

# VII

## >> Financial Statement

82

I. Financial Highlights

84

II. Condensed Balance Sheets and Income Statements for the Past 5 Years

86

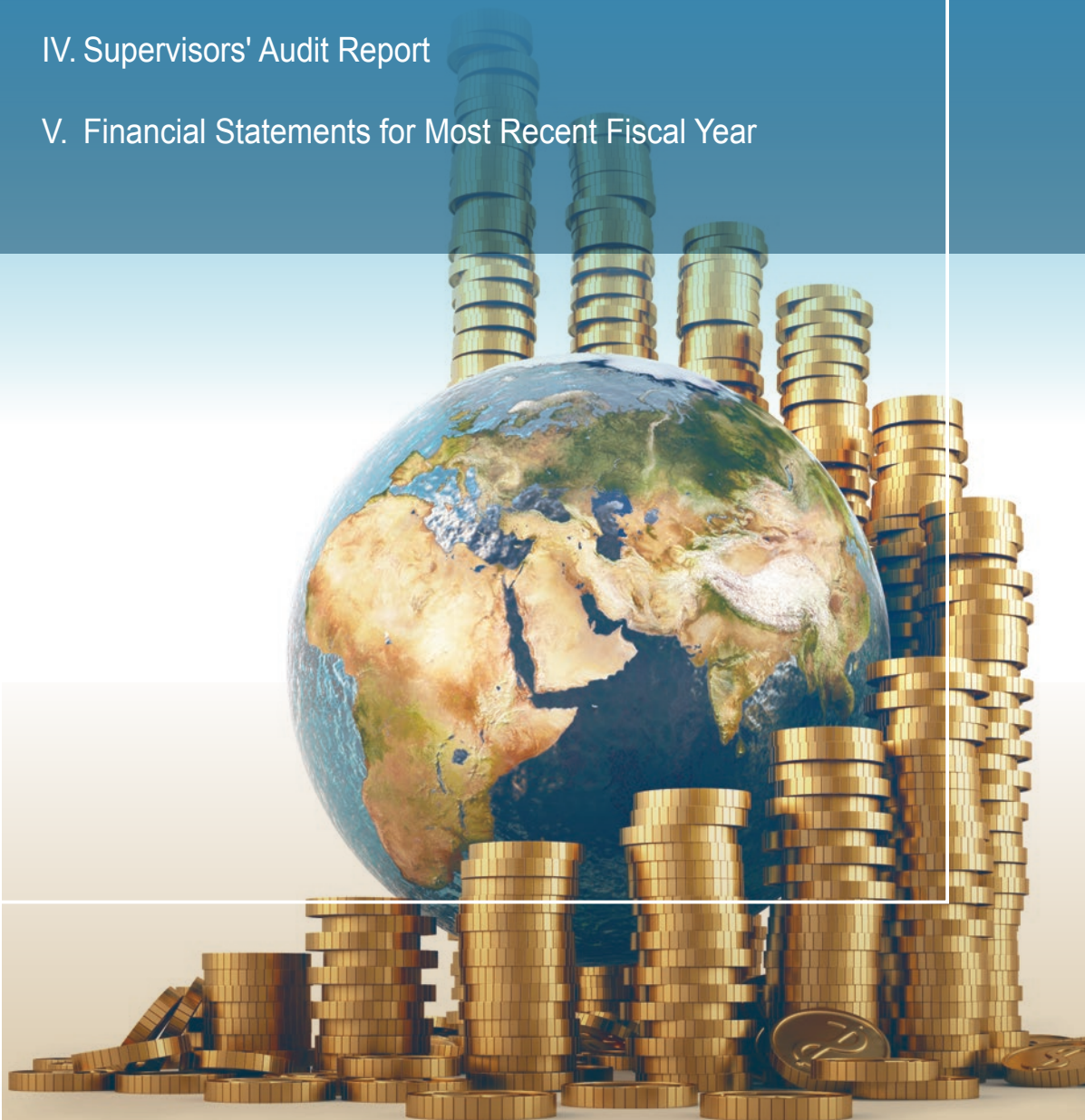
III. Financial Analysis for the Past 5 Years

