

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**For the three-month periods ended**  
**31 March 2013 and 2012**  
**With Independent Auditors' Review Report**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. These consolidated 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 Financial Holding Companies. If there is any conflict between these consolidated financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language consolidated financial statements shall prevail.

## Index

	<u>Page</u>
Independent Auditors' Review Report	3
Unaudited Consolidated Balance Sheets	4~5
Unaudited Consolidated Statements of Comprehensive Income	6
Unaudited Consolidated Statements of Changes in Equity	7
Unaudited Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9~364

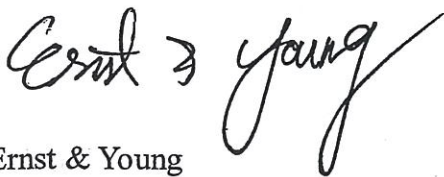
**Review Report of Independent Auditors**  
**English Translation of a Report Originally Issued in Chinese**

The Board of Directors and Shareholders  
Cathay Financial Holding Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. and its subsidiaries as of 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our reviews.

We conducted our reviews in accordance with Statements of Auditing Standards No.36 "Review of Financial statements" of the Republic of China. A review consists principally of inquiries, comparison and analytical procedures. A review was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with "Regulation Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", IAS 34 "Interim Financial Reporting" and IFRS 1 "First-time Adoption of International Financial Reporting Standards" as recognized by Financial Supervisory Commission.



Ernst & Young  
Taipei, Taiwan  
The Republic of China  
30 April 2013

**Notice to Readers**

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

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Unaudited Consolidated Balance Sheets**  
**As at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012**  
**(Expressed in thousands of dollars)**

Notes	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
<b>Assets</b>								
Cash and cash equivalents	\$269,517,585	\$9,041,180	\$309,450,218	\$10,652,331	\$370,916,608	\$12,573,444	\$334,236,544	\$11,041,842
Due from the Central Bank and call loans to banks	73,873,985	2,478,161	109,003,762	3,752,281	111,804,727	3,789,991	100,101,541	3,306,955
Financial assets at fair value through profit or loss	174,615,322	5,857,609	147,159,888	5,065,745	107,250,568	3,635,612	84,682,482	2,797,571
Available-for-sale financial assets -net	1,389,852,577	46,623,703	1,301,567,066	44,804,374	1,346,814,709	45,654,736	1,346,672,023	44,488,669
Derivative financial assets for hedging	2,196,659	73,689	3,521,595	121,225	4,842,093	164,139	5,411,507	178,775
Securities purchased under agreements to resell	12,465,467	418,164	18,517,498	637,435	19,980,344	677,300	11,820,837	390,513
Receivables -net	130,699,964	4,384,434	104,959,781	3,613,073	129,022,991	4,373,661	92,007,648	3,039,565
Current income tax assets	9,693,440	325,174	11,911,165	410,023	8,380,435	284,083	7,217,243	238,429
Loans -net	1,546,886,562	51,891,532	1,520,005,053	52,323,754	1,496,802,642	50,739,073	1,492,075,403	49,292,217
Reinsurance assets -net	12,102,562	405,990	14,641,999	504,028	13,982,501	473,983	14,366,255	474,604
Held-to-maturity financial assets -net	51,691,033	1,734,016	24,380,985	839,277	23,682,500	802,797	21,955,565	725,324
Investments accounted for using the equity method -net	1,597,196	53,579	1,146,326	39,460	1,384,812	46,943	1,287,843	42,545
Other financial assets -net	1,664,248,110	55,828,518	1,605,303,209	55,260,007	1,348,164,516	45,700,492	1,258,730,716	41,583,440
Investments properties -net	213,799,683	7,172,079	213,350,450	7,344,250	212,091,432	7,189,540	210,691,219	6,960,397
Property and equipment -net	71,473,211	2,397,625	71,479,344	2,460,563	47,056,933	1,595,150	47,430,529	1,566,915
Intangible assets -net	9,324,806	312,808	9,393,007	323,339	9,272,808	314,332	9,337,507	308,474
Deferred tax assets -net	16,841,553	564,963	18,964,587	652,826	17,478,907	592,505	15,354,753	507,260
Other assets -net	23,367,307	783,875	25,844,779	889,665	24,952,551	845,849	24,894,339	822,410
<b>Total assets</b>	<b>\$5,674,247,022</b>	<b>\$190,347,099</b>	<b>\$5,510,600,712</b>	<b>\$189,693,656</b>	<b>\$5,293,882,077</b>	<b>\$179,453,630</b>	<b>\$5,078,273,954</b>	<b>\$167,765,905</b>

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

	Notes	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
<b>Liabilities &amp; equity</b>									
<b>Liabilities</b>									
Due to the Central Bank and call loans from banks		\$73,996,201	\$2,482,261	\$56,934,246	\$1,959,871	\$61,204,218	\$2,074,719	\$62,275,073	\$2,057,320
Bankers acceptances and funds borrowed		1,493,750	50,109	1,456,800	50,148	1,476,500	50,051	1,514,500	50,033
Financial liabilities at fair value through profit or loss		24,377,181	817,752	9,086,346	312,783	10,450,223	354,245	23,136,143	764,326
Securities sold under agreements to repurchase		36,380,124	1,220,400	22,046,517	758,916	17,412,765	590,263	14,686,609	485,187
Commercial paper payable -net		3,360,000	112,714	5,540,000	190,706	9,500,000	322,034	8,720,000	288,074
Payables		65,731,116	2,205,002	60,259,320	2,074,331	102,960,067	3,490,172	43,454,178	1,435,553
Current income tax liabilities		670,456	22,491	733,262	25,241	5,237,778	177,552	4,333,825	143,172
Deposits		1,466,687,367	49,201,186	1,458,587,976	50,209,569	1,442,614,260	48,902,178	1,414,421,828	46,726,853
Bonds payable		90,196,450	3,025,711	89,831,007	3,092,289	75,646,552	2,564,290	76,023,825	2,511,524
Provisions		3,246,964,264	108,921,981	3,175,709,904	109,318,758	2,979,272,270	100,992,280	2,880,077,972	95,146,282
Other financial liabilities -net		378,882,142	12,709,901	348,229,937	11,987,261	317,417,427	10,759,913	305,766,443	10,101,303
Deferred tax liabilities		14,474,644	485,564	16,307,881	561,373	15,350,936	520,371	14,033,395	463,607
Other liabilities		15,557,603	521,892	17,583,679	605,290	13,709,497	464,729	11,066,500	365,593
<b>Total liabilities</b>		<b>5,418,771,298</b>	<b>181,776,964</b>	<b>5,262,306,875</b>	<b>181,146,536</b>	<b>5,052,252,493</b>	<b>171,262,797</b>	<b>4,859,510,291</b>	<b>160,538,827</b>
<b>Equity attributable to owners of parent</b>									
Capital stock									
Common stock		108,653,851	3,644,879	108,653,851	3,740,236	103,575,096	3,511,021	103,575,096	3,421,708
Capital surplus		78,508,148	2,633,618	78,508,148	2,702,518	78,508,148	2,661,293	78,508,148	2,593,596
Retained earnings									
Legal reserve		15,222,599	510,654	15,222,599	524,014	14,105,459	478,151	14,105,459	465,988
Special reserve		4,078,065	136,802	4,078,065	140,381	4,078,065	138,239	4,078,065	134,723
Undistributed earnings		26,364,683	884,424	19,435,514	669,036	16,161,226	547,838	13,865,225	458,052
Other equity		25,825,632	866,341	25,823,918	888,947	28,278,757	958,601	7,760,904	256,388
Treasury stock		(7,179,872)	(240,854)	(7,179,872)	(247,156)	(7,179,872)	(243,385)	(7,179,872)	(237,194)
Non-controlling interests		4,002,618	134,271	3,751,614	129,144	4,102,705	139,075	4,050,638	133,817
<b>Total equity</b>		<b>255,475,724</b>	<b>8,570,135</b>	<b>248,293,837</b>	<b>8,547,120</b>	<b>241,629,584</b>	<b>8,190,833</b>	<b>218,763,663</b>	<b>7,227,078</b>
<b>Total liabilities and equity</b>		<b>\$5,674,247,022</b>	<b>\$190,347,099</b>	<b>\$5,510,600,712</b>	<b>\$189,693,656</b>	<b>\$5,293,882,077</b>	<b>\$179,453,630</b>	<b>\$5,078,273,954</b>	<b>\$167,765,905</b>

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Unaudited Consolidated Statements of Comprehensive Income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

	Notes	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
		NT \$	US \$	NT \$	US \$
<b>Interest income</b>		\$32,051,153	\$1,075,181	\$31,327,836	\$1,061,961
<b>Less: Interest expenses</b>		(3,360,950)	(112,745)	(3,505,860)	(118,843)
<b>Net interest income</b>		28,690,203	962,436	27,821,976	943,118
<b>Net income other than interest</b>					
Net commission and handling fee		61,108	2,050	205,714	6,973
Net premiums from insurance business		44,475,064	1,491,951	83,481,336	2,829,876
(Losses) gains on financial assets and liabilities at fair value through profit or loss		(20,210,237)	(677,968)	19,689,735	667,449
Gains from investment properties		1,746,261	58,580	1,738,125	58,919
Realized gains on available-for-sale financial assets		5,101,431	171,131	5,148,448	174,524
Realized gains (losses) on held-to-maturity financial assets		472	16	(167)	(6)
Gains (losses) on foreign exchange		24,462,886	820,627	(21,445,954)	(726,981)
Share of profit of associates and joint ventures accounted for using equity method		23,295	781	22,703	770
Net other non-interest gains		3,474,483	116,554	704,649	23,886
Subtotal		59,134,763	1,983,722	89,544,589	3,035,410
<b>Total income</b>		87,824,966	2,946,158	117,366,565	3,978,528
<b>Bad debt expenses and provision for premiums reserve</b>		(89,058)	(2,988)	(40,615)	(1,377)
<b>Changes in insurance liabilities and provisions</b>		(67,123,878)	(2,251,723)	(103,210,269)	(3,498,653)
Subtotal		(67,212,936)	(2,254,711)	(103,250,884)	(3,500,030)
<b>Operating expenses</b>					
Employee benefits expenses		(8,596,910)	(288,390)	(7,688,787)	(260,637)
Depreciation and amortizations expenses		(1,109,803)	(37,229)	(956,417)	(32,421)
Other general and administration expenses		(3,072,558)	(103,072)	(3,219,033)	(109,120)
Subtotal		(12,779,271)	(428,691)	(11,864,237)	(402,178)
<b>Profit before income tax from continuing operations</b>		7,832,759	262,756	2,251,444	76,320
<b>Income tax (expense) benefit</b>		(768,339)	(25,775)	177,378	6,013
<b>Net income</b>		7,064,420	236,981	2,428,822	82,333
<b>Other comprehensive income</b>					
Exchange differences resulting from translating the financial statements of a foreign operation		532,192	17,853	(681,493)	(23,101)
Unrealized (losses) gains from available-for-sale financial assets		(37,006)	(1,241)	22,159,760	751,178
Losses on cash flow hedges		(199,917)	(6,706)	(311,197)	(10,549)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		32,280	1,083	(1,180)	(40)
Income tax relating to the components of other comprehensive income		(205,493)	(6,894)	(734,484)	(24,898)
<b>Other comprehensive income, net of tax</b>		122,056	4,095	20,431,406	692,590
<b>Total comprehensive income</b>		\$7,186,476	\$241,076	\$22,860,228	\$774,923
<b>Net income attributable to:</b>					
Owners of parent		\$6,929,169	\$232,444	\$2,296,001	\$77,831
Non-controlling interests		135,251	4,537	132,821	4,502
Subtotal		\$7,064,420	\$236,981	\$2,428,822	\$82,333
<b>Total comprehensive income attributable to:</b>					
Owners of parent		\$6,930,883	\$232,502	\$22,813,854	\$773,351
Non-controlling interests		255,593	8,574	46,374	1,572
Subtotal		\$7,186,476	\$241,076	\$22,860,228	\$774,923
<b>Earnings per share (expressed in dollars) :</b>					
Basic earnings per share:					
Net income		\$0.65	\$0.02	\$0.23	\$0.01

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

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

English Translation of Financial Statements Originally Issued in Chinese

Cathy Financial Holding Co., Ltd. and Subsidiaries

Unaudited Statements of Changes in Equity

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

(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																								Non-controlling interests	Total equity
	Capital stock				Retained earnings								Other equity													
	Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Exchange differences resulting from translating the financial statements of a foreign operation		Unrealized gains from available-for-sale financial assets		Gains on cash flow hedges		Others		Treasury stock		Total					
NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$			
Balance on 1 January 2012	\$103,575,096	\$3,511,021	\$78,508,148	\$2,661,293	\$14,105,459	\$478,151	\$4,078,065	\$138,239	\$13,865,225	\$470,007	\$(378,126)	\$(12,819)	\$6,454,007	\$218,780	\$1,686,208	\$57,160	\$(1,185)	\$(40)	\$(7,179,872)	\$(243,385)	\$214,713,025	\$7,278,407	\$4,050,638	\$137,310	\$218,763,663	\$7,415,717
Net income for the three months ended 31 March 2012	-	-	-	-	-	-	-	-	2,296,001	77,831	-	-	-	-	-	-	-	-	-	-	2,296,001	77,831	132,821	4,502	2,428,822	82,333
Other comprehensive income for the three months ended 31 March 2012	-	-	-	-	-	-	-	-	-	-	(495,879)	(16,809)	21,272,453	721,100	(258,721)	(8,771)	-	-	-	-	20,517,853	695,520	(86,447)	(2,930)	20,431,406	692,590
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,693	193	5,693	193
Balance on 31 March 2012	\$103,575,096	\$3,511,021	\$78,508,148	\$2,661,293	\$14,105,459	\$478,151	\$4,078,065	\$138,239	\$16,161,226	\$547,838	\$(874,005)	\$(29,628)	\$27,726,460	\$939,880	\$1,427,487	\$48,389	\$(1,185)	\$(40)	\$(7,179,872)	\$(243,385)	\$237,526,879	\$8,051,758	\$4,102,705	\$139,075	\$241,629,584	\$8,190,833
Balance on 1 January 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$4,078,065	\$136,802	\$19,435,514	\$651,980	\$(1,082,097)	\$(36,300)	\$25,930,564	\$869,861	\$976,681	\$32,763	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$244,542,223	\$8,203,362	\$3,751,614	\$125,851	\$248,293,837	\$8,329,213
Net income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	6,929,169	232,444	-	-	-	-	-	-	-	-	-	-	6,929,169	232,444	135,251	4,537	7,064,420	236,981
Other comprehensive income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	-	-	383,869	12,877	(216,080)	(7,248)	(166,075)	(5,571)	-	-	-	-	1,714	58	120,342	4,037	122,056	4,095
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,589)	(154)	(4,589)	(154)
Balance on 31 March 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$4,078,065	\$136,802	\$26,364,683	\$884,424	\$(698,228)	\$(23,423)	\$25,714,484	\$862,613	\$810,606	\$27,192	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$251,473,106	\$8,435,864	\$4,002,618	\$134,271	\$255,475,724	\$8,570,135

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd. and Subsidiaries**

**Unaudited Statements of Cash Flows**

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

**(Expressed in thousands of dollars)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
<b>Cash flows from operating activities</b>				
Profit before income tax from continuing operations	\$7,832,759	\$262,756	\$2,251,444	\$76,320
Adjustments :				
Income and other adjustments with no cash flow effects				
Depreciation and amortizations expenses	1,109,803	37,229	956,417	32,421
Net Interest income	(28,690,203)	(962,436)	(27,821,976)	(943,118)
Dividend income	(484,040)	(16,238)	(158,984)	(5,389)
Share of loss of associates and joint ventures accounted for using the equity method	(23,295)	(781)	(22,703)	(770)
Bad debt expense	89,058	2,988	40,615	1,377
Changes in insurance liabilities and provisions	71,221,757	2,389,190	98,864,063	3,351,324
Losses (gains) on disposal or scrapping of property and equipment	435	15	(159)	(5)
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	20,210,237	677,968	(19,689,735)	(667,449)
Net gains on available-for-sale financial assets	(5,101,431)	(171,131)	(5,148,448)	(174,524)
Revaluation gains on bonds payable	185,641	6,227	-	-
Amortization of discounts on bonds payable	15,525	521	-	-
Other adjustments	(51,098)	(1,714)	(262,193)	(8,888)
Changes in operating assets and liabilities				
Increase in loans	(26,266,403)	(881,127)	(5,724,328)	(194,045)
Decrease (increase) in due from the Central Bank and call loans to banks	33,042,040	1,108,422	(17,795,244)	(603,229)
Decrease (increase) in securities purchased under agreements to resell	9,440,917	316,703	(8,159,507)	(276,593)
Decrease (increase) in accounts receivable	3,204,226	107,488	(34,060,628)	(1,154,597)
Decrease (increase) in other assets	656,434	22,021	(486,431)	(16,489)
Increase in financial assets at fair value through profit or loss	(16,911,107)	(567,296)	(22,453,388)	(761,132)
(Increase) decrease in available-for-sale financial assets	(81,080,794)	(2,719,919)	32,726,537	1,109,374
Increase in other financial assets	(56,655,869)	(1,900,566)	(50,752,579)	(1,720,426)
Increase in due to the Central Bank and call loans from banks	16,736,056	561,424	5,495,047	186,273
Increase in deposits	7,404,098	248,376	28,554,386	967,945
(Decrease) increase in payables	(18,562,316)	(622,688)	45,459,101	1,540,986
Decrease in financial liabilities at fair value through profit or loss	(14,323,998)	(480,510)	(12,968,704)	(439,617)
Increase in other financial liabilities	930,879	31,227	244,676	8,294
(Decrease) increase in other liabilities	(1,007,393)	(33,794)	2,018,116	68,411
Cash generated from operations	(77,078,082)	(2,585,645)	11,105,395	376,454
Interest received	30,219,890	1,013,750	29,839,745	1,011,517
Dividends received	492,106	16,508	158,984	5,389
Interest paid	(3,070,170)	(102,991)	(4,350,484)	(147,474)
Income taxes paid	(610,748)	(20,488)	(430,008)	(14,577)
<b>Net cash (used in) flows from operating activities</b>	<b>(50,047,004)</b>	<b>(1,678,866)</b>	<b>36,323,632</b>	<b>1,231,309</b>
<b>Cash flows from investing activities</b>				
Increase in investments accounted for using the equity method	(29,010)	(973)	(59,120)	(2,004)
Increase in investment properties	(1,213,053)	(40,693)	(1,764,537)	(59,815)
Acquisition of property and equipment	(384,260)	(12,891)	(309,131)	(10,479)
(Increase) decrease in other assets	(37,296)	(1,251)	448,826	15,215
<b>Net cash used in investing activities</b>	<b>(1,663,619)</b>	<b>(55,808)</b>	<b>(1,683,962)</b>	<b>(57,083)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in banker's acceptances and funds borrowed	36,950	1,239	(6,378,597)	(216,224)
Increase (decrease) in bonds payable	164,278	5,511	(304,294)	(10,315)
Increase in securities sold under agreements to repurchase	14,158,613	474,962	2,730,704	92,566
(Decrease) increase in other financial liabilities	(3,105,966)	(104,192)	6,577,749	222,975
(Decrease) increase in other liabilities	(64,638)	(2,168)	60,887	2,064
<b>Net cash flows from financing activities</b>	<b>11,189,237</b>	<b>375,352</b>	<b>2,686,449</b>	<b>91,066</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>588,753</b>	<b>19,750</b>	<b>(646,055)</b>	<b>(21,900)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(39,932,633)</b>	<b>(1,339,572)</b>	<b>36,680,064</b>	<b>1,243,392</b>
<b>Cash and cash equivalents at the beginning of periods</b>	<b>309,450,218</b>	<b>10,380,752</b>	<b>334,236,544</b>	<b>11,330,052</b>
<b>Cash and cash equivalents at the end of periods</b>	<b>\$269,517,585</b>	<b>\$9,041,180</b>	<b>\$370,916,608</b>	<b>\$12,573,444</b>



**English Translation of Financial Statement Originally issued in Chinese**

**Cathay Financial Holding Co., Ltd. and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**  
**31 March 2013 and 2012**  
**(Expressed in thousands of dollars except**  
**for share and per share data and unless otherwise stated)**

**1. Organization and business scope**

On 31 December 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TWSE) on the same day. On 22 April 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) became subsidiaries of the Company through stock conversion approved by the government. On 18 December 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a subsidiary of the Company through stock conversion approved by the government. UWCCB and Cathay United Bank merged on 27 October 2003, in accordance with the relevant laws and regulations. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On 12 May 2004, the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On 30 June 2005, the Company invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. Lucky Bank became a subsidiary of the Company by stock conversion on 25 August 2006. Cathay United Bank absorption merged with Lucky Bank on 1 January 2007. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on 29 December 2007 to improve competitiveness. Cathay Venture Inc. (“Cathay Venture”) was incorporated on 16 April 2003, under the Company Act. Cathay Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital management on 10 August 2009. On 13 June 2011, the Company obtained the acquisition approval of Cathay Securities Investment Trust Co., Ltd. (Cathay Securities Investment Trust) from Financial Supervisory Commission of Executive Yuan and acquired all shares of Cathay Securities Investments Trust by cash purchase on 24 June 2011. On 29 July 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depository Shares (GDSs). The Company mainly engages in financial holding business.

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the total numbers of the employees of the Company and its subsidiaries were 44,841, 44,461, 44,194 and 43,904, respectively.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended 31 March 2013 and 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 30 April 2013.

### **3. Newly issued or revised standards and interpretations**

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

#### **IFRS 9 *Financial Instruments***

IFRS 9 *Financial Instruments* which is divided in three distinct phases is designed by the International Accounting Standards Board (“IASB”) to eventually replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities that must be applied for annual periods beginning on or after 1 January 2015. The IASB will work on the remaining phases related to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as “TIFRS”) may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Group could not be determined at this stage.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(2) Standards or interpretations issued but not yet recognized are listed below:

<u>The main content of standards or interpretations</u>	<u>The reporting date of adoption</u>
The revision for IFRS in 2010:	
IFRS 1“First-time Adoption of International Financial Standards”	Effective on 1 January 2011
IFRS 3 “Business Combinations”	Effective on 1 July 2010
IFRS 7“Financial Instruments: Disclosures”	Effective on 1 January 2011
IAS 1“Presentation of Financial Statements”	Effective on 1 January 2011
IAS 34“Interim Financial Reporting”	Effective on 1 January 2011
IFRIC 13“Customer Loyalty Programms”	Effective on 1 January 2011
According to IFRS 7, the exception of the comparable disclosure for entities who is first-time adoption is limited (revised IFRS 1 “First-time Adoption of International Financial Standards”)	Effective on 1 July 2010
Hyperinflation and remove of the specific date of first-time adoption.(revised IFRS 1“First-time Adoption of International Financial Standards”)	Effective on 1 July 2011
The amendment of IFRS 7“Financial Instruments: Disclosures”	Effective on 1 July 2011
Deferred income taxes: The recovery of targeted assets (IAS 12 “Income Taxes”)	Effective on 1 January 2012
IFRS 10“Consolidated Financial Statements”	Effective on 1 January 2013
IAS 27“Consolidated and Separate Financial Statements”	Effective on 1 January 2013
IFRS 11“Joint Arrangements”	Effective on 1 January 2013
IAS 28“Investments in Associates and Joint Ventures”	Effective on 1 January 2013
IFRS 12“Disclosure of Interests in Other Entities”	Effective on 1 January 2013
IFRS 13“Fair Value Measurement”	Effective on 1 January 2013
The presentation of the items for other comprehensive income or loss.(revised IAS 1 “Presentation of Financial Statements”)	Effective on 1 July 2013
The amendment of IAS 19“Employee Benefits”	Effective on 1 January 2013
The loan from the government(revised IFRS 1 “First-time Adoption of International Financial Standards”)	Effective on 1 January 2013
The disclosure for the offsetting of financial assets and liabilities (revised IFRS 7 “Financial Instruments: Disclosures”)	Effective on 1 January 2013
The offsetting of financial assets and liabilities(revised IAS 32 “Financial Instruments: Presentation”)	Effective on 1 January 2014
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	Effective on 1 January 2013
The improvement for IFRS from 2009 to 2011:	
IFRS 1 “First-time Adoption of International Financial Standards”	Effective on 1 January 2013
IAS 1 “Presentation of Financial Statements”	Effective on 1 January 2013
IAS 16 “Property, Plant and Equipment”	Effective on 1 January 2013
IAS 32 “Financial Instruments: Presentation”	Effective on 1 January 2013
IAS 34 “Interim Financial Reporting”	Effective on 1 January 2013
The amendment of IFRS 10 “Consolidated Financial Statements”	Effective on 1 January 2014

## **English Translation of Financial Statements Originally Issued in Chinese**

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

Standards and interpretations impacting to our group are listed below:

### The improvement of IFRS in 2010

#### IFRS 7 “Financial Instruments: Disclosures”

Such improvement requires the quantitative disclosure including qualitative disclosure that enables users to connect all related disclosure to arrive the outline of extent and nature of risk arising from financial instruments.

### The amendment of IFRS 7 “Financial Instruments: Disclosures”

The amendment requires additional quantitative and qualitative disclosure for the transfer of financial assets while fully transferring financial assets but keep participating in it or transferring partly financial assets.

### IFRS 12 Disclosure of Interests in Other Entities”

IFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This requirement was represented in unified IFRS. The standard has been effective since 1 January 2013.

