	$582
Forward	1,499,177	50,039	5,388,726	179,864	-	-
CS	10,076,795	336,342	2,736,471	91,337	2,246,921	74,997

	Due in 2~5 years		Over 5 years		Total	
30 June 2013	NT$	US$	NT$	US$	NT$	US$
IRS	$264	$9	$-	$-	$69,610	$2,323
Forward	-	-	-	-	6,887,903	229,903
CS	-	-	-	-	15,060,187	502,676

	Less than six months		Due in 6~12 months		Due in 1~2 years	
1 January 2013	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

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

	Due in 2~5 years		Over 5 years		Total	
1 January 2013	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

(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.

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

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

(A) Simple Sensitivity

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

(B) Scenario Analysis

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

(a) Historical scenario

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

(b) Hypothetical scenario

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

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

Table of Stress Testing
For the six-month period ended 30 June 2014

Risk Factors	Changes (+/-)	Gain(loss) NT$	Gain(loss) US$
Equity risk (Stock index)	-10%	$(48,479,795)	$(1,623,026)
Interest rate risk (Yield curve)	+20bps	(8,513,508)	(285,019)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(18,467,707)	(618,269)
Commodity risk (Price)	-10%	-	-

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

Table of Stress Testing
For the six-month period ended 30 June 2013

Risk Factors	Changes (+/-)	Gain(loss) NT$	Gain(loss) US$
Equity risk (Stock index)	-10%	$(41,479,717)	$(1,384,503)
Interest rate risk (Yield curve)	+20bps	(8,946,327)	(298,609)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by $1	(13,882,006)	(463,351)
Commodity risk (Price)	-10%	-	-

Note: Impacts of credit spread changes are not included.

c. Sensitivity Analysis

Summarization of Sensitivity Analysis
For the six-month period ended 30 June 2014
NT$

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$2,891,505	$2,633,109
	CNY/CNH	appreciates 1%	2,179,339	106,991
	HKD	appreciates 1%	16,742	460,227
	EUR	appreciates 1%	316,019	178,969
	GBP	appreciates 1%	224,307	42,685
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	-	(136,216)
	Yield curve (AUD)	parallelly shifts up 1 bp	-	(990)
	Yield curve (EUR)	parallelly shifts up 1 bp	-	(6,051)
	Yield curve (NTD)	parallelly shifts up 1 bp	(183)	(266,855)
Equity price risk	Equity price increases 1%		146,681	4,701,299

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

Summarization of Sensitivity Analysis
For the six-month period ended 30 June 2014
US$

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$96,803	$88,152
	CNY/CNH	appreciates 1%	72,961	3,582
	HKD	appreciates 1%	560	15,408
	EUR	appreciates 1%	10,580	5,992
	GBP	appreciates 1%	7,509	1,429
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	-	(4,560)
	Yield curve (AUD)	parallelly shifts up 1 bp	-	(33)
	Yield curve (EUR)	parallelly shifts up 1 bp	-	(203)
	Yield curve (NTD)	parallelly shifts up 1 bp	(6)	(8,934)
Equity price risk	Equity price increases 1%		4,911	157,392

Summarization of Sensitivity Analysis
For the six-month period ended 30 June 2013
NT$

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$2,103,867	$2,077,394
	CNY/CNH	appreciates 1%	1,208,361	64,550
	HKD	appreciates 1%	14,150	397,854
	EUR	appreciates 1%	291,047	119,479
	GBP	appreciates 1%	264,167	25,108
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	-	(167,897)
	Yield curve (AUD)	parallelly shifts up 1 bp	-	(1,004)
	Yield curve (EUR)	parallelly shifts up 1 bp	-	(2,322)
	Yield curve (NTD)	parallelly shifts up 1 bp	(321)	(273,818)
Equity price risk	Equity price increases 1%		172,825	3,975,138

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

Summarization of Sensitivity Analysis
For the six-month period ended 30 June 2013
US$

Risk Factors	Variables (+/-)		Change in Income	Change in Equity
Foreign currency risk	USD	appreciates 1%	$70,223	$69,339
	CNY/CNH	appreciates 1%	40,332	2,155
	HKD	appreciates 1%	472	13,280
	EUR	appreciates 1%	9,715	3,988
	GBP	appreciates 1%	8,817	838
Interest rate risk	Yield curve (USD)	parallelly shifts up 1 bp	-	(5,604)
	Yield curve (AUD)	parallelly shifts up 1 bp	-	(34)
	Yield curve (EUR)	parallelly shifts up 1 bp	-	(78)
	Yield curve (NTD)	parallelly shifts up 1 bp	(11)	(9,139)
Equity price risk	Equity price increases 1%		5,769	132,682

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.
Note 3: The foreign exchange volatility reserve adjustments are not included in the change in income of the foreign currency risk.

47. Information of financial instruments

(1) Categories of financial instruments

Financial assets

Item (NT$)	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial assets at fair value through profit or loss				
Held for trading	$60,241,108	$73,892,698	$106,798,023	$72,964,811
Available-for-sale financial assets	1,296,546,744	1,277,352,123	1,261,793,260	1,227,321,172
Derivative financial assets for hedging	279,061	453,713	763,686	1,142,094
Held-to-maturity financial assets	9,438,212	1,619,138	-	-
Loans and receivables				
Cash and cash equivalents (Note)	347,477,595	281,874,153	298,595,813	365,919,542
Receivables	47,019,419	47,633,306	50,344,343	57,726,314
Bond investments for which no active market exists	1,027,848,819	1,023,349,976	871,670,407	816,904,617
Other financial assets	38,200,000	40,900,000	33,400,699	23,500,010
Loans	667,119,589	635,863,840	582,440,510	518,210,946
Guarantee deposits paid	16,121,453	16,714,926	14,936,159	14,376,119
Subtotal	2,143,786,875	2,046,336,201	1,851,387,931	1,796,637,548
Total	$3,510,292,000	$3,399,653,873	$3,220,742,900	$3,098,065,625

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

Item (US$)	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial assets at fair value through profit or loss				
Held for trading	$2,016,776	$2,477,127	$3,564,687	$2,511,697
Available-for-sale financial assets	43,406,319	42,821,057	42,115,930	42,248,577
Derivative financial assets for hedging	9,342	15,210	25,490	39,315
Held-to-maturity financial assets	315,976	54,279	-	-
Loans and receivables				
Cash and cash equivalents (Note)	11,632,996	9,449,351	9,966,482	12,596,197
Receivables	1,574,135	1,596,825	1,680,385	1,987,137
Bond investments for which no active market exists	34,410,740	34,306,067	29,094,473	28,120,641
Other financial assets	1,278,875	1,371,103	1,114,843	808,950
Loans	22,334,101	21,316,253	19,440,605	17,838,587
Guarantee deposits paid	539,721	560,340	498,536	494,875
Subtotal	71,770,568	68,599,939	61,795,324	61,846,387
Total	$117,518,981	$113,967,612	$107,501,431	$106,645,976

Note: Exclude cash on hand and revolving funds.