88

IV. Supervisors' Audit Report

89

V. Financial Statements for Most Recent Fiscal Year





## I. Financial Highlights

Unit: NT\$ Million

Item	2012	2011	2010	2009	2008
Assets	5,894,966	5,615,015	5,481,179	5,318,735	5,048,487
Discounts and Loans	41,453	41,297	41,300	40,706	37,873
Funds and Investment	3,516,730	3,206,298	3,039,301	1,970,025	1,562,558
Liabilities	5,771,089	5,506,812	5,369,649	5,218,314	5,019,877
Deposits and Remittances	4,986,008	4,710,329	4,582,455	4,543,373	4,447,242
Owners' Equity	123,877	108,202	111,530	100,421	28,610
Total Income	313,463	298,191	302,858	268,629	309,123
Interest Income	96,443	90,926	81,653	82,862	125,955
Total Expenses	304,140	289,553	295,221	257,904	298,987
Interest Expense	47,385	42,764	35,319	43,182	83,547
Net Income	9,323	8,638	7,637	10,725	10,136
Return on Assets	0.16%	0.16%	0.14%	0.21%	0.21%
Return on Equity	8.03%	7.86%	7.21%	16.62%	14.07%

Note: 1. Return on Assets = Net Income/Average Assets

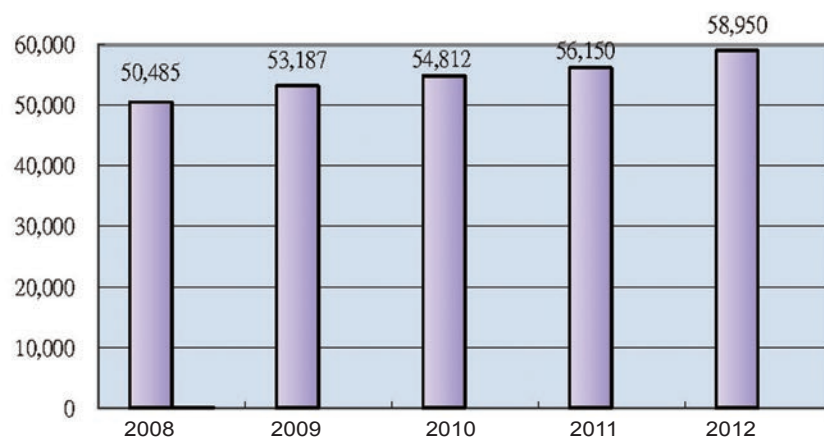
2. Return on Equity= Net Income/Average Equity

3. Total expenses include income tax

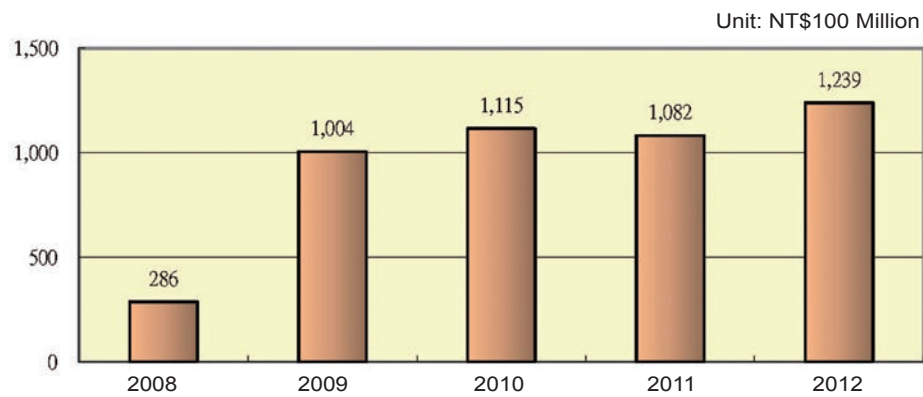
4. To comply with the "Regulations Governing the Preparation of Financial Reports by Insurance Industry", 2011 insurance provision net changes were listed under the operation cost and 2008-2010 total revenues and expenditures have been recategorized accordingly.