### IFRS 13 Fair Value Measurement”

IFRS 13 mainly defined the measurement of fair value, the requirement for the framework of fair value measurement and the disclosure for fair value measurement to reduce the level of complexity and enhance the degree of uniformity when applied. There has not been any change regarding the requirement related to the timing of the usage of fair value measurement and disclosure.

### The presentation for the items of other comprehensive income (revised IAS 1 “presentation financial statements”)

The amendment to IAS 1 required the group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently.

### The amendment of IAS 19 “Employee Benefits”

The main amendments include: (1) For the actuarial gain or loss arising from defined benefits plan, eliminate the use of the 'corridor' approach and instead mandate all remeasurement impacts be recognized in the items of OCI. (2) Only current service cost, prior service cost, gains or losses from retirement and net interest expenses (benefits) arising from defined benefits liability(assets) are allowed to be recognized in the items of gains and losses. (3)The disclosure for defined benefits plan includes quantitative information for sensitivity analysis of actuarial assumption. (4)When offers of benefits are irrevocable and come within the range of the recognition of provision, contingent assets or liabilities stated in IAS 37, the recognition of resignation benefits is determined by the earlier of the irrevocable offers or the replacement cost of resignation benefits.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### The improvement of IFRS from 2009 to 2011

IAS 1 “The presentation of financial statements”

The amendment clarified the requirements listed following: (1) Disclose the difference between additional comparative information and mandatory comparative information. (2) When the enterprises additionally provide comparative information beyond the minimum requirement of comparative period, such information should be included in notes of financial statements, but it is unnecessary to provide whole financial statements of additional comparative period. (3) When the enterprises conduct the retrospective application of an accounting policy, restatement of items in financial statements or reclassification of items having material impact on the information in prior statements of financial position, they should prepare the statements of financial position of the earliest comparative period, except for the notes. Such amendment has been effective on 1 January 2013.

The above standards and interpretations were already issued by IASB but not yet recognized by Financial Supervisory Commission. Due to the uncertainty of the date of application, the direct influence of the application of above standards or interpretations to our group is not able to be evaluated reasonably.

## **4. Summary of significant accounting policies**

### (1) Statement of compliance

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

### (2) Basis of preparation

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

**English Translation of Financial Statements Originally Issued in Chinese**

**(Expressed in thousand of dollars except for share and per share data and 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 Group obtains 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.

If the Group loses 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:

Investor	Subsidiary	Business nature	2013.3.31 Ownership interest	2012.12.31 Ownership interest	2012.3.31 Ownership interest	2012.1.1 Ownership interest	Notes
The Company	Cathay Life Insurance Co., Ltd. ("Cathay Life")	Life insurance	100.00%	100.00%	100.00%	100.00%	Cathay Life was incorporated in Taiwan on 23 October 1962 under the provisions of the ROC Company Act (the "Company Act").
The Company	Cathay United Bank Co., Ltd. ("Cathay United Bank")	Commercial banking operations	100.00%	100.00%	100.00%	100.00%	UWCCB was enfranchised by the ROC government on 4 January 1975. On 27 October 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank absorption merged with Lucky Bank on 1 January 2007.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Investor	Subsidiary	Business nature	2013.3.31 Ownership interest	2012.12.31 Ownership interest	2012.3.31 Ownership interest	2012.1.1 Ownership interest	Notes
The Company	Cathay Century Insurance Co., Ltd. (“Cathay Century”)	Property and casualty insurance	100.00%	100.00%	100.00%	100.00%	Cathay Century was incorporated in Taiwan on 19 July 1993, under the Company Act. Cathay Century changed its name from “Tong Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.” on 2 August 2002.
The Company	Cathay Securities Corporation (“Cathay Securities”)	Securities	100.00%	100.00%	100.00%	100.00%	Cathay Securities was incorporated on 12 May 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were assigned to Cathay Securities along with its business, assets and liabilities. The assignment date was 13 August 2004.
The Company	Cathay Venture Inc. (“Cathay Venture”)	Venture capital investment	100.00%	100.00%	100.00%	100.00%	Cathay Venture was incorporated on 16 April 2003, under the Company Act. Cathay Venture is the surviving company for the merger with Cathay Venture, Cathay II Venture and Cathay Capital Management on 10 August 2009.
The Company	Cathay Securities Investment Trust Co., Ltd. (“Cathay Securities Investment Trust”)	Securities investment trust	100.00%	100.00%	100.00%	100.00%	Cathay Securities Investment Trust was incorporated on 11 February, 2000.
Cathay Life	Cathay Life Insurance Co., Ltd. (China) (“Cathay Life (China)”)	Life insurance	50.00%	50.00%	50.00%	50.00%	Cathay Life (China) was incorporated on 29 December 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest in Cathay Life (China).
Cathay Life 、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	100.00%	100.00%	100.00%	100.00%	Symphox Information was incorporated on 12 December 1999, under the Company Act. Cathay Life and Cathay Venture own 60.12% and 39.88% interest in Symphox Information, respectively.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Investor	Subsidiary	Business nature	2013.3.31 Ownership interest	2012.12.31 Ownership interest	2012.3.31 Ownership interest	2012.1.1 Ownership interest	Notes
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00%	100.00%	100.00%	100.00%	Cathay Life (Vietnam) was incorporated on 21 November 2007.
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd (“Lin Yuan”)	Office equipment leasing company	100.00%	100.00%	-	-	Lin Yuan was incorporated on 15 August 2012.
Cathay Life 、 Cathay Century	Cathay Insurance Co., Ltd. (China) (“Cathay Century (China)”)	Property and casualty insurance	100.00%	100.00%	100.00%	100.00%	Cathay Century (China) was incorporated on 26 August 2008. Cathay Life and Cathay Century each owns 50% interest of Cathay Century (China).
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. (“Cathay Century (Vietnam)”)	Property and casualty insurance	100.00%	100.00%	100.00%	100.00%	Cathay Century (Vietnam) was incorporated on 2 November 2010.
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50.00%	50.00%	50.00%	50.00%	Indovina Bank was incorporated in Vietnam on 29 October 1992. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.
Cathay United Bank	Singapore Banking Corporation Limited (“SBC Bank”)	Wholesale banking	70.00%	70.00%	-	-	SBC Bank was incorporated in Cambodia on 1993. Cathay United Bank 、 Kun Swee Tiong and Kun Swee Yi Diaz each owns 70% 、 20% and 10% interest of SBC Bank.
Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Futures related business	99.99%	99.99%	99.99%	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Act and renamed to Seaward Futures Corp. on 6 March 1998. On 24 December 2003, Seaward Futures Corp. changed its name to Cathay Futures Corp. On 10 February 2006, Cathay United Bank sold all the stocks of Cathay Futures to Cathay Securities.



**English Translation of Financial Statements Originally Issued in Chinese**

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

As of 31 March 2013 and 2012, the consolidated financial statements excluded the following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investor	Investee	Business	2013.3.31 Ownership interest	2012.12.31 Ownership interest	2012.3.31 Ownership interest	2012.1.1 Ownership interest	Notes
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Reinsurance	100.00%	100.00%	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on 24 January 2000.
Cathay life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Securities investment research analysis	100.00%	100.00%	100.00%	100.00%	Cathay Securities Investment Consulting was incorporated on 25 November 2002.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100.00%	100.00%	100.00%	100.00%	Seaward Card was incorporated on 9 April 1999.

**(4) Foreign currency transactions**

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

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. 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. 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

### (5) Translation of financial statements in foreign currency

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 goodwill arising from acquisition foreign operation and the adjustment between book value and fair value of assets and liabilities are regarded as its assets and liabilities, retranslated at the functional currency.

### (6) Cash and cash equivalents

Cash and cash equivalents comprises 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.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(7) The transaction of Repo notes and bonds

The transaction of notes and bonds with repurchase or reverse repurchase is recognized as liabilities of notes and bonds with repurchase agreement and investment of notes and bonds with reverse repurchase agreement according to the law of financing; the difference between book value and strike price is recognized as interest revenue or interest expense.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

### Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest 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.

### 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 those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

## **English Translation of Financial Statements Originally Issued in Chinese**

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Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. 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.

### **Impairment of financial assets**

The Group assesses 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 if, and only if, 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 financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

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 include:

- i significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments; or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset because of financial difficulties.

**English Translation of Financial Statements Originally Issued in Chinese**

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually 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 Group determines that no objective evidence of impairment exists 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. The interest income is recognized in profit or loss; loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. 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 future write-off is later recovered, the recovery is credited to profit or loss.

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.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the Group allocates the previous carrying amount of the larger financial asset between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

### The reclassification of financial assets

According to IAS 39 *Financial Instruments: Recognition and Measurement*, the group reclassified financial instruments based on the requirements listed below:

- i. The disallowance of reclassification of derivatives instruments held or issued at fair value through profit and loss.
- ii. The disallowance of reclassification of any financial instrument which was originally designed as at fair value through profit and loss.
- iii. The disallowance of reclassification from any financial instrument to the category recorded at fair value through profit and loss.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

- iv. If the change of intention or ability resulting in the impropriety that the investment is classified as held to held-to-maturity financial assets, such investment should be reclassified to available-for-sale financial assets remeasurement at fair value. The difference between book value and fair value should be recognized as the items of OCI.
- v. If the investment is sold or reclassified as held-to-maturity financial assets before the date of maturity in the current period or previous two fiscal years, the amount of investment is not less than material, it is banned to classify any financial asset into held-to-maturity. If there is remaining held-to-maturity financial asset, it should be reclassified to available-for-sale financial assets.

### (b) Financial liabilities and equity

#### Classification between liabilities or equity

The Group classifies 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.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.



## **English Translation of Financial Statements Originally Issued in Chinese**

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

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 *Financial Instruments: Recognition and Measurement*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

### **Financial liabilities**

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### (c) 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.

#### (d) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(9) Derivative financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(10) Investments accounted for using the equity method

The Group's investment in its associate 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 Group has 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 Group's 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 Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaineding 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 retaineding investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

Property, plant 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 and 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, plant 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, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant 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	5~70 years
Machinery and equipment	3~8 years
Transportation equipment	3~8 years
Other equipment	3~15 years
Leased assets	3~50 years
Leasehold improvements	The shorter of lease terms or economic useful lives
Leased assets	3~50 years

## **English Translation of Financial Statements Originally Issued in Chinese**

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

An item of property, plant 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, if appropriate.

### (12) Investment property

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

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

Buildings - 5~70 years

Investment properties are derecognized when either 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.

### (13) Leases

#### Group as a lessee

Finance leases which transfer to the Group 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.

**English Translation of Financial Statements Originally Issued in Chinese**

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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.

Group as a lessor

Leases in which the Group does 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.

(14) 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 accumulated impairment losses, if any. 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 is 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 is 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.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and 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 to 5 years).

The cost of other intangible assets are amortized on a straight-line basis over the estimated useful life (4 to 8 years).

(15) Impairment of non-financial assets

The Group assesses 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 Group estimates 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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 Group estimates 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 at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), 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.

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

(16) Provisions

Insurance liabilities

A. Cathay Life Insurance

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:

a. Unearned premium reserve

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

b. Reserve for claims

It is mainly a reserve for the unpaid claims and unreported claims. The unpaid claims reserve is assessed based on the relevant information of each case and the amount deposited is further classified by the type of insurance.

c. Reserve for life insurance liabilities

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



**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

The method prescribed by law to compute reserve for life insurance liabilities was amended by the competent authority on 28 December 2012.

d. Special reserve

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

(a) Special capital reserve—Special reserve for major incidents

All types of insurance should follow the special catastrophe reserve rates set by authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of NT\$30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, the Company could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference. The post-tax amount of the recovery determined in accordance with IAS12 *Income Taxes* can be recorded in the special capital reserve for major incidents under equity.

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used for writing down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for major incidents for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purposes. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30 percent of self-retention earned premium, 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) Cathay Life Insurance sells participating life insurance policy. According to the “Rule Governing application of revenues and expenses related to participating / non-participating policy”, Cathay Life Insurance 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 exceeds shall be recognized as special reserve for revaluation increments of property under liabilities.

e. Premium deficiency reserve

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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 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”.

B. Cathay Century Insurance

Insurance liabilities are set aside in accordance with “Regulations for the Management of the Various Reserves by Insurance Enterprises”, “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance” and “Regulations for the Management of the Various Reserves for Nuclear energy insurance”. Also, the booked reserves shall be validated by the certified actuarial professionals approved by Financial Supervisory Commission.

a. Unearned premium reserve

The reserve for unearned premiums represents the portion of premiums written related to the unexpired terms of coverage, which shall be set aside based on each unexpired underlying risk.

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Claims reserve

It is mainly for the unpaid claim reserve and incurred but not reported (IBNR) claim reserves, which is calculated and deposited based upon the past indemnity experiences and expenses occurred to meet the actuarial principle. The notified but unpaid claim reserve is assessed case by case as well as its relevant information obtained and deposited by each type of insurance.

c. Special reserve

The special reserve is classified into 2 categories, “Special reserve for major incident” and “Special reserve for fluctuation of risks”. For the special reserves set aside by the Company before 1 January, 2011, they should be shown as a liability item on the balance sheet. Since 1 January, 2011, the after-tax addressed amount of the special reserve should be placed in the special reserve under stock holder’s equity. The recovery of special reserve can be charged against the special reserve under liabilities if sufficient. If the recovery amount exceeds the balance of the special reserve under liabilities, the after-tax excess amount can be recovered from the special reserve under stock holder’s equity.

According to the “Precautions of Strengthening Natural Disaster Insurance Reserve of Property Insurance Industry (Commercial Earthquake and Typhoon Flood Insurance)”, the industry that offers these insurance products shall, from 1 January 2013, set aside special reserve recognized under liability prior to 31 December 2012 for the Company’s commercial earthquake insurance and typhoons flood insurance, excluding compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons flood insurance. The decrease or withdrawing of special reserve for major incident and special reserve for fluctuation of risks of commercial earthquake insurance and typhoons flood insurance should follow the Precautions.

(A) Special reserve for major incident

All types of insurance shall follow the special reserve for major incident rates set by the authorities.

Upon occurrence of catastrophic events, the actual retained claims in excess of NT\$30,000 thousands individually and the aggregate payment of loss of the whole property and casualty insurers in excess of NT\$2,000 million, the fund of the claims can be withdrawn from the special reserve.

**English Translation of Financial Statements Originally Issued in Chinese**

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

If the reserve has been set aside for over 15 years, the Company could has its plan of recovering process of the reserve accessed by certified actuaries and submit the plan to the authority for reference.

**(B) Special reserve for fluctuation of risks**

When the actual claim paid for each insurance product categories minus the offsetting amount from special reserve of major incidents is less than the anticipated loss, 15 percent of this difference should be reserved in special reserve for fluctuation of risks.

When the actual claim paid for each insurance product categories minus the offsetting amount from special reserve of major incidents is greater than the anticipated loss, the excessive amount can be used for writing down the special reserve for fluctuation of risks. If the total amount of the special reserve is not enough to be written down, special reserve for fluctuation of risks of other insurance product categories can be used. Additionally, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purposes.

When accumulative dollar amount of the special reserve for fluctuation of risks exceeds 60% of its retained earned premium, the excess should be recalled and recognized as income for the current year.

**d. Premiums deficiency reserve**

If the probable claims and expenses of the unexpired insurance contracts are greater than the aggregate amount of unearned premium reserves and collectable premiums in the future, the premium deficiency reserve should be set aside based on the difference thereof.

**C. Cathay life (China) and Cathay Century (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.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects 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 borrowing cost.

(17) Treasury stocks

Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18) 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 Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

Defined contribution plan

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.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Defined benefit plan

Post-employment benefit plan is classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. The Group recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. 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.

Employee preferential interest rate deposits

Cathay United Bank offers its employees with preferential deposit, including providing finite amount preferential interest rate deposits to current employees and providing the preferential interest rate deposits to current employees and retired employees after their retirement. The difference between the interest rate of preferential deposits and the market rate is recognized as employee benefits.

The finite amount preferential deposits that Cathay United Bank paid to its current employees are calculated monthly on accrual basis. The difference between the interest rate of preferential deposit and the market rate is recorded as “Employee benefits expenses”. In accordance with Article 28 of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, when the interest incurred from preferential interest rate deposits exceed the interest generated from market rate, it shall be considered the actuarial amount according to defined benefit plan regulated on IAS 19 “*Employee Benefits*” since the employee’s retirement date.

(19) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

### Handling fee revenue

The group charge customers by providing with a variety of services.

### Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points programme that the Group operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

### Dividends

Revenue is recognized when the Group's right to receive the payment is established.

### Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.



**English Translation of Financial Statements Originally Issued in Chinese**

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

(20) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

- i. 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
- ii. 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:

**English Translation of Financial Statements Originally Issued in Chinese**

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

- i. 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
- ii. 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. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 qualifying Subsidiaries have selected the consolidated income tax return for tax filings and pay a 10% surcharge on their undistributed retained earnings under the consolidated income tax return. If there are any tax effects due to the adoption of the consolidated tax system, the Company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Group.

Effective from January 1, 2006, the Group have considered the impact of the “Alternative Minimum Tax Act” to estimate their income tax liabilities.

(21) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

**English Translation of Financial Statements Originally Issued in Chinese**

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

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

**English Translation of Financial Statements Originally Issued in Chinese**

**(Expressed in thousand of dollars except for share and per  
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**5. Significant accounting judgments, estimates and assumptions**

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

(1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) The classification of financial assets

The management are necessary to make judgment for the classification of financial assets which would affect the method of accounting, the financial position of The Company and the outcome of operation.

(b) Investment properties

Certain properties of the Group 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 Group accounts for the portions separately as investment properties 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 Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, retaining all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(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 assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

(b) Impairment of non-financial assets

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

(c) Pension benefits

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

The finite amount preferential deposits that the Cathay United Bank paid to its current employees are calculated monthly on accrual basis. The difference between the interest rate of preferential deposit and the market rate is recorded as “Employee benefits expenses”. In accordance with Article 28 of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, when the interest incurred from preferential interest rate deposits exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 “*Employee Benefits*” since the employee’s retirement date.

- (d)The liability of the insurance contract (including the liability of investment contract with discretionary participation feature)

The insurance contract and investment contract with discretionary participation feature are based on current assumption or the assumption when the contract was formed initially to reflect the best estimation. To arrive the best estimation of future cash flow from management, all contracts are required to pass the liability adequacy test.

- (e)The impairment of goodwill

The Group measures the occurrence of impairment of goodwill annually. It is necessary to conduct the test of impairment when the evidence of impairment related to goodwill is obvious. During the test of impairment, the estimated goodwill should be allocated to corresponding coverable amount from cash generating unit; such computation should include the estimation of the future cash flow from cash generating unit and select proper discount rate to arrive the present value of future cash flow.

- (f) Revenue recognition – Customer loyalty programme

The Group estimates the fair value of points awarded under the customer loyalty programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the programme do not expire, such estimates are subject to significant uncertainty.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### (g) Income tax

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 arising 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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. 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 Group 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**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$13,551,104	\$454,582	\$13,493,296	\$464,485
Cash in banks	53,799,824	1,804,758	67,388,184	2,319,731
Time deposits	178,411,976	5,984,971	186,605,336	6,423,592
Cash equivalents	1,163,276	39,023	20,269,485	697,745
Checks for clearance	7,699,927	258,300	8,326,315	286,620
Due from commercial banks	14,891,478	499,546	13,367,602	460,158
Total	<u>\$269,517,585</u>	<u>\$9,041,180</u>	<u>\$309,450,218</u>	<u>\$10,652,331</u>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$12,229,206	\$414,549	\$12,199,045	\$403,008
Cash in banks	92,018,745	3,119,279	78,220,073	2,584,079
Time deposits	231,027,179	7,831,430	220,070,921	7,270,265
Cash equivalents	15,447,846	523,656	5,616,954	185,562
Checks for clearance	8,086,695	274,125	8,641,570	285,483
Due from commercial banks	12,106,937	410,405	9,487,981	313,445
Total	<u>\$370,916,608</u>	<u>\$12,573,444</u>	<u>\$334,236,544</u>	<u>\$11,041,842</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

**7. Financial assets at fair value through profit or loss**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$16,533,630	\$554,634	\$13,933,930	\$479,653
Beneficiary certificates	23,005,709	771,745	36,176,589	1,245,321
Exchange traded funds	1,180,779	39,610	1,389,399	47,828
Commercial papers	30,989,655	1,039,572	30,060,739	1,034,793
Corporate bonds	3,301,806	110,762	2,996,054	103,134
Government bonds	10,377,383	348,117	4,588,851	157,964
Treasury bills	54,916,346	1,842,212	29,049,736	999,991
Structured time deposits	23,037,460	772,810	18,334,342	631,131
Margin for futures trading-own funds	543,201	18,222	-	-
Derivative financial instruments	9,604,564	322,193	9,530,401	328,069
Overseas financial instruments	1,124,789	37,732	1,099,847	37,861
<b>Total</b>	<b>\$174,615,322</b>	<b>\$5,857,609</b>	<b>\$147,159,888</b>	<b>\$5,065,745</b>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$7,331,681	\$248,531	\$8,727,562	\$288,324
Beneficiary certificates	56,950,545	1,930,527	33,475,656	1,105,902
Exchange traded funds	2,170,531	73,577	1,953,592	64,539
Commercial papers	-	-	10,024	331
Corporate bonds	2,521,060	85,460	2,221,124	73,377
Government bonds	1,551,903	52,607	2,608,737	86,182
Treasury bills	14,860,768	503,755	14,855,207	490,757
Structured time deposits	10,906,161	369,700	10,972,727	362,495
Margin for futures trading-own funds	36,613	1,241	44,197	1,460
Derivative financial instruments	9,660,768	327,484	8,767,388	289,639
Overseas financial instruments	1,260,538	42,730	1,046,268	34,565
<b>Total</b>	<b>\$107,250,568</b>	<b>\$3,635,612</b>	<b>\$84,682,482</b>	<b>\$2,797,571</b>

(1) As of 31 March 2013, 31 December 2012 and 31 March 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$50,000 (US\$1,677) thousands, NT\$2,950,500 (US\$101,566) thousands and NT\$134,000 (US\$4,542) thousands. Such repurchase agreements amounting to NT\$55,393 (US\$1,858) thousands, NT\$3,252,317 (US\$111,956) thousands and NT\$148,778 (US\$5,043) thousands are recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 31 March 2013, 31 December 2012 and 31 March 2012 are settled at NT\$55,457 (US\$1,860) thousands, NT\$3,255,003 (US\$112,048) thousands and NT\$148,783 (US\$5,043) thousands prior to 30 June 2013, 31 March 2013 and 30 April 2012, respectively.



**English Translation of Financial Statements Originally Issued in Chinese**

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

(2) Please refer to Note 36 for related information on the above financial assets at fair value through profit or loss being pledged as collaterals as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012.

**8. Available-for-sale financial assets**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$234,768,899	\$7,875,508	\$212,418,963	\$7,312,185
Unlisted stock	6,716,431	225,308	7,650,199	263,346
Beneficiary certificates	126,992,255	4,260,056	87,272,449	3,004,215
Exchange traded funds	7,818,059	262,263	7,164,817	246,637
Collateralized loans obligation and collateralized bonds obligation	7,494,041	251,394	7,684,982	264,543
Government bonds	72,350,699	2,427,061	228,054,133	7,850,401
Corporate bonds	234,678,355	7,872,471	72,818,189	2,506,650
Financial debentures	201,132,787	6,747,158	201,345,738	6,931,007
Overseas financial instruments	496,535,866	16,656,688	476,978,409	16,419,222
Real estate investment trust beneficiary	13,084,011	438,914	11,838,175	407,510
Less: Accumulated impairment	(2,112,898)	(70,879)	(2,135,681)	(73,517)
Less: Litigation deposits	(8,425)	(283)	-	-
Less: Securities serving as deposits paid-bonds	(9,597,503)	(321,956)	(9,523,307)	(327,825)
<b>Total</b>	<b>\$1,389,852,577</b>	<b>\$46,623,703</b>	<b>\$1,301,567,066</b>	<b>\$44,804,374</b>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$218,798,920	\$7,416,913	\$201,912,822	\$6,670,394
Unlisted stock	9,348,426	316,896	9,680,297	319,798
Beneficiary certificates	79,644,032	2,699,798	65,789,327	2,173,417
Exchange traded funds	7,110,620	241,038	6,460,770	213,438
Collateralized loans obligation and collateralized bonds obligation	9,905,270	335,772	10,351,087	341,959
Government bonds	208,634,549	7,072,358	201,211,507	6,647,225
Corporate bonds	72,348,668	2,452,497	66,470,338	2,195,915
Financial debentures	196,429,528	6,658,628	195,833,554	6,469,559
Overseas financial instruments	545,677,888	18,497,555	589,782,174	19,484,049
Real estate investment trust beneficiary	11,181,281	379,026	11,462,292	378,668
Less: Accumulated impairment	(1,667,019)	(56,509)	(1,667,019)	(55,072)
Less: Securities serving as deposits paid-bonds	(10,597,454)	(359,236)	(10,615,126)	(350,681)
<b>Total</b>	<b>\$1,346,814,709</b>	<b>\$45,654,736</b>	<b>\$1,346,672,023</b>	<b>\$44,488,669</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (1) As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$32,078,650 (US\$1,076,104) thousands, NT\$15,936,600 (US\$548,592) thousands, NT\$15,976,300 (US\$541,569) thousands and NT\$13,088,400 (US\$432,389) thousands, respectively. Such repurchase agreements amounting to NT\$34,644,673 (US\$1,162,183) thousands, NT\$17,116,932 (US\$589,223) thousands, NT\$16,161,158 (US\$547,836) thousands and NT\$13,546,462 (US\$447,521) thousands, respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012 are settled at NT\$34,659,146 (US\$1,162,668) thousands, NT\$17,125,290 (US\$589,511) thousands, NT\$16,199,577 (US\$549,138) thousands and NT\$13,557,277 (US\$447,878) thousands, prior to 30 September 2013, 30 June 2013, 30 June 2012 and 31 March 2012, respectively.
- (2) An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with collateralized loans obligation held by Cathay Life. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, Cathay Life recognized impairment losses amounting to NT\$1,673,957 (US\$56,154) thousands, NT\$1,697,370 (US\$58,429) thousands, NT\$1,667,019 (US\$56,509) thousands and NT\$1,667,019 (US\$55,072) thousands, respectively.
- (3) An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with collateralized loans obligation held by Cathay United Bank. As of 31 March 2013 and 31 December 2012, Cathay United Bank recognized impairment losses amounting to NT\$438,941 (US\$14,725) thousands and NT\$438,311 (US\$15,088) thousands, respectively.
- (4) Please refer to Note 36 for related information on the above available-for-sale financial assets being pledged as collaterals as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012.