Financial liabilities

Item (NT$)	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial liabilities at fair value through profit or loss				
Held for trading	$2,451,524	$16,148,024	$20,569,762	$2,079,457
Derivative financial liabilities for hedging	-	5,148	-	-
Financial liabilities at amortized cost				
Short-term debts	166,808	-	277,269	297,268
Payables	26,160,401	19,025,676	17,595,042	38,073,655
Preferred stock liability	30,000,000	30,000,000	30,000,000	30,000,000
Guarantee deposits received	2,649,891	2,211,239	2,086,676	2,077,752
Subtotal	58,977,100	51,236,915	49,958,987	70,448,675
Total	$61,428,624	$67,390,087	$70,528,749	$72,528,132

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

Item (US$)	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial liabilities at fair value through profit or loss				
Held for trading	$82,073	$541,335	$686,574	$71,582
Derivative financial liabilities for hedging	-	173	-	-
Financial liabilities at amortized cost				
Short-term debts	5,584	-	9,255	10,233
Payables	875,809	637,803	587,284	1,310,625
Preferred stock liability	1,004,352	1,005,699	1,001,335	1,032,702
Guarantee deposits received	88,714	74,128	69,649	71,524
Subtotal	1,974,459	1,717,630	1,667,523	2,425,084
Total	$2,056,532	$2,259,138	$2,354,097	$2,496,666

(2) Fair 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.

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

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$)			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial assets				
Bond investment for which no active market exists	$1,027,848,819	$1,023,349,976	$871,670,407	$816,904,617
Held-to-maturity financial assets	9,438,212	1,619,138	-	-

	Carrying amount (US$)			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial assets				
Bond investment for which no active market exists	$34,410,740	$34,306,067	$29,094,473	$28,120,641
Held-to-maturity financial assets	315,976	54,279	-	-

	Fair value (NT$)			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial assets				
Bond investment for which no active market exists	$1,053,641,077	$994,573,305	$851,583,795	$867,272,570
Held-to-maturity financial assets	9,349,462	1,534,584	-	-

	Fair value (US$)			
	2014.6.30	2013.12.31	2013.6.30	2013.1.1
Financial assets				
Bond investment for which no active market exists	$35,274,224	$33,341,378	$28,424,025	$29,854,477
Held-to-maturity financial assets	313,005	51,444	-	-

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

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.

a. Fair value hierarchy

	30 June 2014			
	NT$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks	$7,522,773	$7,522,773	$-	$-
Bonds	5,549,272	3,914,204	1,635,068	-
Other	42,271,792	29,463,142	12,808,650	-
Available-for-sale financial assets				
Stocks	452,493,704	443,617,870	8,875,834	-
Bonds	696,862,511	4,423,260	692,439,251	-
Other	147,190,529	109,954,862	20,317,456	16,918,211
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,897,271	-	4,897,271	-
Derivative financial assets for hedging	279,061	-	279,061	-
Liabilities				
Financial liabilities at fair value through profit or loss	2,451,524	-	2,451,524	-

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

	30 June 2014 US$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks	$251,851	$251,851	$-	$-
Bonds	185,780	131,041	54,739	-
Other	1,415,192	986,379	428,813	-
Available-for-sale financial assets				
Stocks	15,148,768	14,851,619	297,149	-
Bonds	23,329,847	148,084	23,181,763	-
Other	4,927,704	3,681,114	680,196	566,394
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	163,953	-	163,953	-
Derivative financial assets for hedging	9,342	-	9,342	-
Liabilities				
Financial liabilities at fair value through profit or loss	82,073	-	82,073	-

	31 December 2013 NT$			
Item	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	-

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

	31 December 2013 US$			
Item	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	-

	30 June 2013 NT$			
Item	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks	$15,377,555	$15,377,555	$-	$-
Bonds	3,611,809	2,001,316	1,610,493	-
Other	80,499,255	52,234,864	28,264,391	-
Available-for-sale financial assets				
Stocks	361,119,150	355,956,921	5,162,229	-
Bonds	775,446,336	40,698,631	734,747,705	-
Other	125,227,774	92,486,020	23,009,852	9,731,902
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	7,309,404	90	7,309,314	-
Derivative financial assets for hedging	763,686	-	763,686	-
Liabilities				
Financial liabilities at fair value through profit or loss	20,569,762	-	20,569,762	-

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

Item	30 June 2013 US$ Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks	$513,270	$513,270	$-	$-
Bonds	120,554	66,799	53,755	-
Other	2,686,891	1,743,487	943,404	-
Available-for-sale financial assets				
Stocks	12,053,376	11,881,072	172,304	-
Bonds	25,882,722	1,358,432	24,524,290	-
Other	4,179,832	3,086,983	768,019	324,830
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	243,972	3	243,969	-
Derivative financial assets for hedging	25,490	-	25,490	-
Liabilities				
Financial liabilities at fair value through profit or loss	686,574	-	686,574	-

Item	1 January 2013 NT$ 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	-

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

Item	1 January 2013 US$ 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	-

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

(A) Financial assets

Item	Beginning balance	For the six-month period ended 30 June 2014 NT$ Total gains and losses recognized: Amount recognized in profit or loss	Amount recognized in OCI	Increase: Acquisition or issues	Transfer into Level 3	Decrease: Disposal or settlements	Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$13,102,703	$259,391	$714,458	$5,251,977	$-	$(2,410,318)	$-	$16,918,211

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

For the six-month period ended 30 June 2014 US$								
		Total gains and losses recognized		Increase		Decrease		
Item	Beginning balance	Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$438,657	$8,684	$23,919	$175,828	$-	$(80,694)	$-	$566,394

For the six-month period ended 30 June 2013 NT$								
		Total gains and losses recognized		Increase		Decrease		
Item	Beginning balance	Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$7,640,615	$75,553	$675,139	$3,106,367	$-	$(1,765,772)	$-	$9,731,902

For the six-month period ended 30 June 2013 US$								
		Total gains and losses recognized		Increase		Decrease		
Item	Beginning balance	Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	Ending balance
Available-for-sale financial assets	$255,027	$2,522	$22,535	$103,684	$-	$(58,938)	$-	$324,830

(B) Transfers between Level 1 and Level 2

During the six-month periods ended 30 June 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

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

(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 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013:

30 June 2014

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	$279,061	$9,342	23 July 2014 ~ 25 December 2023	23 July 2014 ~ 25 December 2023

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

30 June 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	$763,686	$25,490	23 July 2013 ~ 23 September 2020	23 July 2013 ~ 23 September 2020

1 January 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	$1,142,094	$39,315	23 January 2013 ~ 23 September 2020	23 January 2013 ~ 23 September 2020