## Tendency of Assets for the Past 5 Years

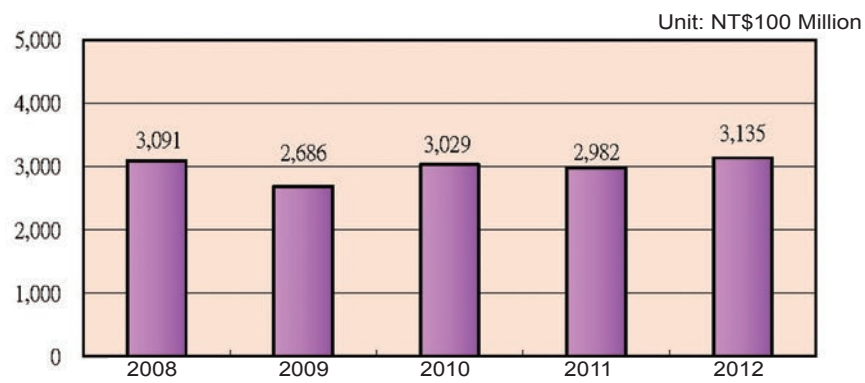
Unit: NT\$100 Million



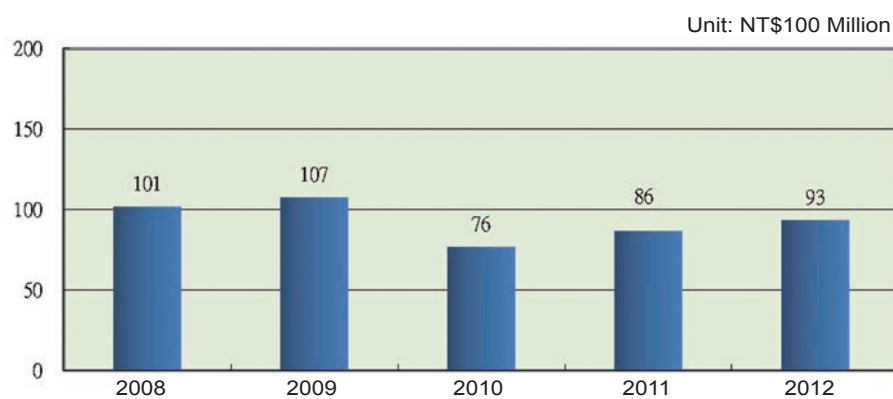
### Tendency of Owners' Equity for the Past 5 Years



### Tendency of Total Income For the Past 5 Years



### Tendency of Net Profit of Curent Term for the Past 5 Years





## II. Condensed Balance Sheets and Income Statements for the Past 5 Years

### Condensed Balance Sheets

Unit: NT\$ 1,000

Item		2012	2011	2010	2009	2008
Cash and Due from Banks		411,992,788	467,364,855	507,757,484	779,279,331	913,632,363
Due from Central Bank		1,768,825,973	1,753,654,182	1,755,756,167	2,399,944,883	2,325,582,003
Financial Assets at Fair Value through Income Statement--Net		3,425,838	1,404,470	12,101,491	3,126,470	57,771,367
Reverse REPO		1,155,909	4,927,739	3,580,315	3,391,993	11,096,964
Discounts and Loans		41,453,077	41,297,280	41,300,091	40,706,422	37,872,854
Funds and Investments		3,516,730,343	3,206,297,980	3,039,301,167	1,970,024,964	1,562,557,584
Fixed Assets -- Net		88,044,600	83,835,582	76,155,451	76,305,462	76,629,806
Other Assets		63,337,096	56,232,612	45,227,217	45,955,108	63,344,050
Deposits and Remittances		4,986,008,243	4,710,328,907	4,582,454,865	4,543,373,127	4,447,242,318
Operational Reserve		677,019,728	689,327,100	646,555,490	577,078,566	438,671,102
REPO		-	7,811,374	27,920,950	-	15,613,074
Other Liabilities		108,061,051	99,344,827	112,717,770	97,861,892	118,350,502
Capital		40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Capital Reserve		27,107,576	27,107,576	27,107,576	27,107,576	27,107,576
Retained Earnings	Before Distribution	40,198,451	36,946,628	33,718,496	34,561,577	31,001,898
	After Distribution	-	30,874,988	27,990,708	26,081,445	23,836,768
Other Owners' Equity		16,570,575	10,219,928	16,432,024	7,232,027	(62,334,349)
Assets		5,894,965,624	5,615,014,700	5,481,179,383	5,318,734,633	5,048,486,991
Liabilities	Before Distribution	5,771,089,022	5,500,740,568	5,363,921,287	5,209,833,453	5,012,711,866
	After Distribution	-	5,506,812,208	5,369,649,075	5,218,313,585	5,019,876,996
Owners' Equity	Before Distribution	123,876,602	114,274,132	117,258,096	108,901,180	35,775,125
	After Distribution	-	108,202,492	111,530,308	100,421,048	28,609,995

Note: 2012 retained earnings is a figure before dividends.