**English Translation of Financial Statements Originally Issued in Chinese**

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

**9. Receivable -net**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,474,921	\$83,023	\$3,252,289	\$111,955
Accounts receivable	39,870,956	1,337,503	40,138,694	1,381,710
Interest receivable	33,428,835	1,121,397	31,406,748	1,081,127
Foreign currency receivable	83,994	2,817	88,657	3,052
Acceptances	828,926	27,807	1,639,721	56,445
Others	56,045,297	1,880,084	30,562,803	1,052,076
Subtotal	132,732,929	4,452,631	107,088,912	3,686,365
Adjustment for discounts and premiums	(5,718)	(192)	(5,602)	(193)
Less: Allowance for bad debts	(2,027,247)	(68,005)	(2,123,529)	(73,099)
Total	\$130,699,964	\$4,384,434	\$104,959,781	\$3,613,073

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,750,324	\$93,231	\$3,687,311	\$121,814
Accounts receivable	41,755,680	1,415,447	44,981,235	1,486,000
Interest receivable	28,978,701	982,329	26,414,473	872,629
Foreign currency receivable	55,241	1,873	2,078,036	68,650
Acceptances	761,928	25,828	1,249,855	41,290
Others	56,841,269	1,926,823	16,501,887	545,156
Subtotal	131,143,143	4,445,531	94,912,797	3,135,539
Adjustment for discounts and premiums	(3,320)	(113)	(2,637)	(87)
Less: Allowance for bad debts	(2,116,832)	(71,757)	(2,902,512)	(95,887)
Total	\$129,022,991	\$4,373,661	\$92,007,648	\$3,039,565

(1) Information on bad and doubtful accounts is as follows:

	2013.1.1~2012.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$2,123,529	\$71,235	\$2,902,512	\$98,390
Reversal of doubtful accounts	(122,477)	(4,109)	(810,177)	(27,464)
Write-offs	(106,012)	(3,556)	(122,768)	(4,162)
Debt counseling recoveries	36,061	1,210	38,818	1,316
Recoveries	142,860	4,792	142,291	4,824
Reclassification	(47,953)	(1,609)	(7,650)	(259)
Effect of exchange rates change	1,239	42	(26,194)	(888)
Balance, end of the period	\$2,027,247	\$68,005	\$2,116,832	\$71,757

**English Translation of Financial Statements Originally Issued in Chinese**

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

(2) Allowance for bad debt receivables is shown as follows:

Item		Total receivables			
		2013.3.31		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$28,279,449	\$948,656	\$24,591,363	\$846,518
	Collective assessment of impairment	160,166	5,373	140,445	4,835
Objective evidence of impairment does not exist individually	Collective assessment of impairment	104,293,314	3,498,602	82,357,104	2,835,012

Item		Total receivables			
		2012.3.31		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$86,392,541	\$2,928,561	\$45,757,104	\$1,511,632
	Collective assessment of impairment	143,932	4,879	154,121	5,091
Objective evidence of impairment does not exist individually	Collective assessment of impairment	44,606,670	1,512,091	49,001,572	1,618,816

Item		Allowance for bad debts			
		2013.3.31		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$29,332	\$984	\$39,675	\$1,366
	Collective assessment of impairment	119,393	4,005	110,930	3,818
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,878,522	63,016	1,972,924	67,915

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item		Allowance for bad debts			
		2012.3.31		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$39,041	\$1,323	\$59,883	\$1,978
	Collective assessment of impairment	113,784	3,857	125,533	4,147
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,964,007	66,577	2,717,096	89,762

Note: Total receivables equal the original amount before subtract (add) the allowance for bad debts and adjustment for discount (premium).

**10. Loans -net**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$1,877,041	\$62,967	\$1,764,969	\$60,756
Loans	1,554,954,970	52,162,193	1,528,199,383	52,605,831
Overdrafts	982,499	32,959	594,231	20,456
Delinquent accounts	4,881,639	163,758	4,532,217	156,014
Subtotal	1,562,696,149	52,421,877	1,535,090,800	52,843,057
Adjustment for discounts and premiums	1,087,202	36,471	1,097,490	37,779
Less: Allowance for bad debts	(16,896,789)	(566,816)	(16,183,237)	(557,082)
Total	\$1,546,886,562	\$51,891,532	\$1,520,005,053	\$52,323,754

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$417,320	\$14,147	\$355,418	\$11,742
Loans	1,503,999,795	50,983,044	1,498,549,498	49,506,095
Overdrafts	500,854	16,978	497,529	16,436
Delinquent accounts	3,423,206	116,041	2,824,214	93,301
Subtotal	1,508,341,175	51,130,210	1,502,226,659	49,627,574
Adjustment for discounts and premiums	988,404	33,505	866,690	28,632
Less: Allowance for bad debts	(12,526,937)	(424,642)	(11,017,946)	(363,989)
Total	\$1,496,802,642	\$50,739,073	\$1,492,075,403	\$49,292,217

**English Translation of Financial Statements Originally Issued in Chinese**

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

(1) Information on bad and doubtful accounts is as follows:

	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$16,183,237	\$542,879	\$11,017,946	\$373,490
Reversal of doubtful accounts	336,419	11,286	930,917	31,557
Write-offs	(88,993)	(667)	(36,963)	(1,253)
Debt counseling recoveries	15,215	(1,808)	19,502	661
Recoveries	373,264	12,521	572,809	19,417
Reclassification	36,308	1,218	30,153	1,022
Effect of exchange rates change	41,339	1,387	(7,427)	(252)
Balance, end of the period	\$16,896,789	\$566,816	\$12,526,937	\$424,642

(2) Assessment for loans is shown as follows:

Item		Total loans			
		2013.3.31		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$48,684,827	\$1,633,171	\$57,128,853	\$1,966,570
	Collective assessment of impairment	4,490,777	150,647	4,574,126	157,457
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,509,520,545	50,638,059	1,473,387,821	50,719,030

Item		Total loans			
		2012.3.31		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$48,075,521	\$1,629,679	\$37,425,783	\$1,236,398
	Collective assessment of impairment	4,287,754	145,348	5,526,447	182,572
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,455,977,900	49,355,183	1,459,274,429	48,208,604

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item		Allowance for bad debts			
		2013.3.31		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$1,480,633	\$49,669	\$4,887,318	\$168,238
	Collective assessment of impairment	691,484	23,196	713,956	24,577
Objective evidence of impairment does not exist individually	Collective assessment of impairment	14,724,672	493,951	10,581,963	364,267

Item		Allowance for bad debts			
		2012.3.31		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$4,072,828	\$138,062	\$3,211,518	\$106,096
	Collective assessment of impairment	550,631	18,665	898,460	29,681
Objective evidence of impairment does not exist individually	Collective assessment of impairment	7,903,478	267,915	6,907,968	228,212

Note: Total loans equal the original amount before subtract (add) the allowance for bad debts and adjustment for discount (premium).

**11. Held-to-maturity financial assets**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Government bonds	\$959,185	\$32,176	\$962,741	\$33,141
Financial debentures	200,000	6,709	200,000	6,885
Overseas financial instruments	50,531,848	1,695,131	23,218,244	799,251
<b>Total</b>	<b>\$51,691,033</b>	<b>\$1,734,016</b>	<b>\$24,380,985</b>	<b>\$839,277</b>

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Government bonds	\$1,272,771	\$43,145	\$1,275,423	\$42,135
Financial debentures	200,000	6,780	200,000	6,607
Overseas financial instruments	22,209,729	752,872	20,480,142	676,582
<b>Total</b>	<b>\$23,682,500</b>	<b>\$802,797</b>	<b>\$21,955,565</b>	<b>\$725,324</b>

Please refer to Note 36 for related information on the above held-to-maturity financial assets being pledged as collaterals as of 31 March 2013, 12 December 2012, 31 March 2012 and 1 January 2012.

**English Translation of Financial Statements Originally Issued in Chinese**

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

**12. Investments under equity method**

Investee	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Cathay Securities Investment Consulting	\$197,953	\$6,641	\$170,659	\$5,875
Seaward Card	39,887	1,338	39,753	1,368
Cathay Insurance (Bermuda)	103,943	3,487	101,761	3,503
WK Technology Fund VI Co., Ltd	284,447	9,542	279,441	9,619
Vista Technology Venture Capital Corp.	10,507	353	10,532	362
Omnitek Venture Capital Corp.	\$36,530	1,225	\$31,694	1,091
Taiwan Real-estate Management Corp.	104,409	3,503	105,357	3,627
Taiwan Finance Corp.	1,410,563	47,318	1,418,699	48,836
IBT Venture Capital Corp.	58,083	1,948	56,435	1,943
Cathay Conning Asset Management Ltd.	42,931	1,440	21,543	742
Subtotal	2,289,253	76,795	2,235,874	76,966
Less: Unrealized gain from intercompany transactions	(692,057)	(23,216)	(1,089,548)	(37,506)
Total	\$1,597,196	\$53,579	\$1,146,326	\$39,460

Investee	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Cathay Securities Investment Consulting	\$177,807	\$6,027	\$161,913	\$5,349
Seaward Card	39,464	1,338	39,202	1,295
Cathay Insurance (Bermuda)	119,606	4,055	126,731	4,187
WK Technology Fund VI Co., Ltd	347,689	11,786	336,537	11,118
Vista Technology Venture Capital Corp.	38,260	1,297	38,265	1,264
Omnitek Venture Capital Corp.	74,701	2,532	63,705	2,104
Taiwan Real-estate Management Corp.	98,985	3,356	98,115	3,241
Taiwan Finance Corp.	1,410,968	47,829	1,405,308	46,426
IBT Venture Capital Corp.	77,878	2,640	77,733	2,568
Cathay Conning Asset Management Ltd.	-	-	-	-
Subtotal	2,385,358	80,860	2,347,509	77,552
Prepayment for investment-Cathay Conning Assets Management Ltd.	89,002	3,017	29,882	987
Less: Unrealized gain from intercompany transactions	(1,089,548)	(36,934)	(1,089,548)	(35,994)
Total	\$1,384,812	\$46,943	\$1,287,843	\$42,545



**English Translation of Financial Statements Originally Issued in Chinese**

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

The following table illustrates summarized financial information of the Group's investment in the associates:

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$42,474,868	\$1,424,853	\$41,210,513	\$1,418,606
Total liabilities (100%)	(34,264,411)	(1,149,427)	(33,075,763)	(1,138,580)
Net assets	<u>\$8,210,457</u>	<u>\$275,426</u>	<u>\$8,134,750</u>	<u>\$280,026</u>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$40,696,144	\$1,379,530	\$39,012,391	\$1,288,814
Total liabilities (100%)	(31,943,080)	(1,082,816)	(30,391,238)	(1,004,005)
Net assets	<u>\$8,753,064</u>	<u>\$296,714</u>	<u>\$8,621,153</u>	<u>\$284,809</u>

	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$648,844	\$21,766	\$506,382	\$17,165
Profit (100%)	79,651	2,672	70,498	2,390

- (1) There are no public prices at the Group's investment in the associates and the associates are not restricted to issue cash dividends, repay the borrowings or transfer the capital to the investors in the way of advance.
- (2) Share of profits (losses) of associates and joint ventures accounted for using the equity method for the three-month period ended 31 March 2012 and the year ended 31 December 2012 amounting to NT\$(23,295) (US\$(781)) thousands and NT\$(22,703) (US\$(770)) thousands, respectively. Certain part of share of profits (losses) of associates and joint ventures accounted for using the equity method from invested companies whose financial statements were not reviewed were NT\$3,995 (US\$134) thousands and NT\$15,160 (US\$514) thousands, respectively. Until to 31 March 2013 and 2012, the remaining balance of related investments were NT\$1,944,426 (US\$65,227) thousands and NT\$2,087,945 (US\$70,778) thousands, respectively.

**English Translation of Financial Statements Originally Issued in Chinese**

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

**13. Other financial assets**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,274,525,065	\$42,754,950	\$1,242,282,799	\$42,763,608
Separate account product assets	359,375,292	12,055,528	329,557,246	11,344,483
Structured time deposits	25,900,000	868,836	23,500,000	808,950
Customer's margin accounts	485,153	16,275	595,088	20,485
Other miscellaneous financial assets	3,962,600	132,929	9,368,076	322,481
<b>Total</b>	<b>\$1,664,248,110</b>	<b>\$55,828,518</b>	<b>\$1,605,303,209</b>	<b>\$55,260,007</b>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,023,913,636	\$34,708,937	\$941,404,652	\$31,100,253
Separate account product assets	300,144,570	10,174,392	294,051,012	9,714,272
Structured time deposits	20,000,000	677,966	13,300,000	439,379
Customer's margin accounts	528,264	17,907	227,773	7,525
Other miscellaneous financial assets	3,578,046	121,290	9,747,279	322,011
<b>Total</b>	<b>\$1,348,164,516</b>	<b>\$45,700,492</b>	<b>\$1,258,730,716</b>	<b>\$41,583,440</b>

**Investments in debt securities with no active market**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,481,017	\$284,502	\$8,481,017	\$291,945
Corporate bonds	25,444,829	853,567	23,045,586	793,308
Overseas financial instruments	844,521,032	28,330,125	783,267,255	26,962,728
Time deposit	397,680,153	13,340,495	429,141,442	14,772,511
Subtotal	1,276,127,031	42,808,689	1,243,935,300	42,820,492
Less: accumulated impairment	(1,601,966)	(53,739)	(1,652,501)	(56,884)
<b>Net balance</b>	<b>\$1,274,525,065</b>	<b>\$42,754,950</b>	<b>\$1,242,282,799</b>	<b>\$42,763,608</b>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$4,091,730	\$138,703	\$3,091,730	\$102,138
Corporate bonds	20,010,898	678,336	16,095,586	531,734
Overseas financial instruments	567,202,519	19,227,204	511,732,753	16,905,608
Time deposit	434,502,642	14,728,903	412,425,937	13,624,907
Subtotal	1,025,807,789	34,773,146	943,346,006	31,164,387
Less: accumulated impairment	(1,894,153)	(64,209)	(1,941,354)	(64,134)
<b>Net balance</b>	<b>\$1,023,913,636</b>	<b>\$34,708,937</b>	<b>\$941,404,652</b>	<b>\$31,100,253</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (1) A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by Cathay Life. As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, Cathay Life recognized impairment losses amounting to NT\$388,375 (US\$13,028) thousands, NT\$378,768 (US\$13,038) thousands, NT\$383,890 (US\$13,013) thousands and NT\$393,770 (US\$13,009) thousands, respectively.
- (2) Cathay United Bank has recognized impairment losses amounting to NT\$1,107,748 (US\$37,160) thousands, NT\$1,167,518 (US\$40,190) thousands, NT\$1,390,016 (US\$47,119) thousands and NT\$1,425,790 (US\$47,102) thousands as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, due to the credit deterioration of certain securitization and financial debentures.

Cathay United Bank has recognized impairment losses amounting to NT\$105,843 (US\$3,551) thousands, NT\$106,215 (US\$3,656) thousands, NT\$120,247 (US\$4,076) thousands and NT\$121,794 (US\$4,024) thousands as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, respectively, due to the default on certain conversable bonds.

- (3) Please refer to Note 36 for related information on the above investments in debt securities with no active market being pledged as collaterals as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012.

**14. Investment property**

Cost:	Real estate investments		Construction in progress	
	NT\$	US\$	NT\$	US\$
1 January 2012	\$217,837,107	\$7,384,309	\$5,459,223	\$185,058
Current addition	-	-	676,542	22,934
Reclassification	263,597	8,935	(21,743)	(737)
31 March 2012	<u>\$218,100,704</u>	<u>\$7,393,244</u>	<u>\$6,114,022</u>	<u>\$207,255</u>
Cost:	Prepayment for real estate		Subtotal	
	NT\$	US\$	NT\$	US\$
1 January 2012	\$20,469	\$694	\$223,316,799	\$7,570,061
Current addition	1,087,995	36,881	1,764,537	59,815
Reclassification	(123)	(4)	241,731	8,194
31 March 2012	<u>\$1,108,341</u>	<u>\$37,571</u>	<u>\$225,323,067</u>	<u>\$7,638,070</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Cost:	Real estate investments		Construction in progress	
	NT\$	US\$	NT\$	US\$
1 January 2013	\$216,577,861	\$7,265,275	\$7,519,477	\$252,247
Current addition	-	-	1,201,839	40,317
Reclassification	(231,787)	(7,775)	(9,641)	(324)
31 March 2013	<u>\$216,346,074</u>	<u>\$7,257,500</u>	<u>\$8,711,675</u>	<u>\$292,240</u>

Cost:	Prepayment for real estate		Subtotal	
	NT\$	US\$	NT\$	US\$
1 January 2013	\$1,581,767	\$53,062	\$225,679,105	\$7,570,584
Current addition	11,213	376	1,213,052	40,693
Reclassification	(5,304)	(178)	(246,732)	(8,277)
31 March 2013	<u>\$1,587,676</u>	<u>\$53,260</u>	<u>\$226,645,425</u>	<u>\$7,603,000</u>

Depreciation and impairment:	Real estate investments		Construction in progress	
	NT\$	US\$	NT\$	US\$
1 January 2012	\$12,625,580	\$427,986	\$-	\$-
Current depreciation	557,862	18,910	-	-
Reclassification	48,193	1,634	-	-
31 March 2012	<u>\$13,231,635</u>	<u>\$448,530</u>	<u>\$-</u>	<u>\$-</u>

Depreciation and impairment:	Prepayment for real estate		Subtotal	
	NT\$	US\$	NT\$	US\$
1 January 2012	\$-	\$-	\$12,625,580	\$427,986
Current depreciation	-	-	557,862	18,910
Reclassification	-	-	48,193	1,634
31 March 2012	<u>\$-</u>	<u>\$-</u>	<u>\$13,231,635</u>	<u>\$448,530</u>

Depreciation and impairment:	Real estate investments		Construction in progress	
	NT\$	US\$	NT\$	US\$
1 January 2013	\$12,328,655	\$413,575	\$-	\$-
Current depreciation	517,087	17,346	-	-
31 March 2013	<u>\$12,845,742</u>	<u>\$430,921</u>	<u>-</u>	<u>-</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Depreciation and impairment:	Prepayment for real estate		Subtotal	
	NT\$	US\$	NT\$	US\$
1 January 2013	\$-	\$-	\$12,328,655	\$413,575
Current depreciation	-	-	517,087	17,346
31 March 2013	\$-	\$-	\$12,845,742	\$430,921

Net book value	Real estate investments		Construction in progress	
	NT\$	US\$	NT\$	US\$
1 January 2012	\$205,211,527	\$6,956,323	\$5,459,223	\$185,058
3 March 2012	\$204,869,069	\$6,944,714	\$6,114,022	\$207,255
31 December 2012	\$204,249,206	\$6,851,700	\$7,519,477	\$252,247
31 March 2013	\$203,500,332	\$6,826,579	\$8,711,675	\$292,240

Net book value	Prepayment for real estate		Subtotal	
	NT\$	US\$	NT\$	US\$
1 January 2012	\$20,469	\$694	\$210,691,219	\$7,142,075
3 March 2012	\$1,108,341	\$37,571	\$212,091,432	\$7,189,540
31 December 2012	\$1,581,767	\$53,062	\$213,350,450	\$7,157,009
31 March 2013	\$1,587,676	\$53,260	\$213,799,683	\$7,172,079

	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Rent revenue from investment properties	\$1,901,837	\$63,799	\$1,896,967	\$64,304
Less: Direct operating expense related to investment properties	(60,498)	(2,030)	(60,081)	(2,037)
Direct operating expense related to investment properties not generating rent revenue	(3,244)	(109)	(1,750)	(59)
Subtotal	\$1,838,095	\$61,660	\$1,835,136	\$62,208

The fair value of investment properties held by the Group at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012 were NT\$251,497,313 (US\$8,436,676) thousands, NT\$251,412,983 (US\$8,654,492) thousands, NT\$228,221,426 (US\$7,736,320) thousands and NT\$228,199,500 (US\$7,538,801) thousands, respectively. The fair value evaluated by independent experts of appraisal are NT\$251,068,201 (US\$8,422,281) thousands, NT\$250,923,160 (US\$8,637,630) thousands, NT\$227,801,757 (US\$7,722,093) thousands and NT\$227,804,407 (US\$7,525,749) thousands, respectively. Such valuation of fair value was supported by the evident of market and technique used was weighted average of market comparison approach and income approach. The fair value from inside appraisal are NT\$429,112 (US\$14,395) thousands, NT\$489,823 (US\$16,861) thousands, NT\$419,669 (US\$14,226) thousands and NT\$395,093 (US\$13,052) thousands, respectively. The valuation of fair value derived from the value of usage of investment properties calculated by the rate of return method.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (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, semiannually, quarterly, monthly or in a lump sum.
- (4) No investments in real estate were pledged as collaterals as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012.