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

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

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 three-month period ended 30 June 2014 NT$	For the three-month period ended 30 June 2014 US$
Amount recognized in other comprehensive income	$(94,864)	$(3,176)
Amount reclassified from equity to profit or loss	(1,283)	(43)

	For the three-month period ended 30 June 2013 NT$	For the three-month period ended 30 June 2013 US$
Amount recognized in other comprehensive income	$(187,774)	$(6,267)
Amount reclassified from equity to profit or loss	4,663	156

	For the six-month period ended 30 June 2014 NT$	For the six-month period ended 30 June 2014 US$
Amount recognized in other comprehensive income	$(169,828)	$(5,686)
Amount reclassified from equity to profit or loss	324	11

	For the six-month period ended 30 June 2013 NT$	For the six-month period ended 30 June 2013 US$
Amount recognized in other comprehensive income	$(386,840)	$(12,912)
Amount reclassified from equity to profit or loss	8,432	281

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

Fair value hedges

The following table summarizes the terms of the Company's futures for bonds used as hedging instruments as of 30 June 2014 and 31 December 2013:

30 June 2014		
Par value (USD)	Hedged item	Maturity date
$612,000	Bond investments for which no active market exists	30 April 2036 ~ 27 June 2044

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 six-month period ended 30 June 2014, the loss of hedging instrument is NT$1,266,560 (US$42,402), and unrealized profit attributed to hedging bonds is NT$1,168,238 (US$39,111). Both of them are recognized as financial costs in the statement of comprehensive income.

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

	30 June 2014			31 December 2013		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	38,864,668	29.915000	1,162,636,540	38,590,232	29.950000	1,155,777,439
AUD	1,101,722	28.132066	30,993,711	1,035,163	26.710908	27,650,131
EUR	800,032	40.836967	32,670,885	728,989	41.287573	30,098,202
GBP	447,369	50.930288	22,784,647	466,217	49.502858	23,079,082
CNH	44,087,183	4.819403	212,473,912	38,940,825	4.943631	192,509,070
Non-Monetary Items						
USD	5,149,267	29.915000	154,040,320	4,346,951	29.950000	130,191,169
HKD	11,924,133	3.859626	46,022,700	10,913,660	3.862647	42,155,618
Investments accounted for using the equity method						
CNY	170,456	4.821100	821,787	70,770	4.947200	350,111
USD	3,872	29.915000	115,827	3,832	29.950000	114,759

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

	30 June 2013			1 January 2013		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	36,319,950	30.120000	1,093,956,897	36,845,654	29.136000	1,073,534,986
AUD	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)
EUR	745,359	39.296058	29,289,671	717,803	38.609570	27,714,068
GBP	577,227	45.939024	26,517,254	526,696	46.975973	24,742,075
CNH	23,715,221	4.907935	116,392,775	19,422,188	4.679730	90,890,601
Non-Monetary Items						
USD	3,835,551	30.120000	115,526,782	3,188,552	29.136000	93,069,180
HKD	10,245,590	3.883170	39,785,365	7,588,075	3.758611	28,520,621
Investments accounted for using the equity method						
CNY	27,939	4.907500	137,110	64,246	4.674100	300,290
USD	3,184	30.120000	95,904	3,493	29.136000	101,761

Note: The amount did not have significant influence.

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:

	30 June 2014 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$347,679,800	$-	$347,679,800
Receivables	46,935,366	84,053	47,019,419
Financial assets at fair value through profit or loss	92,844	60,148,264	60,241,108
Available-for-sale financial assets	110,128,114	1,186,418,630	1,296,546,744
Derivative financial assets for hedging	106,923	172,138	279,061
Investments accounted for using the equity method - Net	-	3,065,834	3,065,834
Bond investments for which no active market exists	49,956,949	977,891,870	1,027,848,819
Held-to-maturity financial assets	-	9,438,212	9,438,212
Other financial assets - Net	-	38,200,000	38,200,000
Investment property	-	384,627,238	384,627,238
Investment property under construction	-	16,300,142	16,300,142
Prepayments for buildings and land - Investments	-	1,830,809	1,830,809
Loans	30,870	667,088,719	667,119,589
Reinsurance assets	-	680,097	680,097
Property and equipment	-	27,004,630	27,004,630
Intangible assets	-	170,891	170,891
Deferred tax assets	-	13,366,668	13,366,668
Other assets	532,039	18,327,642	18,859,681
Separate account product assets	10,182,574	430,412,051	440,594,625
Total assets			$4,400,873,367

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

	30 June 2014 NT$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$166,808	$-	$166,808
Payables	26,160,267	134	26,160,401
Financial liabilities at fair value through profit or loss	17,423	2,434,101	2,451,524
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	3,486,378,818	3,486,378,818
Reserve for insurance contracts with feature of financial instruments	-	55,603,174	55,603,174
Foreign exchange volatility reserve	-	10,903,075	10,903,075
Provisions	-	3,773,401	3,773,401
Deferred tax liabilities	-	24,394,739	24,394,739
Other liabilities	1,466	11,619,429	11,620,895
Separate account product liabilities	1,648,374	438,946,251	440,594,625
Total liabilities			$4,092,047,460

	30 June 2014 US$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$11,639,766	$-	$11,639,766
Receivables	1,571,321	2,814	1,574,135
Financial assets at fair value through profit or loss	3,108	2,013,668	2,016,776
Available-for-sale financial assets	3,686,914	39,719,405	43,406,319
Derivative financial assets for hedging	3,579	5,763	9,342
Investments accounted for using the equity method - Net	-	102,639	102,639
Bond investments for which no active market exists	1,672,479	32,738,261	34,410,740
Held-to-maturity financial assets	-	315,976	315,976
Other financial assets - Net	-	1,278,875	1,278,875
Investment property	-	12,876,707	12,876,707
Investment property under construction	-	545,703	545,703
Prepayments for buildings and land - Investments	-	61,293	61,293
Loans	1,034	22,333,067	22,334,101
Reinsurance assets	-	22,769	22,769
Property and equipment	-	904,072	904,072
Intangible assets	-	5,721	5,721
Deferred tax assets	-	447,495	447,495
Other assets	17,812	613,580	631,392
Separate account product assets	340,896	14,409,510	14,750,406
Total assets			$147,334,227

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

	30 June 2014 US$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$5,584	$-	$5,584
Payables	875,804	5	875,809
Financial liabilities at fair value through profit or loss	583	81,490	82,073
Preferred stock liability	-	1,004,352	1,004,352
Insurance liabilities	-	116,718,407	116,718,407
Reserve for insurance contracts with feature of financial instruments	-	1,861,506	1,861,506
Foreign exchange volatility reserve	-	365,018	365,018
Provisions	-	126,327	126,327
Deferred tax liabilities	-	816,697	816,697
Other liabilities	49	389,000	389,049
Separate account product liabilities	55,185	14,695,221	14,750,406
Total liabilities			$136,995,228