## Condensed Income Statement

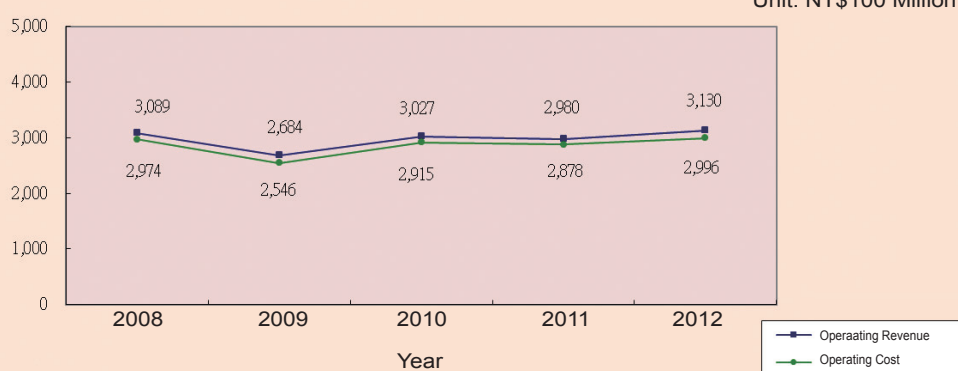
Unit: NT\$ 1,000

Item	2012	2011	2010	2009	2008
Operating Revenue	312,961,370	298,024,032	302,684,132	268,409,105	308,890,537
Operating Cost	299,635,125	287,760,305	291,502,423	254,589,922	297,405,887
Operating Profit	13,326,245	10,263,727	11,181,709	13,819,183	11,484,650
Non-operating Profit (Loss)	132,800	43,949	(21,630)	59,693	(26,445)
Income before Taxes	13,459,045	10,307,676	11,160,079	13,878,876	11,458,205
Income Tax Expenses	4,135,582	1,669,423	3,523,028	3,154,067	1,322,665
Net Income before Cumulative Effect of Accounting Principle Changes	9,323,463	8,638,253	7,637,051	10,724,809	10,135,540
Cumulative Effect of Accounting Principle Changes	-	-	-	-	-
Net Income	9,323,463	8,638,253	7,637,051	10,724,809	10,135,540
Earnings per Share (NT\$)	2.33	2.16	1.91	2.68	2.53

Note: To comply with the "Regulations Governing the Preparation of Financial Reports by Insurance Industry", 2011 insurance provision net changes were listed under the operation cost and 2008-2010 total revenues and expenditures have been recategorized accordingly.

### Operating Revenue and Operating Cost

Unit: NT\$100 Million



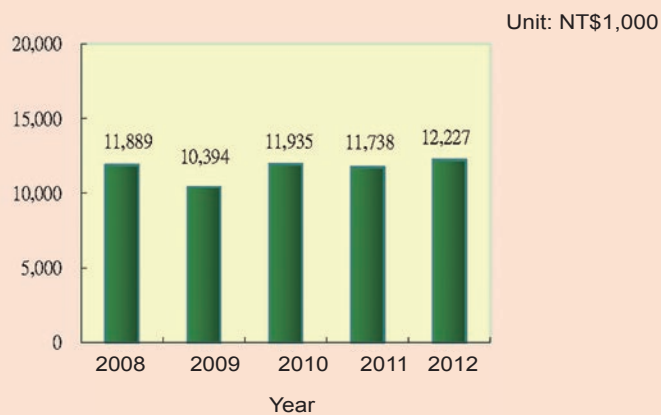


### III. Financial Analysis for the Past 5 Years

Item		2012	2011	2010	2009	2008
Operating Capability	Operating Capability Turnover of Total Assets (time)	0.05	0.05	0.06	0.05	0.06
	Average Operating Revenue per Employee (NT\$1,000)	12,227	11,738	11,935	10,394	11,889
	Average Earnings per Employee (NT\$1,000)	364	340	301	415	390
Profitability	Return on Assets (%)	0.16	0.16	0.14	0.21	0.21
	Return on Stockholders' Equity (%)	8.03	7.86	7.21	16.62	14.07
	Net Income Ratio (%)	2.98	2.90	2.52	3.73	2.25
	Earning per share (NT\$)	2.33	2.16	1.91	2.68	2.53
Growth Rate	Asset Growth Rate	4.99	2.44	3.05	5.35	5.38
	Profit Growth Rate	30.57	(7.64)	(19.59)	21.13	(31.32)