**15. Property and equipment**

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Cost:	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
1 January 2013	\$43,382,621	\$41,270,185	\$7,334,966	\$124,337	\$9,854,513	\$310,849	\$275,652	\$426,058	\$102,979,181
Addition	-	-	129,179	-	121,408	12,264	-	146,761	409,612
Transition	-	(14,037)	40,596	(80)	68,546	(4,983)	-	(97,530)	(7,488)
Disposal	-	-	(331,756)	(285)	(23,880)	(3,314)	-	-	(359,235)
The effect of change from exchange rate	3,204	99,386	21,608	2,296	5,263	5,576	-	4,190	141,523
31 March 2013	\$43,385,825	\$41,355,534	\$7,194,593	\$126,268	\$10,025,850	\$320,392	\$275,652	\$479,479	\$103,163,593

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Cost:	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
1 January 2012	\$26,545,629	\$31,265,218	\$7,118,600	\$100,080	\$9,887,911	\$267,400	\$-	\$179,212	\$75,364,050
Addition	-	59	44,684	-	95,475	5,512	-	162,408	308,138
Transition	-	14,697	1,175	-	22,992	-	-	(38,517)	347
Disposal	-	-	(20,186)	(2,268)	(77,496)	-	-	(1,800)	(101,750)
The effect of change from exchange rate	-	(2,871)	(11,376)	(1,432)	(4,402)	(5,197)	-	(2,169)	(27,447)
31 March 2012	\$26,545,629	\$31,277,103	\$7,132,897	\$96,380	\$9,924,480	\$267,715	\$-	\$299,134	\$75,543,338

**English Translation of Financial Statements Originally Issued in Chinese**

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

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Depreciation and impairment:	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
1 January 2013	\$105,610	\$16,508,217	\$6,290,375	\$89,828	\$8,257,205	\$219,888	\$28,714	\$-	\$31,499,837
Current									
Depreciation	-	229,818	130,114	2,452	120,565	11,085	17,228	-	511,262
Transition	-	12,093	(31,247)	(4,345)	23,697	-	-	-	198
Disposal	-	-	(331,529)	(269)	(19,245)	(3,680)	-	-	(354,723)
The effect of change from exchange rate	-	2,382	10,463	1,551	15,200	4,212	-	-	33,808
31 March 2013	\$105,610	\$16,752,510	\$6,068,176	\$89,217	\$8,397,422	\$231,505	\$45,942	\$-	\$31,690,382

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Depreciation and impairment:	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
1 January 2012	\$105,610	\$13,510,447	\$5,922,357	\$77,192	\$8,130,962	\$186,953	\$-	\$-	\$27,933,521
Current									
Depreciation	-	338,089	132,292	1,803	128,224	10,204	-	-	610,612
Transition	-	13,658	-	-	-	-	-	-	13,658
Disposal	-	-	(19,985)	(2,268)	(33,468)	-	-	-	(55,721)
The effect of change from exchange rate	-	(1,037)	(7,519)	(869)	(2,676)	(3,564)	-	-	(15,665)
31 March 2012	\$105,610	\$13,861,157	\$6,027,145	\$75,858	\$8,223,042	\$193,593	\$-	\$-	\$28,486,405

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Net book value	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
31 March 2013	\$43,280,215	\$24,603,024	\$1,126,417	\$37,051	\$1,628,428	\$88,887	\$229,710	\$479,479	\$71,473,211
31 December 2012	\$43,277,011	\$24,761,968	\$1,044,591	\$34,509	\$1,597,308	\$90,961	\$246,938	\$426,058	\$71,479,344
31 March 2012	\$26,440,019	\$17,415,946	\$1,105,752	\$20,522	\$1,701,438	\$74,122	\$-	\$299,134	\$47,056,933
1 January 2012	\$26,440,019	\$17,754,771	\$1,196,243	\$22,888	\$1,756,949	\$80,447	\$-	\$179,212	\$47,430,529

**English Translation of Financial Statements Originally Issued in Chinese**

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

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Cost:	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
1 January 2013	\$1,455,304	\$1,384,441	\$246,057	\$4,171	\$330,577	\$10,428	\$9,247	\$14,292	\$3,454,517
Addition	-	-	4,333	-	4,074	412	-	4,923	13,742
Transition	-	(471)	1,362	(3)	2,299	(167)	-	(3,272)	(252)
Disposal	-	-	(11,129)	(10)	(801)	(111)	-	-	(12,051)
The effect of change from exchange rate	107	3,334	725	77	177	187	-	141	4,748
31 March 2013	\$1,455,411	\$1,387,304	\$241,348	\$4,235	\$336,326	\$10,749	\$9,247	\$16,084	\$3,460,704

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Cost:	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
1 January 2012	\$899,852	\$1,059,838	\$241,308	\$3,393	\$335,183	\$9,064	\$-	\$6,075	\$2,554,713
Addition	-	2	1,515	-	3,237	188	-	5,505	10,447
Transition	-	498	40	-	779	-	-	(1,306)	11
Disposal	-	-	(684)	(77)	(2,627)	-	-	(61)	(3,449)
The effect of change from exchange rate	-	(97)	(386)	(49)	(149)	(176)	-	(74)	(931)
31 March 2012	\$899,852	\$1,060,241	\$241,793	\$3,267	\$336,423	\$9,076	\$-	\$10,139	\$2,560,791

	Land	Property and building	Computer equipment	Transport equipment	Other facilities	Leasehold improvement	Financial leasing assets	Construction in progress and prepayment for real estate	Subtotal
Depreciation and impairment:	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
1 January 2013	\$3,543	\$553,781	\$211,016	\$3,013	\$276,994	\$7,376	\$963	\$-	\$1,056,686
Current Depreciation	-	7,709	4,365	82	4,044	372	579	-	17,151
Transition	-	406	(1,048)	(146)	795	-	-	-	7
Disposal	-	-	(11,121)	(9)	(646)	(123)	-	-	(11,899)
The effect of change from exchange rate	-	80	351	52	510	141	-	-	1,134
31 March 2013	\$3,543	\$561,976	\$203,563	\$2,992	\$281,697	\$7,766	\$1,542	\$-	\$1,063,079



**English Translation of Financial Statements Originally Issued in Chinese**

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

	Property and		Computer	Transport	Other facilities	Leasehold	Financial	Construction	Subtotal
	Land	building	equipment	equipment		improvement	leasing assets	in progress and prepayment for real estate	
Depreciation and impairment:	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
1 January 2012	\$3,580	\$457,981	\$200,758	\$2,617	\$275,626	\$6,337	\$-	\$-	\$946,899
Current	-	11,461	4,484	61	4,347	346	-	-	20,699
Depreciation	-	-	-	-	-	-	-	-	-
Transition	-	463	-	-	-	-	-	-	463
Disposal	-	-	(677)	(77)	(1,135)	-	-	-	(1,889)
The effect of change from exchange rate	-	(35)	(255)	(29)	(91)	(121)	-	-	(531)
31 March 2012	\$3,580	\$469,870	\$204,310	\$2,572	\$278,747	\$6,562	\$-	\$-	\$965,641

	Property and		Computer	Transport	Other	Leasehold	Financial	Construction	Subtotal
	Land	building	equipment	equipment	facilities	improvement	leasing assets	in progress and prepayment for real estate	
Net book value	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 March 2013	\$1,451,868	\$825,328	\$37,785	\$1,243	\$54,629	\$2,983	\$7,705	\$16,084	\$2,397,625
31 December 2012	\$1,451,761	\$830,660	\$35,041	\$1,158	\$53,583	\$3,052	\$8,284	\$14,292	\$2,397,831
31 March 2012	\$896,272	\$590,371	\$37,483	\$695	\$57,676	\$2,514	\$-	\$10,139	\$1,595,150
1 January 2012	\$896,272	\$601,857	\$40,550	\$776	\$59,557	\$2,727	\$-	\$6,075	\$1,607,814

**16. Intangible assets**

Cost:	Goodwill		Computer software		Subtotal	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2012	\$8,263,270	\$280,111	\$3,418,894	115,895	\$11,682,164	\$396,006
Addition-individual acquisition	-	-	14,134	479	14,134	479
Reduction	-	-	(68,936)	(2,337)	(68,936)	(2,337)
Reclassification	-	-	14,853	503	14,853	503
The effect of change from exchange rate	-	-	(6,598)	(224)	(6,598)	(224)
31 March 2012	\$8,263,270	\$280,111	\$3,372,347	\$114,316	\$11,635,617	\$394,427

**English Translation of Financial Statements Originally Issued in Chinese**

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

Cost:	Goodwill		Computer software		Subtotal	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2013	\$8,571,251	\$287,529	\$3,490,804	\$117,102	\$12,062,055	\$404,631
Addition-individual acquisition	-	-	21,479	720	21,479	720
Reduction	-	-	(4,529)	(152)	(4,529)	(152)
Reclassification	-	-	(47,142)	(1,581)	(47,142)	(1,581)
The effect of change from exchange rate	7,811	262	8,314	279	16,125	541
31 March 2013	\$8,579,062	\$287,791	\$3,468,926	\$116,368	\$12,047,988	\$404,159

Amortization and impairment:	Goodwill		Computer software		Subtotal	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2012	\$-	\$-	\$2,344,657	\$79,480	\$2,344,657	\$79,480
Addition-individual acquisition	-	-	87,572	2,969	87,572	2,969
Reduction	-	-	(66,482)	(2,254)	(66,482)	(2,254)
The net exchange differences	-	-	(2,938)	(100)	(2,938)	(100)
31 March 2012	\$-	\$-	\$2,362,809	\$80,095	\$2,362,809	\$80,095

Amortization and impairment:	Goodwill		Computer software		Subtotal	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
1 January 2013	\$-	\$-	\$2,669,048	\$89,535	\$2,669,048	\$89,535
Addition-individual acquisition	-	-	81,292	2,727	81,292	2,727
Reduction	-	-	(4,529)	(152)	(4,529)	(152)
Reclassification	-	-	(1,041)	(35)	(1,041)	(35)
The net exchange differences	-	-	(21,588)	(724)	(21,588)	(724)
31 March 2013	\$-	\$-	\$2,723,182	\$91,351	\$2,723,182	\$91,351

Net Book value:	Goodwill		Computer software		Subtotal	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
31 March 2013	\$8,579,062	\$287,791	\$745,744	\$25,017	\$9,324,806	\$312,808
1 January, 2013	\$8,571,251	\$287,529	\$821,756	\$27,567	\$9,393,007	\$315,096
31 March 2012	\$8,263,270	\$280,111	\$1,009,538	\$34,221	\$9,272,808	\$314,332
1 January 2012	\$8,263,270	\$280,111	\$1,074,237	\$36,415	\$9,337,507	\$316,526

The service life for computer software is limited and depreciated by straight-line method within 3 to 5 years.

**English Translation of Financial Statements Originally Issued in Chinese**

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**17. Financial liabilities at fair value through profit or loss**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$23,514,366	\$788,808	\$7,582,664	\$261,021
Security lending payables hedging	142,598	4,784	287,312	9,890
Security lending payables non-hedging	720,217	24,160	1,216,370	41,872
Total	<u>\$24,377,181</u>	<u>\$817,752</u>	<u>\$9,086,346</u>	<u>\$312,783</u>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$9,731,977	\$329,898	\$21,801,787	\$720,244
Security lending payables hedging	68,300	2,315	374,345	12,367
Security lending payables non-hedging	649,946	22,032	960,011	31,715
Total	<u>\$10,450,223</u>	<u>\$354,245</u>	<u>\$23,136,143</u>	<u>\$764,326</u>

**18. Commercial paper payables**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$3,360,000	\$112,714	\$5,540,000	\$190,706
Less: Discount on commercial paper payable	-	-	-	-
Total	<u>\$3,360,000</u>	<u>\$112,714</u>	<u>\$5,540,000</u>	<u>\$190,706</u>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$9,500,000	\$322,034	\$8,720,000	\$288,074
Less: Discount on commercial paper payable	-	-	-	-
Total	<u>\$9,500,000</u>	<u>\$322,034</u>	<u>\$8,720,000</u>	<u>\$288,074</u>

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the average interest rates for the commercial paper payables were 0.70%~0.95%, 0.74 %~ 0.93 %, 0.77 %~ 0.948 % and 0.47 %~ 0.938 % respectively.

**English Translation of Financial Statements Originally Issued in Chinese**

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**19. Deposits**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$13,596,083	\$456,091	\$15,960,965	\$549,431
Demand deposits	239,851,824	8,046,019	250,331,641	8,617,268
Demand savings deposits	581,588,321	19,509,840	576,919,684	19,859,542
Time deposits	630,292,604	21,143,663	613,815,928	21,129,636
Remittances	1,358,535	45,573	1,559,758	53,692
Total	<u>\$1,466,687,367</u>	<u>\$49,201,186</u>	<u>\$1,458,587,976</u>	<u>\$50,209,569</u>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$12,302,497	\$417,034	\$14,256,906	\$470,991
Demand deposits	221,421,053	7,505,798	224,538,902	7,417,869
Demand savings deposits	582,257,058	19,737,527	559,952,874	18,498,609
Time deposits	626,081,776	21,223,111	615,086,850	20,320,015
Remittances	551,876	18,708	586,296	19,369
Total	<u>\$1,442,614,260</u>	<u>\$48,902,178</u>	<u>\$1,414,421,828</u>	<u>\$46,726,853</u>

**20. Bonds payable**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,341,831	\$40,000,000	\$1,376,936
Convertible bonds	7,600,200	254,955	7,412,199	255,153
Discount on convertible bonds	(86,659)	(2,907)	(99,823)	(3,436)
Subordinated financial debentures	41,680,478	1,398,205	41,438,544	1,426,456
Discount on convertible bonds	(22,323)	(749)	(23,666)	(815)
Valuation adjustment	1,024,754	34,376	1,103,753	37,995
Total	<u>\$90,196,450</u>	<u>\$3,025,711</u>	<u>\$89,831,007</u>	<u>\$3,092,289</u>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,355,932	\$40,000,000	\$1,321,440
Subordinated financial debentures	34,403,137	1,166,208	34,724,925	1,147,173
Discount on convertible bonds	(29,572)	(1,002)	(32,218)	(1,064)
Valuation adjustment	1,272,987	43,152	1,331,118	43,975
Total	<u>\$75,646,552</u>	<u>\$2,564,290</u>	<u>\$76,023,825</u>	<u>\$2,511,524</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (1) To strengthen the financial structure, with the Approval Letter (No.1010016452) from Financial Supervisory Commission, the Company issued the second Unsecured Euro-Convertible bonds at Singapore Exchange Limited. The main issue terms are as follows:
- A. The total amount of issuance: US\$254,400 thousand.
  - B. The par-value and the price of issuance: each par-value is US\$200, issued by fully par-value.
  - C. Coupon rate: The annual interest rate is 0%.
  - D. The maturity of bonds: From 14 August 2012 to 14 August 2014.
  - E. The method of redemption:
    - (a) From 15 August 2013 to maturity date, if the closing price, transferred to US dollars at then-current exchange rate, of the Company's common stock issued at Taiwan Stock Exchange Corporation reaches over 120% of the amount of call provision divided by the conversion ratio (the par value over the conversion price (converted to US dollars at the fixed exchange rate agreed on the pricing date) for 20 consecutive operating days; The Company is entitled to notify the bondholders that the Company will fully redeem the bonds, however no partial redemption is allowed, at the par value plus the interest calculated by an annual rate of 0.25%.
    - (b) The company is entitled to redeem all of the bonds with the price of call provision when over 90% of the Company's bonds have been redeemed, repurchased and canceled or exercised conversion rights.
    - (c) The Company is entitled to redeem all of the bonds at the price of call provision, if its cost rises due to change of relevant R. O. C tax laws.
    - (d) The bondholders may demand the Company to redeem fully or partly the bonds at the price of call provision, if the Company's common stock issued at Taiwan Stock Exchange Corporation is delisted or is prohibited from trading in the market for consecutive thirty days or more.
    - (e) The bondholders may demand the Company to redeem fully or partly the bonds at the price of call provision, if a change of controlling rights specified in the entrusted contract occurs.

**English Translation of Financial Statements Originally Issued in Chinese**

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F. Redemption at maturity: the Company redeems the bonds at par value plus an annual interest rate of 0.25% unless any of the following event occurs prior to maturity:

(a) The bonds have been redeemed because the Company or the bondholders exercise the option.

(b) The bondholders already exercised the conversion right.

(c) The Company has redeemed or repurchased and cancelled the bonds.

G. Conversion:

(a) Underlying stock: Common stock of the Company

(b) The period of conversion: The bondholders may demand to convert bonds into issued common stocks of the Company from 24 September 2012 to 14 August 2014.

(c) The conversion price was set at NT\$38.10 per share. The exchange rate used when conversion is 1:29.938. The conversion price is adjusted by the formula specified in the issuance prospectus if events relating to the Company's common stock identified in the prospectus occur.

According to IAS32 "Financial Instruments: Recognition and Measurement" and No.36 "Financial Instruments: Disclosure and Presentation", The Company recognized discount amortization expense of the second Euro convertible bonds issued by the Company in the amount of NT\$15,525 (US\$521) thousands for the three-month periods ended 31 March 2013 and loss on valuation of financial liabilities at NT\$838,574 (US\$28,131) thousands, which were recorded under "Interest Expense" and "Loss on valuation of trading financial assets", respectively.

As of 31 March 2013, 31 December 2012, 31 March 2012, and 1 January 2012, none of the bondholder exercised the conversion right.

(2) Cathay United Bank issued a 15-year US\$500,000 thousands subordinated financial debenture with a stated interest rate of 5.5% on 5 October 2005, and the interest is payable semiannually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures. Cathay United Bank has bought back the bonds amounting to US\$172,620 thousands on 12 May 2009.

**English Translation of Financial Statements Originally Issued in Chinese**

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- (3) Cathay United Bank issued a ten-year subordinated financial debenture totaling NT\$5,600,000 (US\$187,856) thousands with a stated interest rate of 1.65% in August 2012, and the interest is paid annually.
- (4) Cathay United Bank issued a ten-year subordinated financial debenture totaling NT\$4,200,000 (US\$140,892) thousands with a stated interest rate of 1.65% in June 2012, and the interest is paid annually.
- (5) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$200,000 (US\$6,709) thousands with a stated interest rate of 1.48% in June 2012, and the interest is paid annually.
- (6) Cathay United Bank issued a ten-year subordinated financial debenture totaling NT\$2,500,000 (US\$83,864) thousands with a stated interest rate of 1.72% in June 2011, and the interest is paid quarterly.
- (7) Cathay United Bank issued a seven-year subordinated financial debenture totaling NT\$3,900,000 (US\$130,829) thousands with a stated interest rate of 1.65% in June 2011, and the interest is paid quarterly.
- (8) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$50,319) thousands with a stated interest rate of 1.72% in March 2011, and the interest is paid quarterly.
- (9) Cathay United Bank issued a seven-year subordinated financial debenture totaling NT\$3,850,000 (US\$129,151) thousands with a stated interest rate of 1.65% in March 2011, and the interest is paid quarterly.
- (10) On 16 September 2009, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$670,916) thousands with a stated interest rate of 2.65%. The subordinated bonds and repayable at maturity and the interest is paid annually.
- (11) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$50,319) thousands with a stated interest rate of 2.60% in July 2009, and the interest is paid quarterly.
- (12) Cathay United Bank issued an eight-year subordinated financial debenture totaling NT\$3,650,000 (US\$122,442) thousands with a stated interest rate of 2.42% in June 2009, and the interest is paid quarterly.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (13) On 8 December 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$670,916) thousands with a stated interest rate of 3.10%. The subordinated bonds are repayable at maturity and the interest is paid annually.
- (14) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$2,800,000 (US\$93,928) thousands with a stated interest rate of 2.95% in October 2008 and the interest is paid quarterly.
- (15) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,000,000 (US\$33,546) thousands with a floating interest rate in September 2008 and the interest is paid quarterly.
- (16) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 (US\$40,255) thousands with a stated interest rate of 2.95% in September 2008 and the interest is paid quarterly.
- (17) Each subordinated financial debentures has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.
- (18) Indovina Bank issued a two-year subordinated financial debentures totaling VND\$2,000 billion in 2010 with the first year interest rate of 13.50% and the second year interest rate of average interest rate of VND deposit plus 2.50%. These financial debentures have matured in July 2012.

**21. Other financial liabilities**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Separate account liabilities of insurance products-liabilities	\$359,375,292	\$12,055,528	\$329,557,246	\$11,344,483
Principle received from the sale of structured products	18,165,655	609,382	17,340,691	596,926
Borrowed funds	78,019	2,617	85,500	2,943
Other financial liabilities	1,263,176	42,374	1,246,500	42,909
Total	<u>\$378,882,142</u>	<u>\$12,709,901</u>	<u>\$348,229,937</u>	<u>\$11,987,261</u>



**English Translation of Financial Statements Originally Issued in Chinese**

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

	2012.3.31		1 January 1 2012	
	NT\$	US\$	NT\$	US\$
Separate account liabilities of insurance products-liabilities	\$300,144,570	\$10,174,392	\$294,051,012	\$9,714,272
Principle received from the sale of structured products	16,287,412	552,116	10,475,555	346,070
Borrowed funds	121,410	4,116	135,518	4,477
Other financial liabilities	864,035	29,289	1,104,358	36,484
<b>Total</b>	<b>\$317,417,427</b>	<b>\$10,759,913</b>	<b>\$305,766,443</b>	<b>\$10,101,303</b>

**22. Provisions**

	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$22,299,629	\$748,059	\$22,176,220	\$763,381
Reserve for life insurance liabilities	3,063,680,012	102,773,566	2,993,462,480	103,045,180
Special reserve	57,345,308	1,923,694	59,896,149	2,061,830
Reserve for claims	10,191,705	341,889	10,356,844	356,518
Premium deficiency reserve	18,962,181	636,101	17,198,784	592,041
Reserve for insurance contract with the feature of financial instruments	60,026,735	2,013,644	61,350,872	2,111,906
Foreign exchange volatility reserve	7,478,930	250,887	4,270,856	147,017
Reserve for Guarantees	24,892	835	24,892	857
Reserve for employee benefits liabilities	5,786,635	194,117	5,814,125	200,142
Contingent liabilities reserve	1,168,237	39,189	1,158,682	39,886
<b>Total</b>	<b>\$3,246,964,264</b>	<b>\$108,921,981</b>	<b>\$3,175,709,904</b>	<b>\$109,318,758</b>

	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$20,505,578	\$695,104	\$21,175,033	\$699,539
Reserve for life insurance liabilities	2,796,664,763	94,802,195	2,697,468,563	89,113,596
Special reserve	60,205,283	2,040,857	63,359,729	2,093,153
Reserve for claims	9,826,036	333,086	9,664,737	319,284
Premium deficiency reserve	14,532,200	492,617	13,624,753	450,107
Reserve for insurance contract with the feature of financial instruments	65,814,791	2,231,010	66,884,711	2,209,604
Foreign exchange volatility reserve	4,663,734	158,093	-	-
Reserve for Guarantees	24,892	844	24,892	822
Reserve for employee benefits liabilities	5,704,836	193,384	6,545,397	216,234
Contingent liabilities reserve	1,330,157	45,090	1,330,157	43,943
<b>Total</b>	<b>\$2,979,272,270</b>	<b>\$100,992,280</b>	<b>\$2,880,077,972</b>	<b>\$95,146,282</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

(1) Life insurance subsidiaries

A. Cathay Life

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the detail and changes of insurance contract and financial instruments with discretionary participation feature are summarized below:

B. Reserve for life insurance liabilities:

	31 March 2013			31 December 2012		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation feature			Financial instruments with discretionary participation feature		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$2,609,640,088	\$44,565,261	\$2,654,205,349	\$2,543,865,959	\$44,435,855	\$2,588,301,814
Injury insurance	7,868,779	-	7,868,779	7,888,169	-	7,888,169
Health insurance	278,804,769	-	278,804,769	270,572,717	-	270,572,717
Annuity insurance	1,214,256	120,431,117	121,645,373	1,226,217	124,300,017	125,526,234
Investment-linked insurance	1,092,450	-	1,092,450	1,110,254	-	1,110,254
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
<b>Total</b>	<b>\$2,898,683,634</b>	<b>\$164,996,378</b>	<b>\$3,063,680,012</b>	<b>\$2,824,726,608</b>	<b>\$168,735,872</b>	<b>\$2,993,462,480</b>

	31 March 2013			31 December 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary participation feature			Financial instruments with discretionary participation feature		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$87,542,439	\$1,494,977	\$89,037,416	\$87,568,535	\$1,529,634	\$89,098,169
Injury insurance	263,964	-	263,964	271,538	-	271,538
Health insurance	9,352,726	-	9,352,726	9,314,034	-	9,314,034
Annuity insurance	40,733	4,039,957	4,080,690	42,211	4,278,830	4,321,041
Investment-linked insurance	36,647	-	36,647	38,219	-	38,219
Recover from major incident reserve	2,123	-	2,123	2,179	-	2,179
<b>Total</b>	<b>\$97,238,632</b>	<b>\$5,534,934</b>	<b>\$102,773,566</b>	<b>\$97,236,716</b>	<b>\$5,808,464</b>	<b>\$103,045,180</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012			1 January 2012		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$2,365,989,123	\$44,621,530	\$2,410,610,653	\$2,264,820,789	\$44,410,268	\$2,309,231,057
Injury insurance	7,708,908	-	7,708,908	7,663,561	-	7,663,561
Health insurance	236,572,698	-	236,572,698	228,646,823	-	228,646,823
Annuity insurance	1,450,463	139,157,888	140,608,351	1,468,242	149,221,880	150,690,122
Investment-linked insurance	1,148,330	-	1,148,330	1,237,000	-	1,237,000
Recover from major incident reserve	15,823	-	15,823	-	-	-
<b>Total</b>	<b>\$2,612,885,345</b>	<b>\$183,779,418</b>	<b>\$2,796,664,763</b>	<b>\$2,503,836,415</b>	<b>\$193,632,148</b>	<b>\$2,697,468,563</b>

	31 March 2012			1 January 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$80,203,021	\$1,512,594	\$81,715,615	\$74,820,641	\$1,467,138	\$76,287,779
Injury insurance	261,319	-	261,319	253,173	-	253,173
Health insurance	8,019,413	-	8,019,413	7,553,579	-	7,553,579
Annuity insurance	49,168	4,717,217	4,766,385	48,505	4,929,695	4,978,200
Investment-linked insurance	38,927	-	38,927	40,865	-	40,865
Recover from major incident reserve	536	-	536	-	-	-
<b>Total</b>	<b>\$88,572,384</b>	<b>\$6,229,811</b>	<b>\$94,802,195</b>	<b>\$82,716,763</b>	<b>\$6,396,833</b>	<b>\$89,113,596</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Reserve for life insurance liabilities is summarized below:

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$2,824,726,608	\$168,735,872	\$2,993,462,480	\$2,503,836,415	\$193,632,148	\$2,697,468,563
Reserve	97,661,698	1,012,224	98,673,922	141,898,802	385,400	142,284,202
Recover	(29,101,982)	(4,974,176)	(34,076,158)	(30,172,403)	(10,226,585)	(40,398,988)
Losses (gains) on foreign exchange	5,397,310	222,458	5,619,768	(2,677,469)	(11,545)	(2,689,014)
Ending Balance	\$2,898,683,634	\$164,996,378	\$3,063,680,012	\$2,612,885,345	\$183,779,418	\$2,796,664,763

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$94,757,685	\$5,660,378	\$100,418,063	\$84,875,810	\$6,563,801	\$91,439,612
Reserve	3,276,139	33,956	3,310,095	4,810,129	13,064	4,823,193
Recover	(976,249)	(166,863)	(1,143,112)	(1,022,793)	(346,664)	(1,369,457)
Losses (gains) on foreign exchange	181,057	7,463	188,520	(90,762)	(391)	(91,153)
Ending Balance	\$97,238,632	\$5,534,934	\$102,773,566	\$88,572,384	\$6,229,810	\$94,802,195

**English Translation of Financial Statements Originally Issued in Chinese**  
**(Expressed in thousand of dollars except for share and per  
share data and unless otherwise stated)**