	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	-	345,459,505	345,459,505
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			$4,195,229,455

(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	-	21,281,632	21,281,632
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			$3,923,923,413

	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	-	11,580,942	11,580,942
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			$140,637,930

(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	-	713,431	713,431
Other liabilities	164	289,224	289,388
Separate account product liabilities	52,115	12,561,118	12,613,233
Total liabilities			$131,542,857

	30 June 2013 NT$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$298,802,946	$-	$298,802,946
Receivables	50,306,275	38,068	50,344,343
Financial assets at fair value through profit or loss	518,819	106,279,204	106,798,023
Available-for-sale financial assets	150,510,497	1,111,282,763	1,261,793,260
Derivative financial assets for hedging	146,632	617,054	763,686
Investments accounted for using the equity method - Net	-	739,113	739,113
Bond investments for which no active market exists	13,924,179	857,746,228	871,670,407
Other financial assets - Net	699	33,400,000	33,400,699
Investment property	-	310,384,204	310,384,204
Investment property under construction	-	10,859,660	10,859,660
Prepayments for buildings and land - Investments	-	1,592,343	1,592,343
Loans	23,659	582,416,851	582,440,510
Reinsurance assets	-	4,740,197	4,740,197
Property and equipment	-	48,259,605	48,259,605
Intangible assets	-	239,182	239,182
Deferred tax assets	-	13,131,390	13,131,390
Other assets	556,354	16,771,877	17,328,231
Separate account product assets	6,364,929	345,538,102	351,903,031
Total assets			$3,965,190,830

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

	30 June 2013 NT$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$277,269	$-	$277,269
Payables	17,594,844	198	17,595,042
Financial liabilities at fair value through profit or loss	20,144	20,549,618	20,569,762
Preferred stock liability	-	30,000,000	30,000,000
Insurance liabilities	-	3,215,231,193	3,215,231,193
Reserve for insurance contracts with feature of financial instruments	-	58,842,583	58,842,583
Foreign exchange volatility reserve	-	7,995,402	7,995,402
Provisions	-	3,895,660	3,895,660
Deferred tax liabilities	-	19,144,667	19,144,667
Other liabilities	213,919	7,739,775	7,953,694
Separate account product liabilities	1,338,829	350,564,202	351,903,031
Total liabilities			$3,733,408,303

	30 June 2013 US$		
Item	Recovery within 12 months	Recovery more than 12 months	Total
Cash and cash equivalents	$9,973,396	$-	$9,973,396
Receivables	1,679,114	1,271	1,680,385
Financial assets at fair value through profit or loss	17,317	3,547,370	3,564,687
Available-for-sale financial assets	5,023,715	37,092,215	42,115,930
Derivative financial assets for hedging	4,894	20,596	25,490
Investments accounted for using the equity method - Net	-	24,670	24,670
Bond investments for which no active market exists	464,759	28,629,714	29,094,473
Other financial assets - Net	23	1,114,820	1,114,843
Investment property	-	10,359,953	10,359,953
Investment property under construction	-	362,472	362,472
Prepayments for buildings and land - Investments	-	53,149	53,149
Loans	790	19,439,815	19,440,605
Reinsurance assets	-	158,218	158,218
Property and equipment	-	1,610,801	1,610,801
Intangible assets	-	7,983	7,983
Deferred tax assets	-	438,297	438,297
Other assets	18,570	559,809	578,379
Separate account product assets	212,447	11,533,315	11,745,762
Total assets			$132,349,493

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

	30 June 2013 US$		
Item	Settlement within 12 months	Settlement more than 12 months	Total
Short-term debts	$9,255	$-	$9,255
Payables	587,278	6	587,284
Financial liabilities at fair value through profit or loss	672	685,902	686,574
Preferred stock liability	-	1,001,335	1,001,335
Insurance liabilities	-	107,317,463	107,317,463
Reserve for insurance contracts with feature of financial instruments	-	1964,038	1,964,038
Foreign exchange volatility reserve	-	266,869	266,869
Provisions	-	130,029	130,029
Deferred tax liabilities	-	639,008	639,008
Other liabilities	7,140	258,337	265,477
Separate account product liabilities	44,687	11,701,075	11,745,762
Total liabilities			$124,613,094

	1 January 2013 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	-	303,514,424	303,514,424
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			$3,817,640,513

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

	1 January 2013 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	-	20,217,430	20,217,430
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			$3,583,844,328

	1 January 2013 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	-	10,448,001	10,448,001
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			$131,416,197

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

	1 January 2013 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	-	695,953	695,953
Other liabilities	7,225	389,533	396,758
Separate account product liabilities	49,578	11,294,906	11,344,484
Total liabilities			$123,368,136

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.

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

	For the six-month period ended 30 June 2014		
Name	Item	NT$	US$
Other related party			
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	$33,951	$1,137
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	418,457	14,009
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	9,407	315
Total		$461,815	$15,461

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

	For the six-month period ended 30 June 2013		
Name	Item	NT$	US$
Other related party			
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	$9,992	$334
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,018,531	33,996
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	6,290	210
Total		$1,034,813	$34,540

The total amounts of contracted projects for real estate as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between the Company and Lin Yuan Property Management Co., Ltd. were NT$60,228 (US$2,016) thousands, NT$95,481 (US$3,201) thousands, NT$12,189 (US$407) thousands and NT$3,408 (US$117) thousands, respectively.

The total amounts of contracted projects for real estate as of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between the Company and San Ching Engineering Co., Ltd. were NT$5,533,083 (US$185,239) thousands, NT$5,535,807 (US$185,579) thousands, NT$5,493,034 (US$183,346) thousands and NT$5,483,615 (US$188,765) thousands, respectively.

The total amounts of contracted projects for real estate of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, between the Company and Cathay Real Estate Development Co., Ltd. were NT$49,306 (US$1,651) thousands, NT$49,306 (US$1,653) thousands, NT$49,306 (US$1,646) thousands and NT$49,306 (US$1,697) thousands, respectively.