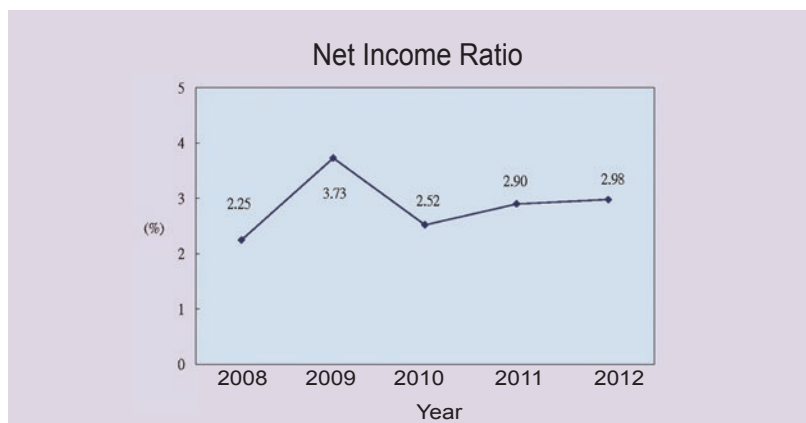
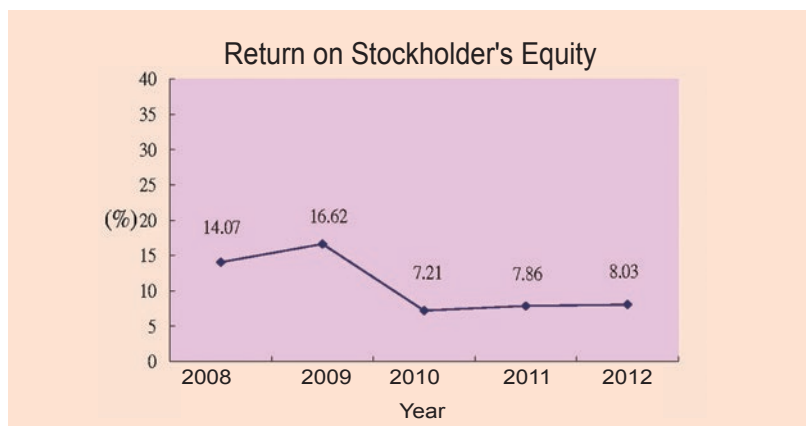
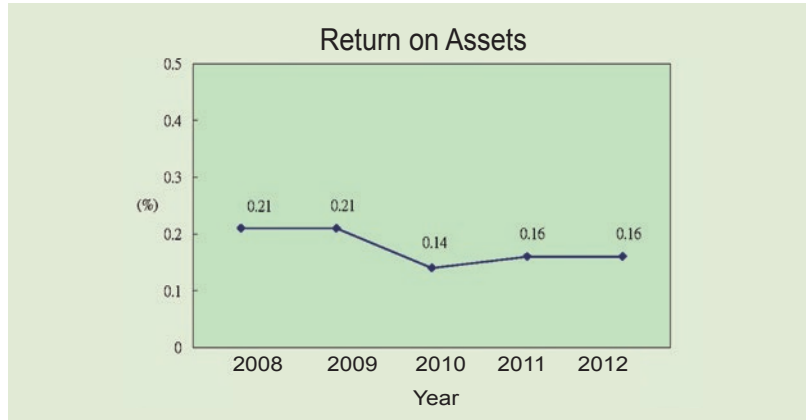
Note: To comply with the "Regulations Governing the Preparation of Financial Reports by Insurance Industry", 2011 insurance provision net changes were listed under the operation cost and 2008-2010 total revenues and expenditures have been recategorized accordingly.

Average Operating Revenue per Employee



Average Earning per Employee







#### IV. Supervisors' Audit Report

##### **2012 Supervisors' Audit Report for Chunghwa Post Co., Ltd.**

Chunghwa Post Co., Ltd. has duly submitted the business report, financial statements and a dividend distribution proposal for 2012 prepared by the company's board of directors. Pursuant to Article 20 of the Company Act, certified public accountant W.C. Gao and Y.C. Mei at KPMG Certified Public Accountants, upon request, has completed his audit on these financial statements. We, the supervisors, have reviewed the above mentioned business report, financial statements as well as the audit report of the CPA. We agreed with the opinion of the CPA and have found them to be consistent with the company's financial status and operational results. Therefore, pursuant to Article 219 of the company Act, Article 12 of the Regulations Governing Postal Remittances and Savings Operations, we issue this audit report.

**To**  
**Ministry of Transportation and Communications**

**Supervisors: C.C. Wu**

**H.Y. Huang**

**M.H. Yang**

**March 19, 2013**



## V. Financial Statements for the Most Recent Fiscal Year

### **Independent Auditors' Report**

The Board of Directors

Chunghwa Post Co., Ltd.