C. Unearned premium reserve:

	31 March 2013			31 December 2012		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life						
insurance	\$296,625	\$-	\$296,625	\$286,321	\$-	\$286,321
Individual injury						
insurance	4,418,945	-	4,418,945	4,536,861	-	4,536,861
Individual health						
insurance	5,778,576	-	5,778,576	6,137,374	-	6,137,374
Group insurance	1,380,772	-	1,380,772	1,025,604	-	1,025,604
Investment-linked						
insurance	108,675	-	108,675	118,616	-	118,616
<b>Total</b>	<b>11,983,593</b>	<b>-</b>	<b>11,983,593</b>	<b>12,104,776</b>	<b>-</b>	<b>12,104,776</b>
Less ceded unearned premium reserve:						
Individual life						
insurance	3,299,995	-	3,299,995	3,686,674	-	3,686,674
Individual injury						
insurance	2,744,456	-	2,744,456	4,690,485	-	4,690,485
Individual health						
insurance	2,991	-	2,991	2,862	-	2,862
Group insurance	3,348	-	3,348	4,260	-	4,260
<b>Total</b>	<b>6,050,790</b>	<b>-</b>	<b>6,050,790</b>	<b>8,384,281</b>	<b>-</b>	<b>8,384,281</b>
<b>Net</b>	<b>\$5,932,803</b>	<b>\$-</b>	<b>\$5,932,803</b>	<b>\$3,720,495</b>	<b>\$-</b>	<b>\$3,720,495</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2013			31 December 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life						
insurance	\$9,951	\$-	\$9,951	\$9,856	\$-	\$9,856
Individual injury						
insurance	148,237	-	148,237	156,174	-	156,174
Individual health						
insurance	193,847	-	193,847	211,269	-	211,269
Group insurance	46,319	-	46,319	35,305	-	35,305
Investment-linked						
insurance	3,646	-	3,646	4,083	-	4,083
<b>Total</b>	<b>402,000</b>	<b>-</b>	<b>402,000</b>	<b>416,687</b>	<b>-</b>	<b>416,687</b>
Less ceded unearned premium reserve:						
Individual life						
insurance	110,701	-	110,701	126,907	-	126,907
Individual injury						
insurance	92,065	-	92,065	161,462	-	161,462
Individual health						
insurance	100	-	100	99	-	99
Group insurance	112	-	112	147	-	147
<b>Total</b>	<b>202,978</b>	<b>-</b>	<b>202,978</b>	<b>288,615</b>	<b>-</b>	<b>288,615</b>
<b>Net</b>	<b>\$199,022</b>	<b>\$-</b>	<b>\$199,022</b>	<b>\$128,072</b>	<b>\$-</b>	<b>\$128,072</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012			1 January 2012		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary participation feature			Financial instruments with discretionary participation feature		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life						
insurance	\$220,882	\$3	\$220,885	\$209,502	\$4	\$209,506
Individual injury						
insurance	4,287,591	-	4,287,591	4,356,325	-	4,356,325
Individual health						
insurance	5,412,333	-	5,412,333	5,764,803	-	5,764,803
Group insurance	1,461,944	-	1,461,944	1,808,627	-	1,808,627
Investment-linked						
insurance	120,828	-	120,828	120,773	-	120,773
<b>Total</b>	<b>11,503,578</b>	<b>3</b>	<b>11,503,581</b>	<b>12,260,030</b>	<b>4</b>	<b>12,260,034</b>
Less ceded unearned premium reserve:						
Individual life						
insurance	2,235,927	-	2,235,927	2,513,092	-	2,513,092
Individual injury						
insurance	4,607,756	-	4,607,756	4,807,335	-	4,807,335
Individual health						
insurance	2,871	-	2,871	2,937	-	2,937
Group insurance	4,515	-	4,515	5,106	-	5,106
Individual life						
insurance	1,154,448	-	1,154,448	1,289,194	-	1,289,194
<b>Total</b>	<b>8,005,517</b>	<b>-</b>	<b>8,005,517</b>	<b>8,617,664</b>	<b>-</b>	<b>8,617,664</b>
<b>Net</b>	<b>\$3,498,061</b>	<b>\$3</b>	<b>\$3,498,064</b>	<b>\$3,642,366</b>	<b>\$4</b>	<b>\$3,642,370</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012			1 January 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life						
insurance	\$7,488	\$-	\$7,488	\$6,921	\$-	\$6,921
Individual injury						
insurance	145,342	-	145,342	143,916	-	143,916
Individual health						
insurance	183,469	-	183,469	190,446	-	190,446
Group insurance	49,557	-	49,557	59,750	-	59,750
Investment-linked						
insurance	4,096	-	4,096	3,990	-	3,990
<b>Total</b>	<b>389,952</b>	<b>-</b>	<b>389,952</b>	<b>405,023</b>	<b>-</b>	<b>405,023</b>
Less ceded unearned premium reserve:						
Individual life						
insurance	75,794	-	75,794	83,023	-	83,023
Individual injury						
insurance	156,195	-	156,195	158,815	-	158,815
Individual health						
insurance	97	-	97	97	-	97
Group insurance	153	-	153	169	-	169
Investment-linked						
insurance	39,134	-	39,134	42,590	-	42,590
<b>Total</b>	<b>271,373</b>	<b>-</b>	<b>271,373</b>	<b>284,694</b>	<b>-</b>	<b>284,694</b>
<b>Net</b>	<b>\$118,579</b>	<b>\$-</b>	<b>\$118,579</b>	<b>\$120,329</b>	<b>\$-</b>	<b>\$120,329</b>



**English Translation of Financial Statements Originally Issued in Chinese**  
**(Expressed in thousand of dollars except for share and per share data and unless otherwise stated)**

Unearned premium reserve is summarized below:

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$12,104,776	\$-	\$12,104,776	\$12,260,030	\$4	\$12,260,034
Reserve	11,794,972	-	11,794,972	11,321,715	3	11,321,718
Recover	(11,923,552)	-	(11,923,552)	(12,071,924)	(4)	(12,071,928)
Loss (gains) on foreign exchange	7,397	-	7,397	(6,243)	-	(6,243)
Ending balance	11,983,593	-	11,983,593	11,503,578	3	11,503,581
Less ceded unearned premium reserve						
Beginning balance-Net	8,384,281	-	8,384,281	8,617,664	-	8,617,664
Increase	219	-	219	24	-	24
Decrease	(2,333,900)	-	(2,333,900)	(611,982)	-	(611,982)
Loss (gains) on foreign exchange	190	-	190	(189)	-	(189)
Total	6,050,790	-	6,050,790	8,005,517	-	8,005,517
Ending balance-Net	\$5,932,803	-	\$5,932,803	\$3,498,061	\$3	\$3,498,064

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$406,064	\$-	\$406,064	\$415,594	\$	\$415,594
Reserve	395,672	-	395,672	383,787	-	383,787
Recover	(399,985)	-	(399,985)	(409,218)	-	(409,218)
Loss (gains) on foreign exchange	249	-	249	(211)	-	(211)
Ending balance	402,000	-	402,000	389,952	-	389,952
Less ceded unearned premium reserve						
Beginning balance-Net	281,257	-	281,257	292,124	-	292,124
Increase	7	-	7	1	-	1
Decrease	(78,293)	-	(78,293)	(20,745)	-	(20,745)
Loss (gains) on foreign exchange	7	-	7	(7)	-	(7)
Total	202,978	-	202,978	271,373	-	271,373
Ending balance-Net	\$199,022	-	\$199,022	\$118,579	\$	\$118,579

**English Translation of Financial Statements Originally Issued in Chinese**

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

D. Reserve for claim:

	31 March 2013			31 December 2012		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$139,550	\$4,189	\$143,739	\$110,006	\$797	\$110,803
– Unreported claim	50,207	-	50,207	52,108	-	52,108
Individual injury insurance						
– Reported but not paid claim	186,898	-	186,898	150,906	-	150,906
– Unreported claim	972,832	-	972,832	1,027,670	-	1,027,670
Individual health insurance						
– Reported but not paid claim	159,292	-	159,292	127,591	-	127,591
– Unreported claim	1,583,993	-	1,583,993	1,542,886	-	1,542,886
Group insurance						
– Reported but not paid claim	90,949	-	90,949	102,306	-	102,306
– Unreported claim	1,378,164	-	1,378,164	1,432,384	-	1,432,384
Investment-linked insurance						
– Reported but not paid claim	15,178	-	15,178	4,600	-	4,600
<b>Total</b>	<b>4,577,063</b>	<b>4,189</b>	<b>4,581,252</b>	<b>4,550,457</b>	<b>797</b>	<b>4,551,254</b>
Less ceded reserve for claims:						
Individual injury insurance	776,364	-	776,364	781,354	-	781,354
<b>Net</b>	<b>\$3,800,699</b>	<b>\$4,189</b>	<b>\$3,804,888</b>	<b>\$3,769,103</b>	<b>\$797</b>	<b>\$3,769,900</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2013			31 December 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$4,681	\$141	\$4,822	\$3,787	\$27	\$3,814
– Unreported claim	1,684	-	1,684	1,794	-	1,794
Individual injury insurance						
– Reported but not paid claim	6,270	-	6,270	5,195	-	5,195
– Unreported claim	32,634	-	32,634	35,376	-	35,376
Individual health insurance						
– Reported but not paid claim	5,344	-	5,344	4,392	-	4,392
– Unreported claim	53,136	-	53,136	53,111	-	53,111
Group insurance						
– Reported but not paid claim	3,051	-	3,051	3,522	-	3,522
– Unreported claim	46,232	-	46,232	49,308	-	49,308
Investment-linked insurance						
– Reported but not paid claim	509	-	509	158	-	158
<b>Total</b>	<b>153,541</b>	<b>141</b>	<b>153,682</b>	<b>156,643</b>	<b>27</b>	<b>156,670</b>
Less ceded reserve for claims:						
Individual injury insurance						
	26,044	-	26,044	26,897	-	26,897
<b>Net</b>	<b>\$127,497</b>	<b>\$141</b>	<b>\$127,638</b>	<b>\$129,746</b>	<b>\$27</b>	<b>\$129,773</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012			1 January 2012		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$140,807	\$-	\$140,807	\$139,339	\$3,242	\$142,581
– Unreported claim	40,128	-	40,128	35,995	-	35,995
Individual injury insurance						
– Reported but not paid claim	169,306	-	169,306	195,470	-	195,470
– Unreported claim	849,325	-	849,325	789,700	-	789,700
Individual health insurance						
– Reported but not paid claim	158,046	-	158,046	117,473	-	117,473
– Unreported claim	1,374,391	-	1,374,391	1,326,391	-	1,326,391
Group insurance						
– Reported but not paid claim	104,431	-	104,431	40,850	-	40,850
– Unreported claim	1,541,015	-	1,541,015	1,641,113	-	1,641,113
Investment-linked insurance						
– Reported but not paid claim	18,482	-	18,482	10,510	-	10,510
<b>Total</b>	<b>4,395,931</b>	<b>-</b>	<b>4,395,931</b>	<b>4,296,841</b>	<b>3,242</b>	<b>4,300,083</b>
Less ceded reserve for claims:						
Individual injury insurance	613,066	-	613,066	550,769	-	550,769
<b>Net</b>	<b>\$3,782,865</b>	<b>\$-</b>	<b>\$3,782,865</b>	<b>\$3,746,072</b>	<b>\$3,242</b>	<b>\$3,749,314</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012			1 January 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$4,773	\$	\$4,773	\$4,603	\$107	\$4,710
– Unreported claim	1,360	-	1,360	1,189	-	1,189
Individual injury insurance						
– Reported but not paid claim	5,739	-	5,739	6,457	-	6,457
– Unreported claim	28,791		28,791	26,088		26,088
Individual health insurance						
– Reported but not paid claim	5,357	-	5,357	3,881	-	3,881
– Unreported claim	46,590	-	46,590	43,819	-	43,819
Group insurance						
– Reported but not paid claim	3,540	-	3,540	1,350	-	1,350
– Unreported claim	52,238	-	52,238	54,216	-	54,216
Investment-linked insurance						
– Reported but not paid claim	627	-	627	347	-	347
<b>Total</b>	<b>149,015</b>	<b>-</b>	<b>149,015</b>	<b>141,950</b>	<b>107</b>	<b>142,057</b>
Less ceded reserve for claims:						
Individual injury insurance	20,782	-	20,782	18,195	-	18,195
<b>Net</b>	<b>\$128,233</b>	<b>\$-</b>	<b>\$128,233</b>	<b>\$123,755</b>	<b>\$107</b>	<b>\$123,862</b>

**English Translation of Financial Statements Originally Issued in Chinese**  
**(Expressed in thousand of dollars except for share and per share data and unless otherwise stated)**

Reserve for claims is summarized below:

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$4,550,457	\$797	\$4,551,254	\$4,296,841	\$3,242	\$4,300,083
Reserve	4,248,676	4,189	4,252,865	4,468,010	-	4,468,010
Recover	(4,234,021)	(797)	(4,234,818)	(4,358,250)	(3,242)	(4,361,492)
Gains (loss) on foreign exchange	11,951	-	11,951	(10,670)	-	(10,670)
Ending balance	4,577,063	4,189	4,581,252	4,395,931	-	4,395,931
Less ceded reserve for claims:						
Beginning balance-Net	781,354	-	781,354	550,769	-	550,769
Increase	(5,006)	-	(5,006)	62,950	-	62,950
Decrease	-	-	-	(626)	-	(626)
Gains (loss) on foreign exchange	16	-	16	(27)	-	(27)
Total	776,364	-	776,364	613,066	-	613,066
Net	\$3,800,699	\$4,189	\$3,804,888	\$3,782,865	\$-	\$3,782,865

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$152,649	\$27	\$152,676	\$145,656	\$110	\$145,766
Reserve	142,525	141	142,666	151,458	-	151,458
Recover	(142,034)	(27)	(142,061)	(147,737)	(110)	(147,847)
Gains (loss) on foreign exchange	401	-	401	(362)	-	(362)
Ending balance	153,541	141	153,682	149,015	-	149,015
Less ceded reserve for claims:						
Beginning balance-Net	26,211	-	26,111	18,670	-	18,670
Increase	(168)	-	(168)	2,134	-	2,134
Decrease	-	-	-	(21)	-	(21)
Gains (loss) on foreign exchange	1	-	1	(1)	-	(1)
Total	26,044	-	26,044	20,782	-	20,782
Net	\$127,497	\$141	\$127,638	\$128,233	\$-	\$128,233

**English Translation of Financial Statements Originally Issued in Chinese**

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

E. Special reserve:

	31 March 2013				31 December 2012				
	(NT\$)				(NT\$)				
	Financial instruments with discretionary participation	Insurance contract	Other	Total	Financial instruments with discretionary participation	Insurance contract	Other	Total	
Participating policies									
dividends reserve		\$2,328	\$-	\$-	\$2,328	\$1,971	\$-	\$-	\$1,971
Special reserve for revaluation increments of property		52,926,619	-	-	52,926,619	55,438,024	-	-	55,438,024
Others (foreign exchange volatility reserve)		527	-	-	527	516	-	-	516
<b>Total</b>		<b>\$52,929,474</b>	<b>\$-</b>	<b>\$-</b>	<b>\$52,929,474</b>	<b>\$55,440,511</b>	<b>\$-</b>	<b>\$-</b>	<b>\$55,440,511</b>

	31 March 2013				31 December 2012				
	(US\$)				(US\$)				
	Financial instruments with discretionary participation	Insurance contract	Other	Total	Financial instruments with discretionary participation	Insurance contract	Other	Total	
Participating policies									
dividends reserve		\$78	\$-	\$-	\$78	\$68	\$-	\$-	\$68
Special reserve for revaluation increments of property		1,775,465	-	-	1,775,465	1,908,365	-	-	1,908,365
Others (foreign exchange volatility reserve)		18	-	-	18	18	-	-	18
<b>Total</b>		<b>\$1,775,561</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,775,561</b>	<b>\$1,908,451</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,908,451</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012				1 January 2012					
	(NT\$)				(NT\$)					
	Financial instruments with discretionary participation	Insurance contract	feature	Other	Total	Financial instruments with discretionary participation	Insurance contract	feature	Other	Total
Participating policies										
dividends reserve		\$703	\$-	\$-	\$703	\$227	\$-	\$-		\$227
Special reserve for revaluation increments of property		55,416,619	-	-	55,416,619	54,086,462	-	-		54,086,462
Foreign exchange volatility reserve		-	-	-	-	4,511,406	-	-		4,511,406
Others		525	-	-	525	533	-	-		533
<b>Total</b>		<b>\$55,417,847</b>	<b>\$-</b>	<b>\$-</b>	<b>\$55,417,847</b>	<b>\$58,598,628</b>	<b>\$-</b>	<b>\$-</b>		<b>\$58,598,628</b>

	31 March 2012				1 January 2012					
	(US\$)				(US\$)					
	Financial instruments with discretionary participation	Insurance contract	feature	Other	Total	Financial instruments with discretionary participation	Insurance contract	feature	Other	Total
Participating policies										
dividends reserve		\$24	\$-	\$-	\$24	\$7	\$-	\$-		\$7
Special reserve for revaluation increments of property		1,878,529	-	-	1,878,529	1,786,801	-	-		1,786,801
Foreign exchange volatility reserve		-	-	-	-	149,039	-	-		149,039
Others		18	-	-	18	18	-	-		18
<b>Total</b>		<b>\$1,878,571</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,878,571</b>	<b>\$1,935,865</b>	<b>\$-</b>	<b>\$-</b>		<b>\$1,935,865</b>



**English Translation of Financial Statements Originally Issued in Chinese**

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

Special reserve is summarized below:

	2013.1.1~2013.3.31				2012.1.1~2012.3.31			
	(NT\$)				(NT\$)			
	Financial instruments with discretionary insurance participation		Other	Total	Financial instruments with discretionary insurance participation		Other	Total
	contract	feature			contract	feature		
Beginning balance	\$55,440,511	\$-	\$-	\$55,440,511	\$58,598,628	\$-	\$-	\$58,598,628
Reserves for major incidents over 15 years	-	-	-	-	-	-	-	-
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	-	-	-	-	-	-	-	-
Reserves for participating policies dividends reserve	357	-	-	357	476	-	-	476
Recover for participating policies dividends reserve	-	-	-	-	-	-	-	-
Reclassify to foreign exchange volatility reserve	-	-	-	-	(3,181,249)	-	-	(3,181,249)
Recover from special reserve for revaluation increments of property (Note)	(2,511,405)	-	-	(2,511,405)	-	-	-	-
Exchange difference	11	-	-	11	(8)	-	-	(8)
Ending balance	\$52,929,474	\$-	\$-	\$52,929,474	\$55,417,847	\$-	\$-	\$55,417,847

**English Translation of Financial Statements Originally Issued in Chinese**

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

	2013.1.1~2013.3.31				2012.1.1~2012.3.31			
	(US\$)				(US\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Beginning balance	\$1,859,796	\$-	\$-	\$1,859,796	\$1,986,394	\$-	\$-	\$1,986,394
Reserves for major incidents over 15 years	-	-	-	-	-	-	-	-
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	-	-	-	-	-	-	-	-
Reserves for participating policies dividends reserve	12	-	-	12	16	-	-	16
Recover for participating policies dividends reserve	-	-	-	-	-	-	-	-
Reclassify to foreign exchange volatility reserve	-	-	-	-	-	-	-	-
Recover from special reserve for revaluation increments of property (Note)	(84,247)	-	-	(84,247)	(107,839)	-	-	(107,839)
Exchange difference	-	-	-	-	-	-	-	-
Ending balance	\$1,775,561	\$-	\$-	\$1,775,561	\$1,878,571	\$-	\$-	\$1,878,571

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

F. Premium deficiency reserve:

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012			1 January 2012		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$463,945	\$-	\$463,945	\$425,269	\$-	\$425,269
Individual health insurance	22,765	-	22,765	22,262	-	22,262
Group insurance	1,645	-	1,645	1,749	-	1,749
<b>Total</b>	<b>\$488,355</b>	<b>\$-</b>	<b>\$488,355</b>	<b>\$449,280</b>	<b>\$-</b>	<b>\$449,280</b>

Premium deficiency reserve is summarized below:

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(NT\$)			(NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$17,121,635	\$-	\$17,121,635	\$13,599,727	\$-	\$13,599,727
Reserve	1,530,276	-	1,530,276	933,657	-	933,657
Losses (gains) on foreign exchange	216,895	-	216,895	(126,895)	-	(126,895)
<b>Ending balance</b>	<b>\$18,868,806</b>	<b>\$-</b>	<b>\$18,868,806</b>	<b>\$14,406,489</b>	<b>\$-</b>	<b>\$14,406,489</b>

	2013.1.1~2013.3.31			2012.1.1~2012.3.31		
	(US\$)			(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$574,359	\$-	\$574,359	\$461,008	\$-	\$461,008
Reserve	51,334	-	51,334	31,649	-	31,649
Losses (gains) on foreign exchange	7,276	-	7,276	(4,302)	-	(4,302)
<b>Ending balance</b>	<b>\$632,969</b>	<b>\$-</b>	<b>\$632,969</b>	<b>\$488,355</b>	<b>\$-</b>	<b>\$488,355</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

G. Liability adequacy reserve:

	31 March 2013	31 March 2013
	(NT\$)	(US\$)
	<u>Insurance contract and financial instruments with discretionary participation feature</u>	<u>Insurance contract and financial instruments with discretionary participation feature</u>
Reserve for life insurance liabilities	\$3,063,680,012	\$102,773,566
Unearned premium reserve	11,983,593	401,999
Premium deficiency reserve	18,868,806	632,969
Total	<u>\$3,094,532,411</u>	<u>\$103,808,534</u>
Book value of insurance liabilities	<u>\$3,094,532,411</u>	<u>\$103,808,534</u>
Estimated present value of cash flows	<u>\$2,467,972,511</u>	<u>\$82,790,088</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>
	31 December 2012	31 December 2012
	(NT\$)	(US\$)
	<u>Insurance contract and financial instruments with discretionary participation feature</u>	<u>Insurance contract and financial instruments with discretionary participation feature</u>
Reserve for life insurance liabilities	\$2,993,462,480	\$103,045,182
Unearned premium reserve	12,104,776	416,687
Premium deficiency reserve	17,121,635	589,385
Total	<u>\$3,022,688,891</u>	<u>\$104,051,254</u>
Book value of insurance liabilities	<u>\$3,022,688,891</u>	<u>\$104,051,254</u>
Estimated present value of cash flows	<u>\$2,176,699,004</u>	<u>\$74,929,398</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012 (NT\$)	31 March 2012 (US\$)
	<u>Insurance contract and financial instruments with discretionary participation feature</u>	<u>Insurance contract and financial instruments with discretionary participation feature</u>
Reserve for life insurance liabilities	\$2,796,664,763	\$94,802,195
Unearned premium reserve	11,503,581	389,952
Premium deficiency reserve	14,406,489	488,356
Total	<u>\$2,822,574,833</u>	<u>\$95,680,503</u>
Book value of insurance liabilities	<u>\$2,822,574,833</u>	<u>\$95,680,503</u>
Estimated present value of cash flows	<u>\$2,119,543,063</u>	<u>\$71,848,917</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>
	<u>1 January 2012 (NT\$)</u>	<u>1 January 2012 (US\$)</u>
	<u>Insurance contract and financial instruments with discretionary participation feature</u>	<u>Insurance contract and financial instruments with discretionary participation feature</u>
Reserve for life insurance liabilities	\$2,697,468,563	\$89,113,596
Unearned premium reserve	12,260,034	405,023
Premium deficiency reserve	13,599,727	449,280
Total	<u>\$2,723,328,324</u>	<u>\$89,967,899</u>
Book value of insurance liabilities	<u>\$2,723,328,324</u>	<u>\$89,967,899</u>
Estimated present value of cash flows	<u>\$2,370,460,405</u>	<u>\$78,310,552</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

Cathay Life's liability adequacy testing methodologies are listed as follows:

	31 March 2013
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 2013.  (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2012, with neutral assumption for discount rates after 30 years.
	31 December 2012
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2012.  (2) Discount rate: Under assets allocation plan of current semi-annual report, discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2011, with neutral assumption for discount rates after 30 years.

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

1 January 2012	
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 1 January 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 the actuary report of 2010, with neutral assumption for discount rates after 30 years (after 2041).

Cathay Life (China)'s liability adequacy testing methodology are listed as follows:

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



**English Translation of Financial Statements Originally Issued in Chinese**

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

31 December 2012

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

31 March 2012

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

1 January 2012

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Life insurance	\$60,026,515	\$2,013,637	\$61,350,872	\$2,111,906
Investment-linked insurance	220	7	-	-
<b>Total</b>	<b>\$60,026,735</b>	<b>\$2,013,644</b>	<b>\$61,350,872</b>	<b>\$2,111,906</b>

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Life insurance	\$65,814,791	\$2,231,010	\$66,884,711	\$2,209,604

	2013.1.1~2013.3.31	2013.1.1~2013.3.31
	(NT\$)	(US\$)
Beginning balance	\$61,350,872	\$2,058,063
Premiums (returned) received	30,603	1,027
Insurance claim payments	(1,393,314)	(46,740)
Net provision of statutory reserve	(95,856)	(3,216)
Gain (losses) on foreign exchange	134,430	4,510
<b>Ending balance</b>	<b>\$60,026,735</b>	<b>\$2,013,644</b>

	2012.1.1~2012.3.31	2012.1.1~2012.3.31
	(NT\$)	(US\$)
Beginning balance	\$66,884,711	\$2,267,278
Premiums (returned) received	23,279	789
Insurance claim payments	(1,127,050)	(38,205)
Net provision of statutory reserve	193,295	6,552
Gain (losses) on foreign exchange	(159,444)	(5,404)
<b>Ending balance</b>	<b>\$65,814,791</b>	<b>\$2,231,010</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

I. Foreign exchange volatility reserve:

(A) The hedge strategy and risk exposure:

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

(B) Adjustment in foreign exchange volatility reserve:

	2013.1.1~2013.3.31 (NT\$)	2013.1.1~2013.3.31 (US\$)
Beginning balance	\$4,270,856	\$143,269
Reserve:		
Compulsory reserve	561,388	18,833
Extra reserve	2,646,686	88,785
Subtotal	3,208,074	107,618
Total	\$7,478,930	\$250,887
	2012.1.1~2013.3.31 (NT\$)	2012.1.1~2013.3.31 (US\$)
Beginning balance	\$4,511,406	\$152,929
Reserve:		
Compulsory reserve	149,631	5,073
Extra reserve	2,697	91
Subtotal	152,328	5,164
Total	\$4,663,734	\$158,093

Note: The foreign exchange volatility reserve for life insurance commenced on 1 March 2012.