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

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

	Rental income			
	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$8,663	$290	$7,871	$263
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	2,211	74	2,181	73
Associate				
Symphox Information Co., Ltd.	6,110	205	(Note)	(Note)
Cathay Insurance Company Limited (China)	4,893	164	-	-
Subtotal	11,003	369	-	-
Other related party				
Cathay United Bank	100,390	3,361	92,891	3,101
Cathay Century Insurance Co., Ltd.	25,816	864	25,549	853
Cathay Securities Investment Trust Co., Ltd.	10,178	341	9,960	332
Cathay Securities Co., Ltd.	6,589	221	7,105	237
San Ching Engineering Co., Ltd.	1,386	46	1,508	50
Cathay General Hospital	78,096	2,615	43,552	1,454
Cathay Real Estate Development Co., Ltd.	4,343	145	4,343	145
Cathay Healthcare Inc.	11,650	390	8,586	287
Cathay Hospitality Management Co., Ltd.	61,765	2,068	1,206	40
Subtotal	300,213	10,051	194,700	6,499
Total	$322,090	$10,784	$204,752	$6,835

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

	Rental income			
	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$17,592	$589	$15,567	$520
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	4,423	148	4,382	146
Associate				
Symphox Information Co., Ltd.	12,178	408	(Note)	(Note)
Cathay Insurance Company Limited (China)	9,852	330	-	-
Subtotal	22,030	738	-	-
Other related party				
Cathay United Bank	199,553	6,681	192,575	6,428
Cathay Century Insurance Co., Ltd.	51,488	1,724	51,443	1,717
Cathay Securities Investment Trust Co., Ltd.	20,337	681	19,883	664
Cathay Securities Co., Ltd.	12,732	426	13,393	447
San Ching Engineering Co., Ltd.	2,773	93	3,017	101
Cathay General Hospital	88,885	2,976	87,104	2,907
Cathay Real Estate Development Co., Ltd.	8,686	291	8,686	290
Cathay Healthcare Inc.	23,066	772	17,189	574
Cathay Hospitality Management Co., Ltd.	65,219	2,183	2,075	69
Subtotal	472,739	15,827	395,365	13,197
Total	$516,784	$17,302	$415,314	$13,863

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

	Guarantee deposits received			
	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$8,046	$269	$8,505	$285
Associate				
Symphox Information Co., Ltd.	8,355	280	5,922	199
Cathay Insurance Company Limited (China)	5,128	172	5,262	176
Subtotal	13,483	452	11,184	375
Other related party				
Cathay United Bank	93,526	3,131	95,045	3,186
Cathay Century Insurance Co., Ltd.	24,518	821	24,464	820
Cathay Securities Investment Trust Co., Ltd.	9,270	310	9,270	311
Cathay Securities Co., Ltd.	6,347	212	5,655	190
Cathay General Hospital	10,166	340	10,166	341
Cathay Real Estate Development Co., Ltd.	4,028	135	4,028	135
Cathay Healthcare Inc.	8,593	288	8,012	269
Subtotal	156,448	5,237	156,640	5,252
Total	$177,977	$5,958	$176,329	$5,912

	Guarantee deposits received			
	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$7,115	$237	$6,604	$227
Associate				
Symphox Information Co., Ltd.	(Note)	(Note)	(Note)	(Note)
Cathay Insurance Company Limited (China)	-	-	-	-
Subtotal	-	-	-	-
Other related party				
Cathay United Bank	89,267	2,980	85,466	2,942
Cathay Century Insurance Co., Ltd.	24,013	802	22,678	781
Cathay Securities Investment Trust Co., Ltd.	9,160	306	8,903	306
Cathay Securities Co., Ltd.	9,837	328	5,853	201
Cathay General Hospital	10,166	339	10,166	350
Cathay Real Estate Development Co., Ltd.	4,028	134	4,028	139
Cathay Healthcare Inc.	8,012	267	8,012	276
Subtotal	154,483	5,156	145,106	4,995
Total	$161,598	$5,393	$151,710	$5,222

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

Note: As a subsidiary during the period.

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 three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related parties				
Cathay Real Estate Development Co., Ltd.	$1,963	$66	$2,146	$72
Cathay United Bank	14,724	493	14,729	492
Total	$16,687	$559	$16,875	$564

	Rental expense			
	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Real Estate Development Co., Ltd.	$3,926	$131	$3,926	$131
Cathay United Bank	29,508	988	26,847	896
Total	$33,434	$1,119	$30,773	$1,027

	Guarantee deposits paid			
	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$15,112	$506	$15,172	$509

	Guarantee deposits paid			
	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$14,790	$494	$14,790	$509

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

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

(2) Cash in banks

		30 June 2014		31 December 2013	
Name	Item	NT$	US$	NT$	US$
Other related party					
Cathay United Bank	Time deposit	$4,482	$150	$7,482	$251
	Cash in bank	18,834,061	630,534	25,549,308	856,497
Indovina Bank Limited	Time deposit	-	-	-	-
	Cash in bank	8,361	280	5,226	175
Total		$18,846,904	$630,964	$25,562,016	$856,923

		30 June 2013		1 January 2013	
Name	Item	NT$	US$	NT$	US$
Other related party					
Cathay United Bank	Time deposit	$44,628,382	$1,489,599	$57,338,698	$1,973,794
	Cash in bank	9,101,516	303,788	16,746,027	576,455
Indovina Bank Limited	Time deposit	39,662	1,324	471	16
	Cash in bank	145,939	4,871	2,737	94
Total		$53,915,499	$1,799,582	$74,087,933	$2,550,359

Interest income from Cathay United Bank for the three-month periods ended 30 June 2014 and 2013 were NT$6,507 (US$218) thousands and NT$151,833 (US$5,070) thousands, respectively.

Interest income from Cathay United Bank for the six-month periods ended 30 June 2014 and 2013 were NT$11,118 (US$372) thousands and NT$280,253 (US$9,354) thousands, respectively.

Interest income from Indovina Bank Limited for the three-month periods ended 30 June 2014 and 2013 were NT$25 (US$1) thousands and NT$1,620 (US$54) thousands, respectively.

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

Interest income from Indovina Bank Limited for the six-month periods ended 30 June 2014 and 2013 were NT$85 (US$3) thousands and NT$3,057 (US$102) thousands, respectively.

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, time deposit pledged were NT$4,482 (US$150) thousands, NT$7,482 (US$251) thousands, NT$8,382 (US$280) thousands and NT$8,698 (US$299) thousands, respectively.

(3) Bond investments for which no active market exists

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$3,000	$100	$3,000	$101

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$3,000	$100	$3,000	$103

(4) Secured loans

	For the six-month period ended 30 June 2014			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Other related party				
Cathay General Hospital	$2,926,691	$31,583	2.01%~2.55%	$2,781,412
Other	820,335	6,906	1.34%~3.78%	797,239
Total		$38,489		$3,578,651

	For the six-month period ended 30 June 2014			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Other related party				
Cathay General Hospital	$97,981	$1,057	2.01%~2.55%	$93,117
Other	27,464	231	1.34%~3.78%	26,690
Total		$1,288		$119,807

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

	For the six-month period ended 30 June 2013			
Name	Maximum amount NT$	Interest income NT$	Rate	Ending balance NT$
Other related party				
Cathay General Hospital	$3,210,519	$39,048	2.43%~2.55%	$3,070,405
Other	595,109	4,174	1.34%~3.88%	583,396
Total		$43,222		$3,653,801

	For the six-month period ended 30 June 2013			
Name	Maximum amount US$	Interest income US$	Rate	Ending balance US$
Other related party				
Cathay General Hospital	$107,160	$1,303	2.43%~2.55%	$102,483
Other	19,863	139	1.34%~3.88%	19,473
Total		$1,442		$121,956