We have audited the accompanying balance sheets of Chunghwa Post Co., Ltd. As of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. 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 Republic of China generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants". Those standards and regulations 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chunghwa Post Co., Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with government regulations, the requirements of "Business Entity Accounting Act" and "Regulation on Business Entity Accounting Handling" with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in notes 2(a) and 3(d) to the financial statements, the financial statements of Chunghwa Post Co., Ltd. are based on the amounts audited by the Ministry of Audit of the Control Yuan. The accounts of Chunghwa Post Co., Ltd. as of and for the year ended December 31, 2011, have been examined by the Executive Yuan and the Ministry of Audit of the Control Yuan, and the adjustments from thi

**KPMG**

**CPA: Mei, Yuan-Chen**

**Gao, Wei-Chuan**

**March 19, 2013**

**CHUNGHWA POST CO., LTD.****Balance Sheets**

**December 31, 2012 and 2011**  
(Expressed in thousands of New Taiwan dollars)

	<b>December 31, 2012</b>		<b>December 31, 2011</b> (accounts examined by MOA, note 3(d))	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>				
Cash and due from banks (note 4(a))	\$ 411,992,788	7	467,364,855	8
Due from Central Bank (note 4(b))	1,768,825,973	30	1,753,654,182	31
Financial assets measured at fair value through profit or loss, net (notes 4(c) and 4(d))	3,425,838	-	1,404,470	-
Bonds bought under resell agreements	1,155,909	-	4,927,739	-
Receivables, net (note 4(e))	54,765,421	1	54,542,330	1
Loans, net (notes 4(f) and 5)	41,453,077	1	41,297,280	1
Available-for-sale financial assets, net (note 4(c))	395,034,115	7	396,331,666	7
Held-to-maturity financial assets (note 4(c))	2,819,744,987	48	2,668,345,805	49
Investments under equity method, net (note 4(h))	58,510	-	55,075	-
Debt investments without active market (note 4(c))	295,764,283	5	135,410,081	2
Other financial assets (note 4(c))	5,098,766	-	5,114,080	-
Real estate investments (note 4(i))	1,029,688	-	1,041,273	-
Property and equipment, net (note 4(j))	88,044,600	1	83,835,582	1
Prepaid expenses (note 4(s))	7,840,367	-	343,303	-
Other assets, net (notes 4(k) and 4(r))	731,317	-	1,346,979	-
<b>Total assets</b>	<b>\$ 5,894,965,624</b>	<b>100</b>	<b>5,615,014,700</b>	<b>100</b>
<b>Liabilities and Stockholders'Equity</b>				
Due to banks	12,215,000	-	10,715,000	-
Financial liabilities measured at fair value through profit or loss (notes 4(c) and 4(d))	422,233	-	4,629,370	-
Bonds sold under repurchase agreements (note 4(l))	-	-	7,811,374	-
Payables (notes 4(m) and 5)	75,535,923	1	76,932,505	1
Deposits and remittances (note 4(n))	4,986,008,243	85	4,710,328,907	84
Accrued pension liability (note 4(q))	13,601,324	-	3,300,000	-
Operating reserves (note 4(o))	677,019,728	12	689,327,100	13
Other liabilities (notes 4(p))	6,286,751	-	3,767,952	-
<b>Total liabilities</b>	<b>5,771,089,022</b>	<b>98</b>	<b>5,506,812,208</b>	<b>98</b>
<b>Stockholders'equity (note 4(s))</b>				
Common stock	40,000,000	1	40,000,000	1
Capital surplus	27,107,576	-	27,107,576	-
Retained earnings:	28,420,427	1	28,420,427	1
Legal reserve	2,057,650	-	2,454,561	-
Special reserve	9,720,374	-	-	-
Unappropriated earnings	40,198,451	1	30,874,988	1
Other:				
Unrealized gains on available-for-sale financial assets	16,856,438	-	566,601	-
Unrealized land revaluation increment (note 4(j))	13,315,461	-	9,653,327	-
Unrecognized pension cost (note 4(q))	(13,601,324)	-	-	-
<b>Total stockholders'equity</b>	<b>16,570,575</b>	<b>-</b>	<b>10,219,928</b>	<b>-</b>
Commitments and contingencies (note 7)	123,876,602	2	108,202,492	2
<b>Total liabilities and stockholders'equity</b>	<b>\$ 5,894,965,624</b>	<b>100</b>	<b>5,615,014,700</b>	<b>100</b>