(C) Effects due to foreign exchange volatility reserve:

2013.3.31 Item	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$9,727,121	\$326,304	\$7,064,420	\$236,982	\$(2,662,701)	\$(89,322)
Earnings per share	0.90	-	0.65	-	(0.25)	-
Foreign exchange volatility reserve	-	-	7,478,930	250,887	7,478,930	250,887
Equity	258,138,425	8,659,457	255,475,724	8,570,135	(2,662,701)	(89,322)

**English Translation of Financial Statements Originally Issued in Chinese**

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

<u>2012.3.31</u>	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	Item	NT\$	US\$	NT\$	US\$	NT\$
Consolidated income	\$2,555,254	\$86,619	\$2,428,822	\$82,333	\$(126,432)	\$(4,286)
Earnings per share	0.24	-	0.23	-	(0.01)	-
Foreign exchange						
volatility reserve	-	-	4,663,734	158,093	4,663,734	158,093
Equity	241,756,016	8,195,119	241,629,584	8,190,833	(126,432)	(4,286)

(2) Century insurance subsidiaries

A. Unearned premiums reserve

(A) Unearned premium reserve and ceded unearned premium reserve are summarized as follows:

Item	2013.3.31							
	Unearned premium reserve				Ceded unearned premium reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,835,937	\$61,588	\$61,314	\$2,057	\$800,317	\$26,847	\$1,096,934	\$36,798
Marine insurance	217,194	7,286	20,565	690	184,883	6,202	52,876	1,774
Land and air insurance	3,325,795	111,565	9,862	331	150,416	5,046	3,185,241	106,850
Liability insurance	522,914	17,542	85	3	160,189	5,374	362,810	12,171
Bonding insurance	33,067	1,109	525	18	16,925	568	16,667	559
Other property insurance	1,154,119	38,716	12,852	431	507,778	17,034	659,193	22,113
Accident insurance	1,566,106	52,536	3,806	128	79,010	2,650	1,490,902	50,013
Health insurance	89,433	3,000	-	-	756	25	88,677	2,975
Compulsory automobile liability insurance	1,274,442	42,752	188,020	6,307	490,990	16,471	971,472	32,589
<b>Total</b>	<b>\$10,019,007</b>	<b>\$336,094</b>	<b>\$297,029</b>	<b>\$9,965</b>	<b>\$2,391,264</b>	<b>\$80,217</b>	<b>\$7,924,772</b>	<b>\$265,842</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.12.31

Item	Ceded unearned premium							
	Unearned premium reserve				reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,100,879	\$72,320	\$56,882	\$1,958	\$916,559	\$31,551	\$1,241,202	\$42,727
Marine insurance	241,010	8,296	17,432	600	209,087	7,197	49,355	1,699
Land and air insurance	2,926,171	100,729	13,196	454	161,337	5,554	2,778,030	95,629
Liability insurance	514,215	17,701	173	6	171,208	5,894	343,180	11,813
Bonding insurance	26,491	912	537	18	9,156	315	17,872	615
Other property insurance	1,152,073	39,658	15,942	549	514,617	17,715	653,398	22,492
Accident insurance	1,529,451	52,649	3,976	137	84,690	2,915	1,448,737	49,871
Health insurance	88,102	3,033	-	-	1,154	40	86,948	2,993
Compulsory automobile liability insurance	1,198,010	41,240	186,904	6,434	479,228	16,497	905,686	31,177
<b>Total</b>	<b>\$9,776,402</b>	<b>\$336,538</b>	<b>\$295,042</b>	<b>\$10,156</b>	<b>\$2,547,036</b>	<b>\$87,678</b>	<b>\$7,524,408</b>	<b>\$259,016</b>

2012.3.31

Item	Ceded unearned premium							
	Unearned premium reserve				reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,671,782	\$56,671	\$40,299	\$1,366	\$648,992	\$22,000	\$1,063,089	\$36,037
Marine insurance	235,622	7,987	3,141	106	205,717	6,973	33,046	1,120
Land and air insurance	2,653,521	89,950	4,048	137	124,861	4,233	2,532,708	85,854
Liability insurance	460,941	15,625	249	8	147,507	5,000	313,683	10,633
Bonding insurance	29,560	1,002	548	19	12,287	417	17,821	604
Other property insurance	932,837	31,622	10,468	355	505,299	17,129	438,006	14,848
Accident insurance	1,486,643	50,395	11,527	391	82,787	2,806	1,415,383	47,980
Health insurance	125,029	4,238	-	-	2,348	80	122,681	4,158
Compulsory automobile liability insurance	1,155,736	39,177	180,046	6,103	463,141	15,700	872,641	29,580
<b>Total</b>	<b>\$8,751,671</b>	<b>\$296,667</b>	<b>\$250,326</b>	<b>\$8,485</b>	<b>\$2,192,939</b>	<b>\$74,338</b>	<b>\$6,809,058</b>	<b>\$230,814</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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2012.1.1

Item	Unearned premium reserve				Ceded unearned premium reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,800,538	\$59,483	\$40,517	\$1,338	\$729,560	\$24,102	\$1,111,495	\$36,719
Marine insurance	257,526	8,508	1,423	47	218,534	7,219	40,415	1,336
Land and air insurance	2,464,496	81,417	5,322	176	149,756	4,947	2,320,062	76,646
Liability insurance	397,266	13,124	119	4	118,700	3,921	278,685	9,207
Bonding insurance	24,722	817	397	13	6,733	223	18,386	607
Other property insurance	894,846	29,562	15,099	499	496,357	16,398	413,588	13,663
Accident insurance	1,510,001	49,884	25,875	855	73,958	2,443	1,461,918	48,296
Health insurance	147,642	4,877	-	-	2,417	80	145,225	4,797
Compulsory automobile liability insurance	1,147,140	37,897	182,070	6,015	458,858	15,159	870,352	28,753
<b>Total</b>	<b>\$8,644,177</b>	<b>\$285,569</b>	<b>\$270,822</b>	<b>\$8,947</b>	<b>\$2,254,873</b>	<b>\$74,492</b>	<b>\$6,660,126</b>	<b>\$220,024</b>

**(B) Reconciliation statement of unearned premium reserve and ceded unearned premium reserve**

Item	2013.1.1~2013.3.31			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$10,100,374	\$338,825	\$2,547,036	\$85,442
Reserve	10,296,522	345,405	2,379,756	79,831
Recover	(10,097,186)	(338,718)	(2,538,609)	(85,160)
Effects of exchange rate changes	16,326	547	3,081	104
<b>Ending balance</b>	<b>\$10,316,036</b>	<b>\$346,059</b>	<b>\$2,391,264</b>	<b>\$80,217</b>

Item	2012.1.1~2012.3.31			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$8,925,059	\$302,544	\$2,254,873	\$76,436
Reserve	9,019,622	305,750	2,193,521	74,357
Recover	(8,918,865)	(302,334)	(2,252,792)	(76,366)
Effects of exchange rate changes	(23,819)	(808)	(2,663)	(89)
<b>Ending balance</b>	<b>\$9,001,997</b>	<b>\$305,152</b>	<b>\$2,192,939</b>	<b>\$74,338</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

B. Claims reserve

(A) Claims reserve and ceded claims reserve

2013.3.31								
Item	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)		(2)		(3)		(4)=(1)+(2)-(3)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,741,313	\$125,506	\$252,802	\$8,480	\$1,432,636	\$48,059	\$2,561,479	\$85,927
Unreported claims	1,541,327	51,705	75,011	2,516	390,103	13,086	1,226,235	41,135
Total	<u>\$5,282,640</u>	<u>\$177,211</u>	<u>\$327,813</u>	<u>\$10,996</u>	<u>\$1,822,739</u>	<u>\$61,145</u>	<u>\$3,787,714</u>	<u>\$127,062</u>

2012.12.31								
Item	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)		(2)		(3)		(4)=(1)+(2)-(3)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$4,111,890	\$141,545	\$293,676	\$10,109	\$1,723,922	\$59,343	\$2,681,644	\$92,311
Unreported claims	1,362,292	46,895	37,732	1,299	290,394	9,996	1,109,630	38,198
Total	<u>\$5,474,182</u>	<u>\$188,440</u>	<u>\$331,408</u>	<u>\$11,408</u>	<u>\$2,014,316</u>	<u>\$69,339</u>	<u>\$3,791,274</u>	<u>\$130,509</u>

2012.3.31								
Item	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)		(2)		(3)		(4)=(1)+(2)-(3)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,881,573	\$131,578	\$218,586	\$7,410	\$1,805,804	\$61,214	\$2,294,355	\$77,774
Unreported claims	1,241,872	42,097	88,074	2,986	384,058	13,019	945,888	32,064
Total	<u>\$5,123,445</u>	<u>\$173,675</u>	<u>\$306,660</u>	<u>\$10,396</u>	<u>\$2,189,862</u>	<u>\$74,233</u>	<u>\$3,240,243</u>	<u>\$109,838</u>

2012.1.1								
Item	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)		(2)		(3)		(4)=(1)+(2)-(3)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$4,061,939	\$134,190	\$196,679	\$6,498	\$1,896,762	\$62,661	\$2,361,856	\$78,027
Unreported claims	1,058,601	34,972	47,435	1,567	278,507	9,201	827,529	27,338
Total	<u>\$5,120,540</u>	<u>\$169,162</u>	<u>\$244,114</u>	<u>\$8,065</u>	<u>\$2,175,269</u>	<u>\$71,862</u>	<u>\$3,189,385</u>	<u>\$105,365</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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(B) Net changes for claims reserve and ceded claims reserve

2013.1.1~2013.3.31								
NT\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve (5)=(1)-(2) +(3)-(4)	Ceded reinsurance business		Net change for ceded claims reserve (8)=(6)-(7)
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)		Reserve (6)	Recover (7)	
Claims reported but not paid off	\$3,732,738	\$4,118,236	\$252,802	\$293,676	\$(426,372)	\$1,430,082	\$1,726,155	\$(296,073)
Unreported claims	1,537,028	1,365,832	74,986	39,581	206,601	389,144	291,177	97,967
Total	<u>\$5,269,766</u>	<u>\$5,484,068</u>	<u>\$327,788</u>	<u>\$333,257</u>	<u>\$(219,771)</u>	<u>\$1,819,226</u>	<u>\$2,017,332</u>	<u>\$(198,106)</u>
2013.1.1~2013.3.31								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve (5)=(1)-(2) +(3)-(4)	Ceded reinsurance business		Net change for ceded claims reserve (8)=(6)-(7)
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)		Reserve (6)	Recover (7)	
Claims reported but not paid off	\$125,218	\$138,149	\$8,480	\$9,852	\$(14,303)	\$47,973	\$57,905	\$(9,932)
Unreported claims	51,561	45,818	2,515	1,328	6,930	13,054	9,768	3,286
Total	<u>\$176,779</u>	<u>\$183,967</u>	<u>\$10,995</u>	<u>\$11,180</u>	<u>\$(7,373)</u>	<u>\$61,027</u>	<u>\$67,673</u>	<u>\$(6,646)</u>
2012.1.1~2012.3.31								
NT\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve (5)=(1)-(2) +(3)-(4)	Ceded reinsurance business		Net change for ceded claims reserve (8)=(6)-(7)
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)		Reserve (6)	Recover (7)	
Claims reported but not paid off	\$3,882,364	\$4,058,365	\$218,586	\$196,679	\$(154,094)	\$1,806,020	\$1,895,595	\$(89,575)
Unreported claims	1,242,935	1,055,351	88,551	47,502	228,633	384,568	276,906	107,662
Total	<u>\$5,125,299</u>	<u>\$5,113,716</u>	<u>\$307,137</u>	<u>\$244,181</u>	<u>\$74,539</u>	<u>\$2,190,588</u>	<u>\$2,172,501</u>	<u>\$18,087</u>
2012.1.1~2012.3.31								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve (5)=(1)-(2) +(3)-(4)	Ceded reinsurance business		Net change for ceded claims reserve (8)=(6)-(7)
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)		Reserve (6)	Recover (7)	
Claims reported but not paid off	\$131,606	\$137,572	\$7,410	\$6,667	\$(5,223)	\$61,221	\$64,257	\$(3,036)
Unreported claims	42,133	35,775	3,002	1,610	7,750	13,036	9,387	3,649
Total	<u>\$173,739</u>	<u>\$173,347</u>	<u>\$10,412</u>	<u>\$8,277</u>	<u>\$2,527</u>	<u>\$74,257</u>	<u>\$73,644</u>	<u>\$613</u>



**English Translation of Financial Statements Originally Issued in Chinese**

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(C) Reported claims but not yet paid off or unreported claims liabilities for policyholder

2013.3.31						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$912,599	\$30,615	\$41,081	\$1,378	\$953,680	\$31,993
Marine insurance	691,742	23,205	331,488	11,120	1,023,230	34,325
Land and air insurance	733,689	24,612	579,196	19,429	1,312,885	44,041
Liability insurance	250,715	8,410	321,740	10,793	572,455	19,203
Bonding insurance	18,490	620	1,747	59	20,237	679
Other property insurance	509,360	17,087	147,357	4,943	656,717	22,030
Accident insurance	57,773	1,938	148,788	4,991	206,561	6,929
Health insurance	7,467	250	22,555	757	30,022	1,007
Compulsory automobile liability insurance	812,280	27,249	22,386	751	834,666	28,000
Total	\$3,994,115	\$133,986	\$1,616,338	\$54,221	\$5,610,453	\$188,207

2012.12.31						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,338,560	\$46,077	\$19,362	\$667	\$1,357,922	\$46,744
Marine insurance	794,556	27,350	159,313	5,484	953,869	32,834
Land and air insurance	690,396	23,766	491,381	16,915	1,181,777	40,681
Liability insurance	249,023	8,572	226,183	7,786	475,206	16,358
Bonding insurance	19,834	683	14,294	492	34,128	1,175
Other property insurance	487,486	16,781	145,645	5,014	633,131	21,795
Accident insurance	68,515	2,359	284,938	9,809	353,453	12,168
Health insurance	6,816	235	39,229	1,350	46,045	1,585
Compulsory automobile liability insurance	750,380	25,831	21,526	741	771,906	26,572
Total	\$4,405,566	\$151,654	\$1,401,871	\$48,258	\$5,807,437	\$199,912

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2012.3.31						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,872,364	\$63,470	\$230,743	\$7,822	\$2,103,107	\$71,292
Marine insurance	660,206	22,380	236,943	8,032	897,149	30,412
Land and air insurance	439,140	14,886	451,366	15,301	890,506	30,187
Liability insurance	241,704	8,193	65,503	2,220	307,207	10,413
Bonding insurance	20,866	707	6,491	220	27,357	927
Other property insurance	306,940	10,405	78,425	2,658	385,365	13,063
Accident insurance	152,961	5,185	210,111	7,122	363,072	12,307
Health insurance	9,536	323	30,075	1,019	39,611	1,342
Compulsory automobile liability insurance	396,442	13,439	20,749	703	417,191	14,142
<b>Total</b>	<b>\$4,100,159</b>	<b>\$138,988</b>	<b>\$1,330,406</b>	<b>\$45,097</b>	<b>\$5,430,565</b>	<b>\$184,085</b>

2012.1.1						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,055,544	\$67,906	\$162,754	\$5,377	\$2,218,298	\$73,283
Marine insurance	614,939	20,315	189,501	6,260	804,440	26,575
Land and air insurance	506,703	16,739	456,465	15,080	963,168	31,819
Liability insurance	234,807	7,757	53,728	1,775	288,535	9,532
Bonding insurance	23,232	767	4,660	154	27,892	921
Other property insurance	297,847	9,840	55,435	1,831	353,282	11,671
Accident insurance	128,888	4,258	160,770	5,311	289,658	9,569
Health insurance	9,821	324	2,213	73	12,034	397
Compulsory automobile liability insurance	386,837	12,780	20,643	682	407,480	13,462
<b>Total</b>	<b>\$4,258,618</b>	<b>\$140,686</b>	<b>\$1,106,169</b>	<b>\$36,543</b>	<b>\$5,364,787</b>	<b>\$177,229</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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(D) Reinsurance asset- Ceded claims reserve for policyholder

2013.3.31						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$333,561	\$11,190	\$9,411	\$316	\$342,972	\$11,506
Marine insurance	528,873	17,740	243,339	8,162	772,212	25,902
Land and air insurance	51,787	1,737	15,681	526	67,468	2,263
Liability insurance	65,127	2,185	82,085	2,754	147,212	4,939
Bonding insurance	18,069	606	1,027	34	19,096	640
Other property insurance	144,088	4,834	17,969	603	162,057	5,437
Accident insurance	3,148	106	12,640	424	15,788	530
Health insurance	-	-	301	10	301	10
Compulsory automobile liability insurance	287,983	9,661	7,650	257	295,633	9,918
<b>Total</b>	<b>\$1,432,636</b>	<b>\$48,059</b>	<b>\$390,103</b>	<b>\$13,086</b>	<b>\$1,822,739</b>	<b>\$61,145</b>

2012.12.31						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$556,200	\$19,146	\$3,430	\$118	\$559,630	\$19,264
Marine insurance	614,236	21,144	133,937	4,610	748,173	25,754
Land and air insurance	42,156	1,451	11,765	405	53,921	1,856
Liability insurance	68,341	2,353	76,629	2,638	144,970	4,991
Bonding insurance	18,225	627	5,719	197	23,944	824
Other property insurance	152,278	5,242	18,356	632	170,634	5,874
Accident insurance	6,829	235	31,650	1,089	38,479	1,324
Health insurance	75	3	1,398	48	1,473	51
Compulsory automobile liability insurance	265,582	9,142	7,510	259	273,092	9,401
<b>Total</b>	<b>\$1,723,922</b>	<b>\$59,343</b>	<b>\$290,394</b>	<b>\$9,996</b>	<b>\$2,014,316</b>	<b>\$69,339</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.3.31						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$943,281	\$31,976	\$158,004	\$5,356	\$1,101,285	\$37,332
Marine insurance	463,787	15,722	141,847	4,808	605,634	20,530
Land and air insurance	21,561	731	10,257	348	31,818	1,079
Liability insurance	92,693	3,142	23,587	800	116,280	3,942
Bonding insurance	18,928	642	717	24	19,645	666
Other property insurance	117,264	3,975	13,557	460	130,821	4,435
Accident insurance	23,639	801	27,542	934	51,181	1,735
Health insurance	-	-	1,306	44	1,306	44
Compulsory automobile liability insurance	124,651	4,225	7,241	245	131,892	4,470
<b>Total</b>	<b>\$1,805,804</b>	<b>\$61,214</b>	<b>\$384,058</b>	<b>\$13,019</b>	<b>\$2,189,862</b>	<b>\$74,233</b>

2012.1.1						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,075,347	\$35,525	\$73,921	\$2,442	\$1,149,268	\$37,967
Marine insurance	423,306	13,984	152,655	5,043	575,961	19,027
Land and air insurance	22,205	734	1,412	47	23,617	781
Liability insurance	90,756	2,998	13,225	437	103,981	3,435
Bonding insurance	19,442	642	709	23	20,151	665
Other property insurance	122,459	4,046	10,709	354	133,168	4,400
Accident insurance	14,532	480	18,570	614	33,102	1,094
Health insurance	-	-	132	4	132	4
Compulsory automobile liability insurance	128,715	4,252	7,174	237	135,889	4,489
<b>Total</b>	<b>\$1,896,762</b>	<b>\$62,661</b>	<b>\$278,507</b>	<b>\$9,201</b>	<b>\$2,175,269</b>	<b>\$71,862</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

(E) Reconciliation statement of claims reserve and ceded claims reserve

Item	2013.1.1~2013.3.31			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,807,437	\$194,815	\$2,014,316	\$67,572
Reserve	5,597,554	187,774	1,819,226	61,027
Recover	(5,817,325)	(195,147)	(2,017,332)	(67,673)
Effects of exchange rate changes	22,787	764	6,529	219
Ending balance	<u>\$5,610,453</u>	<u>\$188,206</u>	<u>\$1,822,739</u>	<u>\$61,145</u>

Item	2012.1.1~2012.3.31			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,364,787	\$181,857	\$2,175,269	\$73,738
Reserve	5,432,436	184,151	2,190,588	74,257
Recover	(5,357,897)	(181,624)	(2,172,501)	(73,644)
Effects of exchange rate changes	(9,221)	(314)	(3,494)	(118)
Ending balance	<u>\$5,430,105</u>	<u>\$184,070</u>	<u>\$2,189,862</u>	<u>\$74,233</u>

C. Special reserve

(A) Special reserve - Compulsory automobile liability insurance

Item	2013.1.1~2013.3.31	
	NT\$	US\$
Beginning balance	\$2,307,591	\$77,410
Reserve	49,645	1,666
Recover	(89,449)	(3,001)
Ending balance	<u>\$2,267,787</u>	<u>\$76,075</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	2012.1.1~2012.3.31	
	NT\$	US\$
Beginning balance	\$2,434,892	\$82,539
Reserve	51,643	1,751
Recover	(20,083)	(681)
Ending balance	\$2,466,452	\$83,609

(B) Special reserve - Non-compulsory automobile liability insurance

Item	2013.1.1~2013.3.31					
	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,113,068	\$37,339	\$1,034,979	\$34,719	\$2,148,047	\$72,058
Reserve	-	-	-	-	-	-
Recover	-	-	-	-	-	-
Ending balance	\$1,113,068	\$37,339	\$1,034,979	\$34,719	\$2,148,047	\$72,058

Item	2012.1.1~2012.3.31					
	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,172,396	\$39,742	\$1,153,814	\$39,112	\$2,326,210	\$78,854
Reserve	-	-	-	-	-	-
Recover	-	-	(5,226)	(177)	(5,226)	(177)
Ending balance	\$1,172,396	\$39,742	\$1,148,588	\$38,935	\$2,320,984	\$78,677

According to “Precautions of Strengthening Natural Disaster Insurance Reserves of Property Insurance Industry (Commercial Earthquake and Typhoon Flood Insurance)”, Cathay Century has not set aside full reserves for commercial earthquake and typhoon flood insurance yet. The special reserve cannot be transferred to special capital reserve, and had no impact on profit and loss.