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

		30 June 2014		31 December 2013	
Name		NT$	US$	NT$	US$
Other related party					
Cathay Securities Investment	Market value	$2,399,154	$80,320	$2,008,405	$67,328
Trust Co., Ltd. managed funds	Cost	$2,235,983	$74,857	$1,807,565	$60,596

		30 June 2013		1 January 2013	
Name		NT$	US$	NT$	US$
Other related party					
Cathay Securities Investment	Market value	$1,976,270	$65,964	$2,319,889	$79,858
Trust Co., Ltd. managed funds	Cost	$1,812,686	$60,504	$2,152,997	$74,113

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

(6) Discretionary account management balance

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Securities Investment Trust Co., Ltd.	$235,887,048	$7,897,122	$227,376,831	$7,622,421

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Securities Investment Trust Co., Ltd.	$207,299,383	$6,919,205	$204,663,888	$7,045,229

(7) Other receivables

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd. (Note)	$7,079,296	$237,004	$7,550,281	$253,110
Other related party				
Cathay United Bank	-	-	-	-
Cathay Century Insurance Co., Ltd.	316,470	10,595	164,984	5,531
Cathay Securities Investment Trust Co., Ltd.	25,128	841	24,192	811
Cathay General Hospital	-	-	-	-

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd. (Note)	$6,487,242	$216,530	$5,235,287	$180,216
Other related party				
Cathay United Bank	24,156	806	12,396	427
Cathay Century Insurance Co., Ltd.	194,033	6,476	141,412	4,868
Cathay Securities Investment Trust Co., Ltd.	23,985	801	22,594	778
Cathay General Hospital	4,267	142	1,093	38

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) Reinsurance assets

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$1,035	$35	$43,145	$1,446

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$7,582	$253	$-	$-

(9) Guarantee deposits paid

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Futures Co., Ltd.	$913,237	$30,574	$711,826	$23,863

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Futures Co., Ltd.	$660,047	$22,031	$364,739	$12,556

For the three-month periods ended 30 June 2014 and 2013, the imputed interest income of guarantee deposits paid from Cathay Furthers Co., Ltd. were NT$261 (US$9) thousands and NT$275 (US$9) thousands, respectively.

For the six-month periods ended 30 June 2014 and 2013, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were NT$564 (US$19) thousands and NT$431 (US$14) thousands, respectively.

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

(10) Guarantee deposits received

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Healthcare Inc.	$3,599	$120	$2,446	$82
Lin Yuan Property Management Co., Ltd.	5,000	167	5,000	168
Total	$8,599	$287	$7,446	$250

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Healthcare Inc.	$3,534	$118	$-	$-
Lin Yuan Property Management Co., Ltd.	5,000	167	5,000	172
Total	$8,534	$285	$5,000	$172

(11) Other payables

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd. (Note 1)	$3,909,263	$130,876	$3,458,995	$115,957
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	-	-	14,109	473
Associate				
Symphox Information Co., Ltd.	29,396	984	5,904	198
Other related party				
Cathay Century Insurance Co., Ltd.	23,837	798	2,390	80
Cathay Securities Investment Trust Co., Ltd.	14,970	501	12,754	428
Lin Yuan Property Management Co., Ltd.	8,556	286	1,383	46

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

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd. (Note 1)	$3,001,263	$100,176	$2,550,995	$87,814
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	14,109	471	-	-
Associate				
Symphox Information Co., Ltd.	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Other related party				
Cathay Century Insurance Co., Ltd.	20,451	683	5,732	197
Cathay Securities Investment Trust Co., Ltd.	10,571	353	10,586	364
Lin Yuan Property Management Co., Ltd.	30,600	1,021	3,580	123
San Ching Engineering Co., Ltd.	13,939	465	326	11

Note 1: The payables consist of interest expenses accrued from preferred stocks.

Note 2: As a subsidiary during the period.

(12) Preferred stock liability

	30 June 2014		31 December 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$30,000,000	$1,004,352	$30,000,000	$1,005,699

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$30,000,000	$1,001,335	$30,000,000	$1,032,702

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

(13) Accounts collected in advance (Note)

	30 June 2013		1 January 2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$10,931	$365	$10,859	$374
Cathay United Bank	23,720	792	26,517	913
Cathay Securities Co., Ltd.	4,310	144	3,993	137

Note: As of 30 June 2014 and 31 December 2013, Symphox Information Co., Ltd. is not a subsidiary.

(14) Premium income

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related parties				
Cathay United Bank	$18,044	$604	$174,847	$5,836
Cathay Century Insurance Co., Ltd.	4,344	145	3,996	133
Cathay General Hospital	13,090	438	9,858	329
Other	22,643	758	24,869	830
Total	$58,121	$1,945	$213,570	$7,128

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$29,920	$1,002	$345,487	$11,532
Cathy Century Insurance Co., Ltd.	7,271	243	6,193	207
Cathay General Hospital	20,466	685	19,830	662
Other	58,783	1,968	59,293	1,979
Total	$116,440	$3,898	$430,803	$14,380

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

(15) Handling fees earned

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Securities Investment Trust Co., Ltd.	$25,128	$841	$23,988	$801

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Securities Investment Trust Co., Ltd.	$49,781	$1,667	$47,406	$1,582

(16) Insurance expenses

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$115,791	$3,876	$24,002	$801

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$121,720	$4,075	$99,596	$3,324

The insurance expenses were related to insurance for property and equipment, cash, public accident, etc. Amounts of NT$3,750 (US$126) thousands and NT$3,400 (US$113) thousands paid by the Company on behalf of its employees for fidelity bond insurance were included in the above insurance expenses for the three-month periods ended 30 June 2014 and 2013, respectively.

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

The insurance expenses were related to insurance for property and equipment, cash, public accident, etc. Amounts of NT$4,500 (US$151) thousands and NT$5,950 (US$199) thousands paid by the Company on behalf of its employees for fidelity bond insurance were included in the above insurance expenses for the six-month periods ended 30 June 2014 and 2013, respectively.

(17) Indemnity income

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$7,836	$262	$29	$1

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay Century Insurance Co., Ltd.	$7,836	$262	$47	$2

Amounts of NT$0 (US$0) thousands and NT$0 (US$0) thousands income by the Company on behalf of its employees for fidelity bonds insurance were included in above indemnity income for the three-month periods ended 30 June 2014 and 2013, respectively.

Amounts of NT$0 (US$0) thousands and NT$0 (US$0) thousands income by the Company on behalf of its employees for fidelity bonds insurance were included in above indemnity income for the six-month periods ended 30 June 2014 and 2013, respectively.