# CHUNGHWA POST CO., LTD.

## Income Statements

For the years ended December 31, 2012 and 2011  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	<u>2012</u>		<u>2011</u> (accounts examined by MOA, note 3(d))	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Operating revenues:</b>	24,810,637	8	25,070,244	8
Postal revenue (note 4(u))	96,442,565	31	90,925,999	31
Interest income (notes 4(a) and 4(b))	157,982,168	50	162,504,438	55
Insurance premiums (note 4(v))	12,307,373	4	-	-
Service fee income (note 5)	2,416,014	1	2,402,763	1
Gain on valuation of financial assets and liabilities (notes 4(c) and 4(d))	6,298,019	2	-	-
Investment income	11,718,937	4	3,283,773	1
Exchange gain	-	-	12,870,101	4
Other operating revenues	<u>985,657</u>	<u>-</u>	<u>966,714</u>	<u>-</u>
	312,961,370	100	298,024,032	100
<b>Operating costs:</b>				
Postal cost	20,165,562	6	19,892,453	7
Interest expenses	47,385,424	15	42,764,170	14
Claims and benefits	183,473,133	59	133,004,246	45
Change in insurance reserves	-	-	43,089,279	14
Loss on valuation of financial assets and liabilities (notes 4(c) and 4(d))	-	-	17,631,496	6
Exchange loss	20,696,364	7	-	-
Other operating cost	<u>2,097,242</u>	<u>1</u>	<u>2,079,670</u>	<u>1</u>
	273,817,725	88	258,461,314	87
<b>Gross profit</b>	<u>39,143,645</u>	<u>12</u>	<u>39,562,718</u>	<u>13</u>
<b>Operating expenses:</b>				
Personnel expenses	19,223,102	6	22,653,133	8
Depreciation and amortization expenses	1,605,724	1	1,641,772	1
Other general and administrative expenses	<u>4,988,574</u>	<u>2</u>	<u>5,004,086</u>	<u>2</u>
<b>Total operating expenses</b>	<u>25,817,400</u>	<u>9</u>	<u>29,298,991</u>	<u>11</u>
<b>Operating income</b>	<u>13,326,245</u>	<u>3</u>	<u>10,263,727</u>	<u>2</u>
<b>Nonoperating income (note 4(h))</b>	<u>501,997</u>	<u>-</u>	<u>166,628</u>	<u>-</u>
<b>Nonoperating expenses</b>	<u>369,197</u>	<u>-</u>	<u>122,679</u>	<u>-</u>
<b>Net income before income tax</b>	13,459,045	3	10,307,676	2
Income tax expense (note 4(r))	<u>4,135,582</u>	<u>1</u>	<u>1,669,423</u>	<u>1</u>
<b>Net income</b>	<u>\$ 9,323,463</u>	<u>2</u>	<u>8,638,253</u>	<u>1</u>
<b>Primary earnings per share (note 4(t))</b>	<u>Before</u> <u>income tax</u>	<u>After</u> <u>income tax</u>	<u>Before</u> <u>income tax</u>	<u>After</u> <u>income tax</u>
	<u>\$ 3.36</u>	<u>2.33</u>	<u>2.58</u>	<u>2.16</u>