**English Translation of Financial Statements Originally Issued in Chinese**

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

D. Premiums deficiency reserve

(A) Premiums deficiency reserve and ceded premium deficiency reserve

2013.3.31								
Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business		NT\$	US\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$		
Fire insurance	\$3,412	\$114	\$20	\$1	\$-	\$-	\$3,432	\$115
Marine insurance	8,333	280	922	31	(11,622)	(390)	20,877	700
Land and air insurance	-	-	5,775	194	-	-	5,775	194
Liability insurance	18,730	628	8	-	210	7	18,528	622
Bonding insurance	6,239	209	-	-	6,082	204	157	5
Other property insurance	42,058	1,411	313	10	20	1	42,351	1,420
Accident insurance	-	-	166	6	-	-	166	6
Health insurance	-	-	-	-	-	-	-	0
Compulsory automobile liability insurance	7,399	248	-	-	-	-	7,399	248
<b>Total</b>	<b>\$86,171</b>	<b>\$2,890</b>	<b>\$7,204</b>	<b>\$242</b>	<b>\$(5,310)</b>	<b>\$(178)</b>	<b>\$98,685</b>	<b>\$3,310</b>
2012.12.31								
Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business		NT\$	US\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$		
Fire insurance	\$6,198	\$213	\$23	\$1	\$-	\$-	\$6,221	\$214
Marine insurance	9,322	321	726	25	(7,185)	(247)	17,233	593
Land and air insurance	-	-	9,319	321	-	-	9,319	321
Liability insurance	13,059	450	10	-	-	-	13,069	450
Bonding insurance	2,204	76	-	-	2,096	72	108	4
Other property insurance	35,659	1,227	435	15	34	1	36,060	1,241
Accident insurance	-	-	194	7	-	-	194	7
Health insurance	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$66,442</b>	<b>\$2,287</b>	<b>\$10,707</b>	<b>\$369</b>	<b>\$(5,055)</b>	<b>\$(174)</b>	<b>\$82,204</b>	<b>\$2,830</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.3.31

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business		NT\$	US\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$28,487	\$966	\$92	\$3	\$28,579	\$969	\$-	\$-
Marine insurance	345	12	32	1	(10,772)	(365)	11,149	378
Land and air insurance	-	-	488	17	(170)	(6)	658	23
Liability insurance	6	-	40	1	41	1	5	-
Bonding insurance	47	2	2	-	2	-	47	2
Other property insurance	96,086	3,257	86	3	90,837	3,079	5,335	181
Accident insurance	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$124,971</b>	<b>\$4,237</b>	<b>\$740</b>	<b>\$25</b>	<b>\$108,517</b>	<b>\$3,678</b>	<b>\$17,194</b>	<b>\$584</b>

2012.1.1

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve		Retained business	
	Direct business		Assumed reinsurance business		Ceded reinsurance business		NT\$	US\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$-	\$-	\$432	\$14	\$(5,485)	\$(181)	\$5,917	\$195
Marine insurance	9,806	324	54	2	1,867	62	7,993	264
Land and air insurance	-	-	2	-	(1,480)	(49)	1,482	49
Liability insurance	-	-	49	2	49	2	-	-
Bonding insurance	11,295	373	6	-	11,185	369	116	4
Other property insurance	3,316	110	54	2	-	-	3,370	112
Accident insurance	-	-	12	-	-	-	12	-
Health insurance	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$24,417</b>	<b>\$807</b>	<b>\$609</b>	<b>\$20</b>	<b>\$6,136</b>	<b>\$203</b>	<b>\$18,890</b>	<b>\$624</b>



**English Translation of Financial Statements Originally Issued in Chinese**

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

**(B) Net loss recognized for premiums deficiency reserve- Net change for premium deficiency reserve and ceded premiums deficiency reserve**

Item	2013.1.1~2013.3.31								
	NT\$								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognize d net loss (gain) for premiums deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover		
(1)	(2)	(3)	(4)	(5)=(1)-(2) +(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)	
Fire insurance	\$3,357	\$6,254	\$19	\$24	\$(2,902)	\$-	\$-	\$-	\$(2,902)
Marine insurance	8,331	9,325	922	726	(798)	(11,623)	(7,183)	(4,440)	3,642
Land and air insurance	-	-	5,775	9,319	(3,544)	-	-	-	(3,544)
Liability insurance	18,431	13,225	8	10	5,204	207	-	207	4,997
Bonding insurance	6,236	2,205	-	-	4,031	6,082	2,096	3,986	45
Other property insurance	41,385	36,132	308	441	5,120	20	34	(14)	5,134
Accident insurance	-	-	165	196	(31)	-	-	-	(31)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	7,281	-	-	-	7,281	-	-	-	7,281
<b>Total</b>	<b>\$85,021</b>	<b>\$67,141</b>	<b>\$7,197</b>	<b>\$10,716</b>	<b>\$14,361</b>	<b>\$(5,314)</b>	<b>\$(5,053)</b>	<b>\$(261)</b>	<b>\$14,622</b>

Item	2013.1.1~2013.3.31								
	US\$								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognize d net loss (gain) for premiums deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover		
(1)	(2)	(3)	(4)	(5)=(1)-(2) +(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)	
Fire insurance	\$113	\$210	\$1	\$1	\$(97)	\$-	\$-	\$-	\$(97)
Marine insurance	279	313	31	24	(27)	(390)	(241)	(149)	122
Land and air insurance	-	-	194	313	(119)	-	-	-	(119)
Liability insurance	618	444	-	-	174	7	-	7	167
Bonding insurance	209	74	-	-	135	204	70	134	1
Other property insurance	1,388	1,212	10	15	171	1	1	-	171
Accident insurance	-	-	6	7	(1)	-	-	-	(1)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	244	-	-	-	244	-	-	-	244
<b>Total</b>	<b>\$2,851</b>	<b>\$2,253</b>	<b>\$242</b>	<b>\$360</b>	<b>\$480</b>	<b>\$(178)</b>	<b>\$(170)</b>	<b>\$(8)</b>	<b>\$488</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.1.1~2012.3.31

Item	NT\$										
	Direct underwriting business				Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognize d net loss (gain) for premiums deficiency reserve
	Reserve	Recover	Reserve	Recover	Reserve	Recover		Reserve	Recover		
	(1)	(2)	(3)	(4)	(5)=(1)-(2) +(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)		
Fire insurance	\$28,487	\$-	\$92	\$432	\$28,147	\$28,579	\$ (5,485)	\$34,064	\$ (5,917)		
Marine insurance	348	9,806	32	55	(9,481)	(10,772)	1,867	(12,639)	3,158		
Land and air insurance	-	-	488	2	486	(170)	(1,480)	1,310	(824)		
Liability insurance	6	-	40	49	(3)	41	49	(8)	5		
Bonding insurance	47	11,292	2	6	(11,249)	2	11,185	(11,183)	(66)		
Other property insurance	96,111	3,245	86	54	92,898	90,837	-	90,837	2,061		
Accident insurance	-	-	-	11	(11)	-	-	-	(11)		
Health insurance	-	-	-	-	-	-	-	-	-		
<b>Total</b>	<b>\$124,999</b>	<b>\$24,343</b>	<b>\$740</b>	<b>\$609</b>	<b>\$100,787</b>	<b>\$108,517</b>	<b>\$6,136</b>	<b>\$102,381</b>	<b>\$ (1,594)</b>		

2012.1.1~2012.3.31

Item	US\$										
	Direct underwriting business				Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognize d net loss (gain) for premiums deficiency reserve
	Reserve	Recover	Reserve	Recover	Reserve	Recover		Reserve	Recover		
	(1)	(2)	(3)	(4)	(5)=(1)-(2) +(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)		
Fire insurance	\$966	\$-	\$3	\$15	\$954	\$969	\$ (186)	\$1,155	\$ (201)		
Marine insurance	12	332	1	2	(321)	(365)	63	(428)	107		
Land and air insurance	-	-	17	-	17	(6)	(50)	44	(27)		
Liability insurance	-	-	1	2	(1)	1	2	(1)	-		
Bonding insurance	2	383	-	-	(381)	-	379	(379)	(2)		
Other property insurance	3,258	110	3	2	3,149	3,079	-	3,079	70		
Accident insurance	-	-	-	-	-	-	-	-	-		
Health insurance	-	-	-	-	-	-	-	-	-		
<b>Total</b>	<b>\$4,238</b>	<b>\$825</b>	<b>\$25</b>	<b>\$21</b>	<b>\$3,417</b>	<b>\$3,678</b>	<b>\$208</b>	<b>\$3,470</b>	<b>\$ (53)</b>		

**English Translation of Financial Statements Originally Issued in Chinese**

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

(C) Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

Item	2013.1.1~2013.3.31			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$77,149	\$2,588	\$(5,055)	\$(170)
Reserve	92,218	3,093	(5,314)	(178)
Recover	(77,857)	(2,613)	5,053	170
Effects of exchange rate changes	1,865	64	6	-
Ending balance	<u>\$93,375</u>	<u>\$3,132</u>	<u>\$(5,310)</u>	<u>\$(178)</u>

Item	2012.1.1~2012.3.31			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$25,026	\$846	\$6,136	\$207
Reserve	125,739	4,259	108,517	3,672
Recover	(24,952)	(840)	(6,136)	(201)
Effects of exchange rate changes	(102)	(3)	-	-
Ending balance	<u>\$125,711</u>	<u>\$4,262</u>	<u>\$108,517</u>	<u>\$3,678</u>

(D) Effects of the change of estimation and assumption

Premium deficiency reserve is a measurement of present value for future expenditure. The expected final loss ratio referred to the loss experience in the past three years, huge claims and the trend of loss. The expected operation expense ratio referred to the insurance expense exhibits in the past three years excluding entertainment expense and membership fee. The actual ratio of return on investment may not be the same as the expected ratio due to the uncertainty of estimation and assumption.

**English Translation of Financial Statements Originally Issued in Chinese**

**(Expressed in thousand of dollars except for share and per  
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**23. Post-employment benefits**

(1) Defined contribution plans

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 a specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, the fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

The subsidiaries located in Republic of China contributed social endowment insurance in certain proportion of gross salary of employees to government, depositing the contribution in each employee's independent account.

The other overseas subsidiaries and branches made pension contribution to related pension administration entities.

The Group recognized expenses for defined contribution plan for the three-month periods ended 31 March 2013 and 2012, amounted to NT\$321,158 (US\$10,774) thousands and NT\$284,806 (US\$9,654) thousands, respectively.

(2) Defined benefit plans

The Group established defined benefit plan according to Labor Standard Act which requires the payment of pension in accordance with the base of service period and average monthly wages when the retirement has been approved. If the service period is less than (including) 15 years, each service year is regarded as 2 wage bases. If the service period is greater than 15 years, each service year is regarded as 1 wage base. The accumulated wage bases should be limited to 45 wage bases. The Company and subsidiaries made monthly pension contribution proportionate to 2% of gross salary to the pension funds, deposited in a special account by Supervisory Committee of Workers' Retirement Preparation Fund in Bank of Taiwan, Co., Ltd.

The Group recognized expenses for defined benefit plans for the three-month period ended 31 March 2013 and 2012, amounted to NT\$142,708 (US\$4,787) thousands and NT\$148,041 (US\$5,018) thousands, respectively.

**English Translation of Financial Statements Originally Issued in Chinese**

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

The reconciliation for the present value of defined benefit obligation and the fair value of planned assets is summarized below:

	31 December 2012	1 January 2012
	(NT\$)	(NT\$)
Defined benefit obligation	\$(16,397,603)	\$(15,253,105)
Fair value of planned assets	12,062,144	10,163,150
Contribution	(4,335,459)	(5,089,955)
Unrecognized pension losses (gains)	(844,391)	(2,040)
Book value of accrued pension liabilities	<u>\$(5,179,850)</u>	<u>\$(5,091,995)</u>

	31 December 2012	1 January 2012
	(US\$)	(US\$)
Defined benefit obligation	\$(564,461)	\$(503,902)
Fair value of planned assets	415,220	335,750
Contribution	(149,241)	(168,152)
Unrecognized pension losses (gains)	(29,067)	(67)
Book value of accrued pension liabilities	<u>\$(178,308)</u>	<u>\$(168,219)</u>

The change in the present value of defined benefit obligation:

	For the year ended 31 December 2012 (NT\$)
Beginning balance of defined benefit obligation	\$15,253,105
Current service cost	499,089
Interest cost	245,898
Benefits paid	(613,954)
Actuarial losses (gains)	1,013,465
Ending balance of defined benefit obligation	<u>\$16,397,603</u>

	For the year ended 31 December 2012 (US\$)
Beginning balance of defined benefit obligation	\$525,064
Current service cost	17,180
Interest cost	8,465
Benefits paid	(21,135)
Actuarial losses (gains)	34,887
Ending balance of defined benefit obligation	<u>\$564,461</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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The change in the fair value of planned assets:

	For the year ended 31 December 2012 (NT\$)
Beginning fair value of planned assets	\$10,163,150
The expected return of planned assets	146,943
Contribution from employer	494,712
Benefits paid	(612,456)
Actuarial gains (losses)	1,869,795
Ending fair value of planned assets	<u>\$12,062,144</u>

	For the year ended 31 December 2012 (US\$)
Beginning fair value of planned assets	\$349,850
The expected return of planned assets	5,058
Contribution from employer	17,030
Benefits paid	(21,083)
Actuarial gains (losses)	64,365
Ending fair value of planned assets	<u>\$415,220</u>

As of 31 March 2013, the Group's defined benefit plan will make a contribution of NT\$568,217 (US\$19,061) thousands within the next 12 months..

The percentages of primary components of total planned assets are summarized as below:

	Pension plan (%)	
	31 December 2012	1 January 2012
Cash	27.73%	30.84%
Equity instruments	60.88%	56.27%
Debt instruments	4.42%	4.47%
Others	6.97%	8.42%

The actual return on planned assets for the year ended 31 December 2012 was NT\$2,148,638 (US\$73,963) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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

The employee retirement funds are fully deposited in the trust division of Bank of Taiwan, Co., Ltd. The expected rate of return on planned assets is concluded from the trend of historical return, the estimation from the analyst based on the planned asset market expectation, the investment made by the Supervisory Committee of Workers' Retirement Preparation using funds from Labor Retirement Pension of Labor and a minimum return of no less than the interest rate of 2-Years Time Deposits of local banks.

The following are the assumptions used to determine the defined benefit plans:

	<u>31 December 2012</u>	<u>1 January 2012</u>
Discount rate	1.50%~1.75%	1.54%~2.00%
Expected return on planned assets	1.54%~3.00%	1.54%~3.00%
Expected growth rate of wage	1.50%~2.50%	1.50%~2.50%

If the discount rate increase or decrease by 0.5%, the results are summarized below:

	<u>For the year ended 31 December 2012</u> <u>(NT\$)</u>	
	<u>Discounted rate</u> <u>(+0.5%)</u>	<u>Discounted rate (-</u> <u>0.5%)</u>
The effect on defined benefit obligation	\$(780,044)	\$778,306

	<u>For the year ended 31 December 2012</u> <u>(US\$)</u>	
	<u>Discounted rate</u> <u>(+0.5%)</u>	<u>Discounted rate (-</u> <u>0.5%)</u>
The effect on defined benefit obligation	\$(26,852)	\$26,792

The amounts related to defined benefit plans for the year ended 31 December 2012 are summarized as below:

	<u>For the year ended</u> <u>31 December 2012</u> <u>(NT\$)</u>
Ending present value of defined benefit obligation	\$16,397,603
Ending fair value of planned assets	(12,062,144)
The surplus or shortage of ending planned assets	\$4,335,459
The experience adjustments of planned liabilities	\$990,086
The experience adjustments of planned assets	\$1,880,660

**English Translation of Financial Statements Originally Issued in Chinese**

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

	For the year ended 31 December 2012 (US\$)
Ending present value of defined benefit obligation	\$564,461
Ending fair value of planned assets	(415,220)
The surplus or shortage of ending planned assets	\$149,241
The experience adjustments of planned liabilities	\$34,082
The experience adjustments of planned assets	\$64,739

(3) Employee preferential interest deposit plan

Cathay United Bank has the obligation to pay the preferential interest deposits for current employees and retired employees according to the "Regulation for Employee Preferential Interest Rate Deposits of Cathay United Bank".

Expenses under preferential interest rate deposits plan amounted to NT\$71,338 (US\$2,393) thousands and NT\$47,846 (US\$1,622) thousands, respectively, were recognized in the first quarter of 2013 and 2012 and for the three-month periods ended 31 March 2013 and 2012, respectively, and were recorded as "Employee benefits expenses".

The reconciliation for the present value of defined benefit obligation and fair value of planned assets is as follows:

	For the year ended 31 December 2012 (NT\$)	1 January 2012 (NT\$)
Defined benefit obligation	\$630,292	\$615,115
The fair value of planned assets	-	-
Contribution	630,292	615,115
Unrecognized actuarial losses	-	-
Book value of liability provisions	\$630,292	\$615,115

	For the year ended 31 December 2012 (US\$)	1 January 2012 (US\$)
Defined benefit obligation	\$21,697	\$20,321
The fair value of planned assets	-	-
Contribution	21,697	20,321
Unrecognized actuarial losses	-	-
Book value of liability provisions	\$21,697	\$20,321



**English Translation of Financial Statements Originally Issued in Chinese**

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

The change in the present value of defined benefit obligation is summarized as below:

	For the year ended 31 December 2012 <u>(NT\$)</u>
Beginning balance of defined benefit obligation	\$615,115
Interest cost	10,765
Amortization of prior service cost	11,980
Benefits paid	(10,392)
Actuarial losses(gains)	<u>2,824</u>
Ending balance of defined benefit obligation	<u><u>\$630,292</u></u>

	For the year ended 31 December 2012 <u>(US\$)</u>
Beginning balance defined benefit obligation	\$21,174
Interest cost	371
Amortization of prior service cost	413
Benefits paid	(358)
Actuarial losses(gains)	<u>97</u>
Ending balance of defined benefit obligation	<u><u>\$21,697</u></u>

The main assumptions used to determine employee preferential interest deposit plan in Cathay United Bank are summarized as below:

	<u>31 December 2012</u>	<u>1 January 2012</u>
Discount rate	4.00%	4.00%
Return of capital deposited	2.00%	2.00%
The rate of withdrawl from pension preferential interest deposit	1.00%	1.00%

**English Translation of Financial Statements Originally Issued in Chinese**

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

**24. Common stock**

- (1) As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the authorized share capital amounted NT\$120,000,000 (US\$4,025,495) thousands, and the issued share capital amounted NT\$108,653,851 (US\$3,644,879) thousands, NT\$108,653,851 (US\$3,740,236) thousands, NT\$103,575,096 (US\$3,511,021) thousands and NT\$103,575,096 (US\$3,421,708) thousands, respectively.
- (2) On 31 December 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. Since 29 July 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

**25. Capital surplus**

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$78,508,148 (US\$2,633,618) thousands as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$8,964) thousands were included in the capital surplus as of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012.
- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) According to statutory regulations, capital reserves are exclusively used to compensate for the company's deficit. When the company has surplus, the capital reserves generated from the premium of stock issuance in excess of par value and from donation received are able to be capitalized in certain proportion to actual receipt capital. The capital reserves mentioned previously also are allowed to be distributed in cash in the proportion to the original shares held by stockholders.

**English Translation of Financial Statements Originally Issued in Chinese**

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

**26. Retained earnings**

(1) Legal reserve

Pursuant to the Company Act, 10% of the Company's after-tax net income in the current year must be appropriated to legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can only be used to offset deficits. For companies with no accumulated deficits, legal reserve may be used for new share issuance or return cash to shareholders with the approval of stockholders' meeting.

(2) Special reserve

A. According to the legal interpretations No.1010012865 issued by Financial Supervisory Commission at April 6, 2012, as the first-time adoption of IFRS, entities should appropriate special reserves from unrealized increments from revaluation and gains from accumulated translation adjustments recorded below stockholders' equity with same amount to retained earnings due to the adoption of exemptions in IFRS 1 First-time Adoption of International Financial Reporting Standards. The Group are not required to appropriate special reserves because the unrealized increments of revaluation should be treated in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the Group did not select to recognize accumulated translation difference as zero at the date of transition to IFRS.

B. For Cathay United Bank, Cathay Securities and Cathay Future, the remaining balance should be reclassified as special reserve as of 31 December 2010 according to the related regulation. The special reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches one-half of the paid-in capital, up to 50% of the special reserve may be transferred to capital stock.

C. Cathay Life's special reserves for major incidents and special reserve for fluctuation of risks should be recorded as special reserve at the end of this year. As of 31 March 2013, the reserves amounted to NT\$177,420 (US\$5,952) thousands.

D. Cathay Century's special reserves for major incidents and special reserve for fluctuation of risks should be recorded as special reserve at the end of this year. As of 31 March 2013, the reserves amounted to NT\$869,978 (US\$29,184) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(3) Undistributed earnings

- A. According to Article 30 of the Company Act and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting losses, if any, shall be appropriated as legal reserve and then 0.01%~0.05% of the remaining amount for employees' bonus. Finally, the remainder after deducting for the aforementioned items must be appropriated in accordance with the resolutions passed at the shareholders' meeting.
- B. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- C. When distributing distributable earnings for the years ended 2011 and 2012, the Company has to set aside special 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.

D. Dividends policy

The Company's dividends policy is to distribute dividends in stock in order to retained sufficient cash for operations. Excess cash from retained earnings after taking into account operating needs may be distributed in cash; moreover cash dividends must be a minimum of 10% of the total dividends declared.

- E. The estimation of employee bonus and remuneration of directors For the three-month periods ended 31 March 2013 and 2012 were NT\$6,750 (US\$226) based on the average actual payment over the past three year and recognized as operating expense. Resolution approved at the next year shareholders' meeting might differ from the estimates mentioned above and the difference, if any, will be recognized as income or expense in the next year.

Details of the 2012 and 2011 earnings distribution and dividends per share as approved by the shareholders' meeting on 30 April 2013 and 15 June 2012, respectively, are as follows:

**English Translation of Financial Statements Originally Issued in Chinese**

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

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Legal reserve	\$1,700,174	\$1,117,140	\$-	\$-
Common stock -cash dividend	7,465,770	5,078,755	0.7	0.5
Common stock-stock dividend	7,465,770	5,078,755	0.7	0.5
Directors' remuneration	5,400	5,400	-	-
Employee bonus — cash	1,494	1,016	-	-

	<u>Appropriation of earnings</u>		<u>Dividend per share (US\$)</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Legal reserve	\$58,526	\$36,906	\$-	\$-
Common stock -cash dividend	256,997	167,782	-	-
Common stock-stock dividend	256,997	167,782	-	-
Directors' remuneration	186	178	-	-
Employee bonus — cash	51	34	-	-

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the 2011's earnings and the estimated amount in the financial statements for the year ended 2011.

- F. The meeting for the distribution of profits for the year ended 31 December 2012, approved by the board of directors, is still pended until the result of annual meeting of shareholders to be held on 14 June 2013. Information regarding the board of directors' recommendations and shareholders' approval regarding the employee bonuses and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of TWSE.

## **27. Treasury stock**

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the amount and share number of treasury stocks were all NT\$7,179,872 (US\$240,854) thousands and 200,000 thousands shares.

**English Translation of Financial Statements Originally Issued in Chinese**

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

**28. Non-Controlling Interests**

	For the three- month period ended 31 March 2013 (NT\$)	For the three- month period ended 31 March 2012 (NT\$)
Beginning balance	\$3,751,614	\$4,050,638
Net income attributed to non-controlling interests:	135,251	132,821
Other comprehensive income attributed to non- controlling interests		
Exchange differences resulting from translating the financial statements of a foreign operation	104,615	(104,652)
Unrealized gains from available-for-sale financial assets	15,727	18,205
The movement of non-controlling interests	(4,589)	5,693
Ending balance	<u>\$4,002,618</u>	<u>\$4,102,705</u>

	For the three- month period ended 31 March 2013 (US\$)	For the three- month period ended 31 March 2012 (US\$)
Beginning balance	\$125,851	\$137,310
Net income attributed to non-controlling interests:	4,537	4,503
Other comprehensive income attributed to non- controlling interests		
Exchange differences resulting from translating the financial statements of a foreign operation	3,509	(3,548)
Unrealized gains from available-for-sale financial assets	528	617
The movement of non-controlling interests	(154)	193
Ending balance	<u>\$134,271</u>	<u>\$139,075</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

**29. Employee benefits, depreciation and amortization**

Summary statement of employee benefits and depreciation expenses breakdown:

	For the three- month period ended 31 March 2013 (NT\$)	For the three- month period ended 31 March 2012 (NT\$)
	For the three- month period ended 31 March 2013 (US\$)	For the three- month period ended 31 March 2012 (US\$)
Employee benefits expense		
Salary and wages	\$6,588,411	\$5,910,816
Labor and health insurance	974,577	745,486
Pension expense	486,923	466,169
Other employee benefits	546,999	566,316
Depreciation expense	1,028,215	868,341
Amortization expense	81,588	88,076
Employee benefits expense		
Salary and wages	\$221,013	\$200,367
Labor and health insurance	32,693	25,271
Pension expense	16,334	15,802
Other employee benefits	18,350	19,197
Depreciation expense	34,492	29,435
Amortization expense	2,737	2,986

**English Translation of Financial Statements Originally Issued in Chinese**

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

**30. The Components of other comprehensive income**

	For the three-month period ended 31 March 2013 (NT\$)				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$532,192	\$-	\$532,192	\$(51,491)	\$480,701
Unrealized gains (losses) from available-for-sale financial assets	4,142,644	(4,179,650)	(37,006)	(187,843)	(224,849)
Gains (losses) on cash flow hedges	(8,765)	(191,152)	(199,917)	33,841	(166,076)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	32,280	-	32,280	-	32,280
<b>Total</b>	<b>\$4,698,351</b>	<b>\$(4,370,802)</b>	<b>\$327,549</b>	<b>\$(205,493)</b>	<b>\$122,056</b>

	For the three-month period ended 31 March 2013 (US\$)				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$17,853	\$-	\$17,853	\$(1,727)	\$16,126
Unrealized gains (losses) from available-for-sale financial assets	138,969	(140,210)	(1,241)	(6,302)	(7,543)
Gains (losses) on cash flow hedges	(294)	(6,412)	(6,706)	1,135	(5,571)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,083	-	1,083	-	1,083
<b>Total</b>	<b>\$157,611</b>	<b>\$(146,622)</b>	<b>\$10,989</b>	<b>\$(6,894)</b>	<b>\$4,095</b>



**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012					
(NT\$)					
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$ (681,493)	\$-	\$ (681,493)	\$ 84,116	\$ (597,377)
Unrealized gains (losses) from available-for-sale financial assets	26,480,663	(4,320,903)	22,159,760	(871,076)	21,288,684
Gains (losses) on cash flow hedges	(113,543)	(197,654)	(311,197)	52,476	(258,721)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,180)	-	(1,180)	-	(1,180)
<b>Total</b>	<b>\$25,684,447</b>	<b>\$(4,518,557)</b>	<b>\$21,165,890</b>	<b>\$(734,484)</b>	<b>\$20,431,406</b>

For the three-month period ended 31 March 2012					
(US\$)					
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$(23,101)	\$-	\$(23,101)	\$2,851	\$(20,250)
Unrealized gains (losses) from available-for-sale financial assets	897,650	(146,472)	751,178	(29,528)	721,650
Gains (losses) on cash flow hedges	(3,849)	(6,700)	(10,549)	1,779	(8,770)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(40)	-	(40)	-	(40)
<b>Total</b>	<b>\$870,660</b>	<b>\$(153,172)</b>	<b>\$717,488</b>	<b>\$(24,898)</b>	<b>\$692,590</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