(18) Reinsurance income

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$-	$-	$29,916	$999

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

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$39,821	$1,333	$70,082	$2,339

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 six-month periods ended 30 June 2014 and 2013, the Company assumed 90% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd.

(19) Reinsurance service expenses

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$1,721	$58	$1,607	$54

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$4,299	$144	$5,645	$188

(20) Reinsurance claim payments

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$190	$6	$73,242	$2,445

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

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Subsidiary				
Cathay Insurance (Bermuda) Co., Ltd.	$51,871	$1,737	$103,263	$3,447

(21) Other operating income (Note)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2013		2013	
Name	NT$	US$	NT$	US$
Other related parties				
Cathay Century Insurance Co., Ltd.	$8,345	$279	$15,608	$521
Cathay United Bank	100,161	3,343	206,968	6,908
Cathay General Hospital	55,154	1,841	57,660	1,925
Cathay Securities Co., Ltd.	1,990	66	3,931	131
Total	$165,650	$5,529	$284,167	$9,485

Note: Symphox Information Co., Ltd. is not a subsidiary for the six-month period ended 30 June 2014.

(22) Other operating costs

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$134,827	$4,514	$105,047	$3,506
Cathay Securities Investment Trust Co., Ltd.	43,778	1,466	32,598	1,088
Total	$178,605	$5,980	$137,645	$4,594

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Other related party				
Cathay United Bank	$246,163	$8,241	$212,676	$7,099
Cathay Securities Investment Trust Co., Ltd.	82,551	2,764	64,324	2,147
Total	$328,714	$11,005	$277,000	$9,246

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

(23) Non-operating income

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holdings Co., Ltd.	$3,091	$103	$664	$22
Other related party				
Cathay Century Insurance Co., Ltd.	422,134	14,132	311,368	10,393
Cathay United Bank	39,364	1,318	24,543	819
Cathay Securities Investment Trust Co., Ltd.	5,607	188	5,113	171
Subtotal	467,105	15,638	341,024	11,383
Total	$470,196	$15,741	$341,688	$11,405

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holdings Co., Ltd.	$3,477	$116	$999	$33
Other related party				
Cathay Century Insurance Co., Ltd.	761,206	25,484	632,539	21,113
Cathay United Bank	89,464	2,995	46,507	1,552
Cathay Securities Investment Trust Co., Ltd.	9,783	328	9,428	315
Subtotal	860,453	28,807	688,474	22,980
Total	$863,930	$28,923	$689,473	$23,013

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

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

(24) Operating expenses

Name	For the three-month periods ended 30 June 2014 NT$	2014 US$	2013 NT$	2013 US$
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	$-	$-	$3,295	$110
Associate				
Symphox Information Co., Ltd.	71,180	2,383	(Note)	(Note)
Other related parties				
Seaward Card Co., Ltd.	23,319	781	27,044	903
Cathay United Bank	730,436	24,454	432,729	14,444
Cathay Venture Inc.	1,666	56	5,000	167
Lin Yuan Property Management Co., Ltd.	178,920	5,990	262,767	8,770
Cathay Real Estate Development Co., Ltd.	3,845	129	5,127	171
Cathay Healthcare Inc.	2,337	78	2,637	88
Subtotal	940,523	31,488	735,304	24,543
Total	$1,011,703	$33,871	$738,599	$24,653

Name	For the six-month periods ended 30 June 2014 NT$	2014 US$	2013 NT$	2013 US$
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	$356	$12	$6,589	$220
Associate				
Symphox Information Co., Ltd.	132,414	4,433	(Note)	(Note)
Other related parties				
Seaward Card Co., Ltd.	43,503	1,456	56,374	1,882
Cathay United Bank	1,491,747	49,941	868,797	28,999
Cathay Venture Inc.	9,223	309	11,021	368
Lin Yuan Property Management Co., Ltd.	363,078	12,155	430,965	14,385
Cathay Real Estate Development Co., Ltd.	8,531	286	9,154	306
Cathay Healthcare Inc.	3,644	122	3,384	113
Subtotal	1,919,726	64,269	1,379,695	46,053
Total	$2,052,496	$68,714	$1,386,284	$46,273

Note: As a subsidiary during the period.

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

(25) Non-operating expenses

	For the three-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$226,378	$7,579	$226,378	$7,556

	For the six-month periods ended 30 June			
	2014		2013	
Name	NT$	US$	NT$	US$
Parent company				
Cathay Financial Holding Co., Ltd.	$450,268	$15,074	$450,268	$15,029

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

(26) Other

A. As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

Item	30 June 2014	31 December 2013	30 June 2013	1 January 2013
CS contracts	USD 1,030,000	USD 1,045,000	USD 885,000	USD 985,000

B. The Company had entered a credit assignment agreement with Cathay United Bank in the amounts of NT$307,050 (US$10,280) thousands during the six-month period ended 30 June 2014.

(27) Key management personnel compensation

	For the three-month periods ended 30 June			
	2014		2013	
	NT$	US$	NT$	US$
Short-term employee benefits	$15,679	$525	$10,488	$350
Post-employment benefits	497	17	540	18
Total	$16,176	$542	$11,028	$368

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

	For the six-month periods ended 30 June			
	2014		2013	
	NT$	US$	NT$	US$
Short-term employee benefits	$49,943	$1,672	$42,628	$1,423
Post-employment benefits	1,016	34	1,059	35
Total	$50,959	$1,706	$43,687	$1,458

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

51. Pledged assets

(1) The Company

As of 30 June 2014, 31 December 2013, 30 June 2013 and 1 January 2013, 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:

	30 June 2014		31 December 2013	
Item	NT$	US$	NT$	US$
Guarantee deposits paid - Government bonds	$9,410,943	$315,063	$9,511,241	$318,848
Guarantee deposits paid - Time deposits	515,782	17,268	519,782	17,425
Guarantee deposits paid - Others	39,801	1,332	3,459	116
Total	$9,966,526	$333,663	$10,034,482	$336,389

	30 June 2013		1 January 2013	
Item	NT$	US$	NT$	US$
Guarantee deposits paid - Government bonds	$9,568,912	$319,389	$9,523,306	$327,825
Guarantee deposits paid - Time deposits	567,682	18,948	118,698	4,086
Guarantee deposits paid - Others	8,952	299	8,807	303
Total	$10,145,546	$338,636	$9,650,811	$332,214

Pledged assets are summarized based on the net carrying amounts.

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

(2) Symphox Information

As of 30 June 2013 and 1 January 2013, the pledged property details are as follows:

	30 June 2013		1 January 2013	
Item	NT$	US$	NT$	US$
Cash in bank (recognized as other financial assets)	$699	$23	$10	$-
Financial assets at fair value through profit and loss	47,491	1,585	45,103	1,553
Total	$48,190	$1,608	$45,113	$1,553

Symphox Information maintains a trust account at Cathay United Bank for its electronic gift certificates. As of 30 June 2013 and 1 January 2013, the account balance was NT$699 (US$23) thousands and NT$10 (US$0) thousands, respectively.