**CHUNGHWA POST CO., LTD.****Statements of Changes in Stockholders' Equity**

**For the years ended December 31, 2012 and 2011**  
(Expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Inappropriate Earnings	Unrealized Gains (Losses) on Financial Assets	Unrealized Land Revaluation Increment	Unrecognized Pension Cost	Total
<b>Beginning balance as of January 1, 2011 (examined by MOA)</b>	\$ 40,000,000	27,107,576	26,260,864	1,729,844	--	14,470,748	2,682,090	(720,813)	111,530,309
Special earnings reserve transferred from securities trading losses reserve	-	-	-	317,667	-	-	-	-	317,667
Special earnings reserve caused by the income from the withdrawal of special reserve	-	-	-	5,736	(5,736)	-	-	-	-
Special reserve for catastrophe and risk volatility	-	-	-	1,314	(1,314)	-	-	-	-
Increase in unrealized land revaluation increment	-	-	-	-	-	-	6,971,237	-	6,971,237
Changes in unrealized gains on available-for-sale financial assets	-	-	-	-	-	(13,904,147)	-	-	(13,904,147)
Decrease in unrecognized pension cost	-	-	-	-	-	-	-	720,813	720,813
Net income for 2011	-	-	-	-	8,638,253	-	-	-	8,638,253
Distribution of earnings:									
Legal reserve	-	-	2,159,563	-	(2,159,563)	-	-	-	-
Special reserve	-	-	-	400,000	(400,000)	-	-	-	-
Dividends to the government	-	-	-	-	(6,071,640)	-	-	-	(6,071,640)
<b>Balance as of December 31, 2011 (examined by MOA, note 3(d))</b>	40,000,000	27,107,576	28,420,427	2,454,561	-	566,601	9,653,327	-	108,202,492
Reversal of special reserve	-	-	-	(400,000)	400,000	-	-	-	-
Increase in unrealized land revaluation increment	-	-	-	-	-	-	3,662,134	-	3,662,134
Changes in unrealized gains on available-for-sale financial assets	-	-	-	-	-	16,289,937	-	-	16,289,937
<b>Decrease in unrecognized pension cost</b>	-	-	-	-	-	-	-	(13,601,324)	(13,601,324)
<b>Special reserve for catastrophe and risk volatility</b>	-	-	-	3,089	(3,089)	-	-	-	-
Net income for 2012	-	-	-	-	9,323,463	-	-	-	9,323,463
<b>Balance as of December 31, 2012</b>	\$ 40,000,000	27,107,576	28,420,427	2,057,650	9,720,374	16,856,438	13,315,461	(13,601,324)	123,876,602

# CHUNGHWA POST CO., LTD.

## Statements of Cash Flows For the years ended December 31, 2012 and 2011 (Expressed in thousands of New Taiwan dollars)

	2012	2011 (accounts examined by MOA, note 3(d))
<b>Cash flows from operating activities:</b>		
Net income	\$ 9,323,463	8,638,253
Adjustments:		
Depreciation and amortization	2,365,307	4,431,218
Provision for bad debt expense	35,529	78,143
Provision for operating reserve and others	(12,307,372)	43,089,278
Investment income under equity method	(12,845)	(10,455)
Cash dividends received from long-term investments under equity method	9,410	7,507
Loss on sale of property and equipment	(172,247)	29,810
Loss (gain) on valuation of financial assets and liabilities	(6,298,016)	17,631,496
Changes in operating assets:		
Decrease (increase) in financial assets held for trading	727,395	(330,683)
Increase in bonds bought under resell agreements	3,771,830	(1,347,424)
Decrease (increase) in receivables	(238,548)	(10,676,486)
Increase in deferred income tax assets	1,007,347	(423,263)
Increase in other financial assets	2,835	(508,908)
Decrease in prepaid expenses	(453,604)	4,927
Changes in operating liabilities:		
Increase (decrease) in due to banks	1,500,000	(29,040,000)
Increase (decrease) in financial liabilities held for trading	(16,148)	14,706
Increase (decrease) in bonds sold under repurchase agreements	(7,811,374)	(20,109,576)
Increase (decrease) in payables	1,682,955	3,982,128
Increase in accrued pension liability	(3,300,000)	3,300,000
Increase (decrease) in advance collections	1,160,657	820,617
Increase in other liabilities	7,114	27,585
Net cash provided by operating activities	<u>(9,016,312)</u>	<u>17,608,873</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial assets	17,903,508	2,526,809
Decrease in debt investments without active market	(160,997,673)	28,764,819
Increase in held-to-maturity financial assets	(151,399,176)	(213,840,224)
Acquisition of property and equipment	(1,872,944)	(1,927,395)
Proceeds from disposal of property and equipment	297,809	44,620
Decrease in due from Central Bank	(15,171,791)	2,101,986
Increase in loans	(161,646)	(60,031)
Increase in other assets	(549,371)	(332,619)
Net cash used in investing activities	<u>(311,951,284)</u>	<u>(182,722,035)</u>
Cash flows from financing activities:		
Prepaid dividends to government	(7,004,927)	(2,992,760)
Distribution of cash dividends to government	(3,078,880)	(160,749)
Increase in deposits and remittances	275,679,336	127,874,042
Net cash provided by financing activities	<u>265,595,529</u>	<u>124,720,533</u>
Net decrease in cash and due from banks	(55,372,067)	(40,392,629)
Cash and equivalents at beginning of year	467,364,855	507,757,484
Cash and equivalents at end of year	<u>\$ 411,992,788</u>	<u>\$ 467,364,855</u>
Supplementary disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 46,245,673</u>	<u>\$ 39,736,317</u>
Cash paid during the year for income tax	<u>\$ 4,809,352</u>	<u>\$ 4,982,242</u>