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)

	30 June 2014		31 December 2013	
Item	NT$	US$	NT$	US$
Guarantee deposits paid	$1,783,807	$59,719	$1,187,328	$39,803

	30 June 2013		1 January 2013	
Item	NT$	US$	NT$	US$
Guarantee deposits paid	$1,391,959	$46,461	$1,157,835	$39,857

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.

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

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.

54. Significant subsequent events

On 27 February 2014, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit £400,000 thousands to establish a real estate investment and management company in Jersey Island. Woolgate Exchange, the investment subject of the Company, is a fiduciary estate, 3-basement and 9-storey high-rise building, which located in the business area of the City of London, and its total area is 9,869 square meter. Subsidiaries, Cathay Woolgate Exchange Holding 1 limited and Cathay Woolgate Exchange Holding 2 limited, paid with amount of 310,782 thousands to acquire beneficial right of all Woolgate Exchange Unit Trust on 19 August 2014.

55. Others matters

(1) Discretionary account management

	30 June 2014			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$138,920,755	$4,650,846	$138,920,755	$4,650,846
Overseas stocks	57,601,493	1,928,406	57,601,493	1,928,406
Repurchase bonds	7,358,000	246,334	7,358,000	246,334
Cash in banks	25,411,237	850,728	25,411,237	850,728
Beneficiary certificates	8,193,263	274,297	8,193,263	274,297
Futures and options	900,013	30,131	900,013	30,131
Corporate bonds	728,476	24,388	728,476	24,388
Total	$239,113,237	$8,005,130	$239,113,237	$8,005,130

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

	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

	30 June 2013			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$120,959,875	$4,037,379	$120,959,875	$4,037,379
Overseas stocks	40,981,093	1,367,860	40,981,093	1,367,860
Repurchase bonds	200,000	6,676	200,000	6,676
Cash in banks	20,820,597	694,946	20,820,597	694,946
Beneficiary certificates	22,453,043	749,434	22,453,043	749,434
Futures and options	857,370	28,617	857,370	28,617
Corporate bonds	1,027,405	34,293	1,027,405	34,293
Total	$207,299,383	$6,919,205	$207,299,383	$6,919,205

	1 January 2013			
	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

As of 30 June 2014, the Company entered into discretionary account management contracts in the amounts of NT$140,000,000 (US$4,686,977) thousands, US$1,800,000 thousands, and HK$1,550,000 (US$199,995) thousands. 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 30 June 2013, the Company entered into discretionary account management contracts in the amounts of NT$140,000,000 (US$4,672,897) thousands, US$1,990,000 thousands, and HK$2,000,000 (US$257,865) thousands. As of 1 January 2013, 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.

(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) Changes in accounting policy

To improve the reliability and relevance of financial reporting, enhance financial disclosure transparency, be in line with the international conventions, and increase net value and risk tolerance, the Company and Subsidiaries volunteered to change the subsequent measurements of investment property from cost model to fair value model since year of 2014. Items and amounts of retrospective adjustments are summarized below:

Effects on the balance sheet items

	31 December 2013	30 June 2013	1 January 2013
	NT$	NT$	NT$
Increase in investment property	$133,097,147	$108,196,165	$100,409,695
Increase in deferred tax liabilities	9,094,681	7,662,410	4,826,827
Increase in retained earnings	107,726,712	100,533,755	95,582,868
Increase in other equity	16,275,754	-	-

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

	31 December 2013	30 June 2013	1 January 2013
	US$	US$	US$
Increase in investment property	$4,461,855	$3,611,354	$3,456,444
Increase in deferred tax liabilities	304,884	255,755	166,156
Increase in retained earnings	3,611,354	3,355,599	3,290,288
Increase in other equity	545,617	-	-

Effects on the statements of comprehensive income items

	For the three-month period ended 30 June 2014	For the three-month period ended 30 June 2013
	NT$	NT$
Increase in operating revenue	$16,521,431	$6,794,125
Decrease in operating expenses	-	497,646
Increase in income tax expense	(2,733,132)	(2,750,582)
Increase in net income	13,788,299	4,541,189
Increase in other comprehensive income	-	-
Increase in earnings per share	2.60	0.85

	For the three-month period ended 30 June 2014	For the three-month period ended 30 June 2013
	US$	US$
Increase in operating revenue	$553,111	$226,773
Decrease in operating expenses	-	16,610
Increase in income tax expense	(91,501)	(91,808)
Increase in net income	461,610	151,575
Increase in other comprehensive income	-	-
Increase in earnings per share	0.09	0.03

	For the six-month period ended 30 June 2014	For the year ended 31 December 2013	For the six-month period ended 30 June 2013
	NT$	NT$	NT$
Increase in operating revenue	$16,494,109	$13,044,742	$6,779,180
Decrease in operating expenses	-	1,962,340	1,007,290
Increase in income tax expense	(2,728,487)	(2,863,238)	(2,835,583)
Increase in net income	13,765,622	12,143,844	4,950,887
Increase in other comprehensive income	827,609	16,275,754	-
Increase in earnings per share	2.59	2.29	0.93

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

	For the six-month period ended 30 June 2014	For the year ended 31 December 2013	For the six-month period ended 30 June 2013
	US$	US$	US$
Increase in operating revenue	$552,196	$437,303	$226,274
Decrease in operating expenses	-	65,784	33,621
Increase in income tax expense	(91,345)	(95,985)	(94,645)
Increase in net income	460,851	407,102	165,250
Increase in other comprehensive income	27,707	545,617	-
Increase in earnings per share	0.09	0.08	0.03

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. MOEAIC authorized the Company to remit US$3,400 thousands as the registered capital again on 2 April 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousands of unexecuted project to CNY$200,000 thousands to avoid currency risk on 14 September 2013. The total registered capital was US$110,730 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 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on 12 August 2014. The Company has remitted US$48,330 thousands to the subsidiary as of 31 December 2009. The Company injected additional US$29,880 thousands on 29 September 2010 and CNY$200,000 thousands on 8 May 2014. As of 30 June 2014, the Company’s remittances to the subsidiary totaled approximately CNY$200,000 thousands and 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) of which was also approved by China Insurance Regulatory Commission on 8 October 2007. On 6 March 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousands to US$28,960 thousands. On 15 August 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousands to US$28,140 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 30 June 2014, the Company’s remittances to this general insurance company totaled approximately CNY$200,000 thousands and US$28,140 thousands.

On 1 November 2011 and 11 April 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit CNY$300,000 (US$47,000) thousands and CNY$ 500,000 (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 30 June 2014, the Company’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY$1,500,000 thousands.

57. Segment information

The Company and Subsidiaries abides by the provisions of insurance law for insurance business operations. In accordance with IFRS 8, the Company and Subsidiaries 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.