**31. Income taxes**

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

Income taxes recognized in profit or loss

	For the three-month period ended 31 March 2013 (NT\$)	For the three-month period ended 31 March 2012 (NT\$)
Current income taxes expense (income):		
Current income tax charge	\$735,181	\$1,074,987
Adjustments in respect of current income tax of prior periods	41,426	40,339
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	31,353	(1,486,530)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	154	(5,569)
Others	(39,775)	199,395
Income tax expense (income)	<u>\$768,339</u>	<u>\$(177,378)</u>
	For the three-month period ended 31 March 2013 (US\$)	For the three-month period ended 31 March 2012 (US\$)
Current income taxes expense (income):		
Current income tax charge	\$24,662	\$36,440
Adjustments in respect of current income tax of prior periods	1,390	1,368
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,052	(50,391)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	5	(189)
Others	(1,334)	6,759
Income tax expense (income)	<u>\$25,775</u>	<u>\$(6,013)</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Income taxes relating to components of other comprehensive income

	For the three- month period ended 31 March 2013 (NT\$)	For the three- month period ended 31 March 2012 (NT\$)
Deferred income tax expense (income):		
Unrealized gains (losses) from available-for-sale financial assets	\$187,843	\$871,076
Exchange differences resulting from translating the financial statements of a foreign operation	51,491	(84,116)
Losses on cash flow hedges	(33,841)	(52,476)
Income taxes relating to components of other comprehensive income	<u>\$205,493</u>	<u>\$734,484</u>
	For the three- month period ended 31 March 2013 (US\$)	For the three- month period ended 31 March 2012 (US\$)
Deferred income tax expense (income):		
Unrealized gains (losses) from available-for-sale financial assets	\$6,302	\$29,528
Exchange differences resulting from translating the financial statements of a foreign operation	1,727	(2,851)
Losses on cash flow hedges	(1,135)	(1,779)
Income taxes relating to components of other comprehensive income	<u>\$6,894</u>	<u>\$24,898</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (2) The reconciliation between income tax expenses and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the three- month period ended 31 March 2013 (NT\$)	For the three- month period ended 31 March 2012 (NT\$)
Accounting profit (loss) before tax from continuous operations	\$7,832,759	\$2,251,444
Income tax computed by applicable income tax rate 17%	\$2,682,480	\$1,152,594
Tax effect of revenues exempt from taxation	(2,312,883)	(1,227,691)
Tax effect of expenses not deductible for tax purposes	210,409	29,148
Tax effect of deferred tax assets/liabilities	(166,897)	(364,634)
Adjustments in respect of current income tax of prior periods	41,426	40,339
Others	313,804	192,866
Total income tax expense (income) recognized in profit or loss	\$768,339	\$(177,378)

	For the three- month period ended 31 March 2013 (US\$)	For the three- month period ended 31 March 2012 (US\$)
Accounting profit (loss) before tax from continuous operations	\$262,756	\$76,320
Income tax computed by applicable income tax rate 17%	\$89,986	\$39,071
Tax effect of revenues exempt from taxation	(77,587)	(41,617)
Tax effect of expenses not deductible for tax purposes	7,058	988
Tax effect of deferred tax assets/liabilities	(5,599)	(12,360)
Adjustments in respect of current income tax of prior periods	1,390	1,367
Others	10,527	6,538
Total income tax expense (income) recognized in profit or loss	\$25,775	\$(6,013)

**English Translation of Financial Statements Originally Issued in Chinese**

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

(3) The remaining balance of deferred income tax assets (liabilities):

	For the three-month period ended 31 March 2013				
	(NT\$)				
	Beginning balance	Recognition in profit or loss	Recognition in comprehensive income or loss	Exchange differences	Ending balance
Temporary differences:					
Property, plant and equipment	\$647,720	\$7,437	\$-	\$-	\$655,157
Investment property	(7,798,917)	(6,094)	-	-	(7,805,011)
Financial assets at fair value through profit and loss	(818,484)	482,919	-	-	(335,565)
Available-for-sale financial assets	(5,827,942)	-	359,190	-	(5,468,752)
Derivative financial assets for hedging	(196,534)	-	33,841	-	(162,693)
Impairment on bond investments for which no active market	50,801	(131)	-	-	50,670
Investments accounted for using the equity method	(77,649)	(11,409)	-	-	(89,058)
Prepaid pensions	230,214	(1,898)	-	(267)	228,049
Preferential interest rate deposits	107,150	4	-	-	107,154
Financial liabilities at fair value through profit or loss	358,911	2,427,109	-	-	2,786,020
Other receivables	(46,622)	(1,042)	-	-	(47,664)
Provisions for employee benefits liabilities	652,088	5,741	-	-	657,829
Bad debt losses	650,376	190,856	-	-	841,232
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	14,565,624	(4,113,806)	(598,524)	(52,530)	9,800,764
Provisions	(781,403)	744,240	-	-	(37,163)
Convertible bonds payables	31,087	172,262	-	-	203,349
Deferred revenue on customer loyalty programs	102,821	88,456	-	-	191,277
Fair value adjustments from business consolidation	(261,404)	(15,205)	-	-	(276,609)
Others	134,099	(792)	-	-	133,307
Unused tax losses	10,968	(154)	-	-	10,814
Tax effect under consolidated income tax	923,802	-	-	-	923,802
Deferred income tax expenses (income)		<u>\$ (31,507)</u>	<u>\$ (205,493)</u>	<u>\$ (52,797)</u>	
Deferred income tax assets (liabilities)-net	<u>\$2,656,706</u>				<u>\$2,366,909</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$18,964,587</u>				<u>\$16,841,553</u>
Deferred income tax liabilities	<u>\$(16,307,881)</u>				<u>\$(14,474,644)</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2013

(US\$)

	Beginning balance	Recognition in profit or loss	Recognition in comprehensive income or loss	Exchange differences	Ending balance
Temporary differences:					
Property, plant and equipment	\$21,728	\$249	\$-	\$-	\$21,977
Investment property	(261,621)	(204)	-	-	(261,825)
Financial assets at fair value through profit and loss	(27,457)	16,200	-	-	(11,257)
Available-for-sale financial assets	(195,503)	-	12,050	-	(183,453)
Derivative financial assets for hedging	(6,593)	-	1,135	-	(5,458)
Impairment on bond investments for which no active market	1,704	(4)	-	-	1,700
Investments accounted for using the equity method	(2,605)	(383)	-	-	(2,988)
Prepaid pensions	7,723	(64)	-	(9)	7,650
Preferential interest rate deposits	3,595	-	-	-	3,595
Financial liabilities at fair value through profit or loss	12,040	81,419	-	-	93,459
Other receivables	(1,564)	(35)	-	-	(1,599)
Provisions for employee benefits liabilities	21,875	193	-	-	22,068
Bad debt losses	21,817	6,402	-	-	28,219
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	488,615	(138,001)	(20,078)	(1,762)	328,774
Provisions	(26,213)	24,966	-	-	(1,247)
Convertible bonds payables	1,043	5,779	-	-	6,822
Deferred revenue on customer loyalty programs	3,449	2,967	-	-	6,416
Fair value adjustments from business consolidation	(8,769)	(510)	-	-	(9,279)
Others	4,499	(27)	-	-	4,472
Unused tax losses	368	(5)	-	-	363
Tax effect under consolidated income tax	30,990	-	-	-	30,990
Deferred income tax expenses (income)		<u>\$(1,058)</u>	<u>\$(6,893)</u>	<u>\$(1,771)</u>	
Deferred income tax assets (liabilities)-net	<u>\$89,121</u>				<u>\$79,399</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$636,182</u>				<u>\$564,963</u>
Deferred income tax liabilities	<u>\$(547,061)</u>				<u>\$(485,564)</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012

(NT\$)

	Beginning balance	Recognition in profit or loss	Recognition in other comprehensive income or loss	Exchange differences	Ending balance
Temporary differences:					
Property, plant and equipment	\$392,434	\$5,297	\$-	\$-	\$397,731
Investment property	(7,604,517)	14,952	-	-	(7,589,565)
Financial assets at fair value through profit and loss	(789,597)	(47,264)	-	-	(836,861)
Available-for-sale financial assets	(3,542,489)	(1,655)	(1,463,126)	-	(5,007,270)
Derivative financial assets for hedging	(339,526)	-	52,476	-	(287,050)
Impairment on bond investments for which no active market	48,034	915	-	-	48,949
Investments accounted for using the equity method	(113,464)	(12,662)	-	-	(126,126)
Prepaid pension cost	244,085	(3,611)	-	-	240,474
Preferential Interest Rate Deposit	104,570	(3,736)	-	-	100,834
Financial liabilities at fair value through profit or loss	3,013,504	(2,000,742)	-	-	1,012,762
Other receivables	(61,699)	(8,708)	-	-	(70,407)
Provisions for employee benefits liabilities	622,563	7,902	-	-	630,465
Bad debt losses	198,352	50,785	-	-	249,137
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	8,001,645	3,496,057	676,166	48,998	12,222,866
Provisions	(804,925)	3,849	-	-	(801,076)
Convertible bonds payables	-	-	-	-	-
Deferred revenue from Customers Royalty Programmers	100,827	1,039	-	-	101,866
Fair value adjustments from business consolidation	(200,584)	(15,205)	-	-	(215,789)
Others	93,724	(683)	-	-	93,041
Unused tax losses	13,147	5,569	-	-	18,716
Unused tax credits	53,847	-	-	-	53,847
Tax effect under consolidated income tax	1,891,427	-	-	-	1,891,427
Deferred income tax expense (income)		\$1,492,099	\$ (734,484)	\$48,998	
Deferred income tax assets (liabilities)-net	\$1,321,358				\$2,127,971
Reflected in balance sheet as flows:					
Deferred income tax assets	\$15,354,753				\$17,478,907
Deferred income tax liabilities	\$(14,033,395)				\$(15,350,936)

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012

(US\$)

	Beginning balance	Recognition in profit or loss	Recognition in other comprehensive income or loss	Exchange differences	Ending balance
Temporary differences:					
Property, plant and equipment	\$13,303	\$180	\$-	\$-	\$13,483
Investment property	(257,780)	507	-	-	(257,273)
Financial assets at fair value through profit and loss	(26,766)	(1,602)	-	-	(28,368)
Available-for-sale financial assets	(120,084)	(56)	(49,598)	-	(169,738)
Derivative financial assets for hedging	(11,509)	-	1,779	-	(9,730)
Impairment on bond investments for which no active market	1,628	31	-	-	1,659
Investments accounted for using the equity method	(3,846)	(429)	-	-	(4,275)
Prepaid pension cost	8,274	(123)	-	-	8,151
Preferential Interest Rate Deposit	3,545	(127)	-	-	3,418
Financial liabilities at fair value through profit or loss	102,153	(67,822)	-	-	34,331
Other receivables	(2,092)	(295)	-	-	(2,387)
Provisions for employee benefits liabilities	21,104	268	-	-	21,372
Bad debt losses	6,724	1,721	-	-	8,445
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	271,242	118,510	22,921	1,661	414,334
Provisions	(27,286)	130	-	-	(27,156)
Convertible bonds payables	-	-	-	-	-
Deferred revenue from Customers Royalty Programmers	3,418	35	-	-	3,453
Fair value adjustments from business consolidation	(6,800)	(515)	-	-	(7,315)
Others	3,177	(23)	-	-	3,154
Unused tax losses	446	189	-	-	635
Unused tax credits	1,825	-	-	-	1,825
Tax effect under consolidated income tax	64,116	-	-	-	64,116
Deferred income tax expense (income)		\$50,579	\$(24,898)	\$1,661	
Deferred income tax assets (liabilities)-net	\$44,792				\$72,134
Reflected in balance sheet as flows:					
Deferred income tax assets	\$520,500				\$592,505
Deferred income tax liabilities	\$(475,708)				\$(520,371)



**English Translation of Financial Statements Originally Issued in Chinese**

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

(4) Unrecognized deferred income tax assets

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the amount of deferred income tax assets arisen from not probable taxable income were NT\$5,301,124 (US\$177,830) thousands, NT\$5,341,957 (US\$183,888) thousands, NT\$5,114,519 (US\$173,374) thousands and NT\$5,126,149 (US\$169,348) thousands, respectively.

(5) Unrecognized deferred income tax liabilities related to Investments in Subsidiaries

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

(6) Income tax returns:

		31 March 2013
		Income tax returns examined by tax authorities
		Notes
The Company	through 2007	The Company was in the process of administrative litigation for 2003 and 2005 tax return, and re-examination of 2006 and 2007 tax returns.
Cathay Life	through 2007	Cathay Life was in the process of administrative litigation for 2003 and 2005 tax return, and re-examination of 2006 and 2007 tax returns.
Cathay United Bank	through 2007	Cathay United Bank was in the process of administrative litigation for 2004 and 2005, and re-examination of 2006 tax returns.
Cathay Century	through 2006	Cathay Century as in the process of re-examination of 2006 tax returns.
Cathay Securities	through 2007	-
Cathay Venture	through 2009	-
Cathay Securities Investment Trust	through 2011	Cathay Security Investment Trust has not examine for 2009 tax return.
Symphox Information	through 2010	-
Cathay Futures	through 2011	-

**English Translation of Financial Statements Originally Issued in Chinese**

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

In accordance with the Financial Holding Company Act, the Group elected to file consolidated income tax return along with 10% surtax on undistributed retained earning tax for all subsidiaries being held over 12 months within a taxable year by the Group.

(7) Information related to imputation credit account:

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	<u>\$1,665,811</u>	<u>\$55,881</u>	<u>\$1,665,811</u>	<u>\$57,343</u>
	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	<u>\$1,063,636</u>	<u>\$36,055</u>	<u>\$1,063,636</u>	<u>\$35,138</u>

The Company's tax credit ratio applied to its distribution was 8.21% in 2012, and the cash dividends-imputed tax credit rate applied to actual distribution was 26.62%, the rate applied to stock dividends-imputed tax credit was 31.32% in 2011.

Undistributed earnings occurred before 1997, amounted to NT\$267,215 (US\$8,964) thousands, was appropriated as capital reserve which was able to be distributed as cash dividends.

### **32. Earnings per share**

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

**English Translation of Financial Statements Originally Issued in Chinese**

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

	For the three-month periods ended 31 March			
	2013 (NT\$)	2013 (US\$)	2012 (NT\$)	2012 (US\$)
Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousands)	\$6,929,169	\$232,444	\$2,296,001	\$77,831
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	10,665,385	357,779	10,157,510	344,322
Basic earnings per share (dollar)	\$0.65	\$0.65	\$0.23	\$0.23

- (1) There has been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.
- (2) The diluted earnings per share for the three-month periods ended 31 March 2013 had an antidilutive effect; as a result, diluted earnings per share was not calculated.

### **33. Business combinations**

Cathay United Bank acquired 70% of the voting shares of SBC Bank on 13 December 2012. SBC Bank was incorporated in Cambodia, mainly engaged in the wholesale banking business.

Cathay United Bank has elected to measure the non-controlling interest in SBC Bank at the non-controlling interest's proportionate share of the acquiree's identifiable net assets

### **34. Information of insurance contract**

- (1) Life insurance subsidiaries

Risk management objectives, policies, procedures and methods:

#### **A. Objectives of risk management**

Cathay Life's principal financial risk management objective is to promote operational efficiency, ensure assets safety, increase shareholder value, and ensure legal compliance; thereby accomplishing objectives of steady growth and sustainable management.

**English Translation of Financial Statements Originally Issued in Chinese**

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

B. Framework for risk management, organization structure and responsibilities

(A) Board of directors

- a. The board of directors should establish appropriate risk management function and culture, ratify appropriate risk management policy and allocate resources in the most effective manner.
- b. The board of directors and senior management should promote and execute risk management policies and standards. Furthermore, they should ensure the policies and standards are in line with Cathay Life's operational objective and operational strategy.
- c. The board of directors should acknowledge the risk of operation, ensure the effectiveness of risk management and assume the ultimate responsibility for risk management.
- d. The board of directors should delegate authority to risk management department to deal with violation of risk quotas by other departments.

(B) Risk management committee

- a. The committee should draft the risk management policies, framework and organizational function to establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the execution results to the board periodically and make necessary improvement suggestions.
- b. The committee should execute the risk management decisions set by the board of directors and evaluate the development, implementation and results of execution of the risk management function.
- c. The committee should assist and monitor the risk management activities.
- d. The committee should adjust the risk category, risk quota allocation and risk taking according to the change of the big environment.
- e. The committee should enhance cross-department interaction and communication.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(C) Risk management department

- a. The department is responsible for monitoring, measuring and evaluating daily risks. The department should execute its authority independently from the operating department.
- b. The department should perform following function based on activity categories:
  - (a) Assist with drafting and executing the risk management policies set by the board of directors.
  - (b) Assist to determine the risk quotas based on risk appetite.
  - (c) Summarize the risk information provided by all departments. Facilitate and communicate the execution of the policies as well as the risk quotas with departments.
  - (d) Periodically provide risk management related reports.
  - (e) Periodically monitor all operating department's risk quotas and manage the exceptions attributable to exceed the risk quotas granted.
  - (f) Assist with the pressure testing, execute back testing if necessary.
  - (g) Other risk management issues.

(D) Operating departments

- a. Managers of the operating departments:
  - (a) Responsible for the departments' daily risk management report and respond to issues if necessary.
  - (b) Make sure to deliver risk management information periodically to the risk management department.
- b. Operating departments:
  - (a) Identify and measure risks and report the exposure and impact.
  - (b) Periodically review risks and limits. If exception happens, report the exceptions as well as the responsive measures taken.
  - (c) Assist to develop the risk model. Ensure the measurement of risk, the usage of the model and the assumptions made are reasonable and has been applied consistently.
  - (d) Ensure internal control operates effectively to comply with relevant regulation and Cathay Life's risk management policies.
  - (e) Assist with gathering risk management related data.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(E) Audit department

The department is required to audit all departments to determine the implementation of risk management policies complies with the relevant regulations and Cathay Life's risk management policies.

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

Cathay Life's risk management procedures includes risk identification, risk measurement, risk control system, and risk management reporting. Cathay Life sets its risk management standards based on markets, credibility, sovereign state, liquidity, operations, insurance, risks of matching between assets / liability positions and the capital adequacy. Cathay Life also periodically provides the risk management report to monitor Cathay Life's risks.

(A) Market risk

The risk represents decrease in value of Cathay Life's financial asset due to the price fluctuation of the financial instrument market. Cathay Life applies the 95% and 99% confidence levels as the benchmark to measure weekly market risk. Cathay Life also applies back testing periodically to the market risk to ensure accuracy of the model. Furthermore, Cathay Life applies scenario analysis and stress test to evaluate the change in value of the asset portfolio due to significant domestic and international incidents. To work in line with the adoption of foreign exchange volatility reserve, Cathay Life sets the ceiling of foreign exchange risk and early warning system of the reserve, to monitor foreign exchange risk regularly.

(B) Credit risk

This risk represents Cathay Life's loss due to the default of counterparty or debtors. The measurements that Cathay Life uses include credit rating, concentration analysis and value at risk (VAR) under 95% confidence level. Furthermore, Cathay Life applies scenario analysis and stress test to evaluate the change in value of the asset portfolio due to significant domestic and international incidents.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(C) Sovereign risk

This represents risks of Cathay Life's investment positions caused by changes of the local government's politics or economy which lead to price fluctuation or default that eventually results in a loss. Cathay Life takes international credit rating companies' rating and other economic indexes into consideration to measure the sovereign risk and set the investment ceiling for specific countries. Cathay Life reviews and adjusts the ceiling periodically.

(D) Liquidity risk

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

(E) Operating risk

This risk occurs when there are errors caused by internal process, employee or system breakdown or external issues including legislative risks but not strategic risk and reputation risks. Cathay Life had set the standard operating procedure based on all characteristics of operations and established loss reporting system to manage operating risk loss information.

(F) Insurance risk

This risk occurs after collecting premium from the policy holder. Cathay Life assumes the risk transferred from the policy holder and when Cathay Life pays the claim, Cathay Life may assume loss due to unexpected changes. This generally happens because of the policy design, pricing risks, underwriting risks, reinsurance risks, catastrophe risks, claim risks and reserve related risks.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(G) Asset and liability matching risk

The risk happens when the changes in value of assets and liability do not match. Cathay Life measures the risk by referencing capital costs, duration, cash flow management and scenario analysis.

(H) Capital adequacy rate

Capital adequacy ratio is defined by Insurance Act and Regulations Governing Capital Adequacy of Insurance Companies. Cathay Life applies capital adequacy rate as the indicator to manage capital adequacy.

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

(A) The process of assuming, measuring, monitoring and controlling risks:

- a. Stipulate Cathay Life's measuring, monitoring and controlling risks: risks to ensure proper risk classification, premium level and underwriting policies. s. as the indicator
- b. Establish methods to evaluate insurance risks.
- c. Periodically provide the insurance risk management report to the risk management committee to supervise insurance risks and develop insurance risk management strategies.
- d. When a risk related incident occurs, related departments should draft a responsive plan and submit it to the risk management committee and Cathay Financial Holding's Financial Management committee.

(B) Ensure proper risk classification and underwriting policies of premium level:

- a. Underwriters should ensure clients' usual underwriting, check insurance notification for exceptions, considering the amount insured, types of insurance, age, family members, reason for insurance, employment, etc. to confirm clients' considering the amount insured and the ability to meet premium deadlines.
- b. Cathay Life has an underwriting team dealing with disputes such as new policies and change of conservation, and to clarify related underwriting regulations.
- c. Cathay Life has a review team for major insurances to enhance its risk management and prevent adverse selection and moral hazard.



**English Translation of Financial Statements Originally Issued in Chinese**

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

(A) Evaluation of insurance risks includes the following risks:

- a. Product design and pricing risks: This type of risk arises from improper design of products, inappropriate policies, inappropriate pricing, referencing the wrong source of information, inconsistency and unexpected changes.
- b. Underwriting risks: Unexpected losses arise from promoting business, underwriting activities and approval, other expenditure activities, etc.
- c. Reinsurance risks: This type of risk arises from failing to reinsure the excessive risk or reinsurer fails to fulfill its responsibility that results in loss in premium, claims or non-reimbursed expenses.
- d. Catastrophe risks: This type of risk arises from accidents that cause a type or more than one type of insurance a loss which in aggregate might affect Cathay Life, its rating and creditworthiness.
- e. Claim risks: This type of risk arises from inappropriate operation or mistakes while handling claims.
- f. Risk of insufficient reserve: This type of risk arises from insufficient reserve due to underestimated liability. As a result, Cathay Life fails to perform its anticipated responsibility.

(B) Range of managing insurance risks

- a. Establish Cathay Life's insurance risk management standards as the guideline to perform risk management.
- b. Establish Cathay Life's insurance risk management standards including the definition and range of risks, management structure, risk management index and other risk management measures.
- c. Draft action plans for matching Cathay Life's expanding strategy and respond to the changes of financial environment worldwide.
- d. Establish measurement approaches for insurance risks.
- e. Periodically provide insurance risks management report to monitor insurance risk and draft insurance managing strategy.
- f. Other issues related to insurance risks management.

**English Translation of Financial Statements Originally Issued in Chinese**

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

The method that Cathay Life mainly uses to limit or transfer insurance risk exposure and to prevent inappropriate concentration of risks is the reinsurance management plan. Cathay Life estimates the risk that Cathay Life is able to assume by characteristics of the risk, compliance issues and development technology factors all together to determine the scope of reinsurance. In order to maintain safety of risk transfer and control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

G. Methods for managing assets and liabilities

(A) Cathay Life has assets and liabilities management committee to ensure full application of the managing policy, establish management structure, integrate human capital and resources, review the strategy and practice periodically and further reduce all types of risks.

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

(C) When abnormal situation occurs, related departments should hold a meeting to formulate an action plan and deliver the report to assets and liabilities managing committee, risk management committee and the risk management committee of Cathay Financial Holding.

H. When specific incident occurs, the managing, monitoring and controlling procedures relating to additional liability or commitment of contributing additional owner equity are as follows:

Cathay Life is required by law to maintain its capital adequacy rate in a certain range. In order to enhance Cathay Lifeaw to maintain its capital adequacy rate in a certain range. In to additional established its capital adequacy management standards as follows:

(A) Capital adequacy management

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

b. Periodically provide the risk management committee the capital adequacy management analysis report.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- c. Conduct scenario analysis for capital adequacy ratio focusing on Cathay Life's annual analysis report. Ensure Cathay Life is able to maintain its capital adequacy ratio in a certain range.
- d. Periodically review the capital adequacy ratio and related control standards to manage capital adequacy.

**(B) Exception management process**

When Cathay Life's capital adequacy ratio and related control standards do not meet the requirements of funding, changes of the financial environment including updates of laws and regulations, Cathay Life should be required to submit the capital adequacy analysis report and related planned actions reports.

**I. Risk mitigation and sustainable risk monitoring procedures of hedging instruments**

- (A) Cathay Life also engages in derivative transactions such as stock index options, index futures, interest rate futures, interest rate swaps, exchange forwards, cross currency swap and credit default swaps to protect against the price risk of stock, interest rate risk, foreign exchange risk and credit risk from investment activities. Cathay Life does not engage in derivative transactions to increase investment income; however, if the derivatives do not meet hedge accounting standards, they are measured at fair value through profit or loss.
- (B) Hedging instrument against business risks and hedging implementation are made preliminarily based on the risk tolerance levels. Cathay Life executes hedges and exercises authorized financial instruments to adjust overall risk level to the tolerable levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
- (C) Cathay Life assesses and reviews the effectiveness of the hedging instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is authorized by board of directors; the copy of the assessment report is delivered to the compliance office for future reference.

**English Translation of Financial Statements Originally Issued in Chinese**

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J. The policies and procedures against the concentration of credit and investment risks

Management control indicators of credit and investment risks are set by Cathay Life. When indicators shows Cathay Life reaches the credit and investment limit or the increase of the credit line or investment capital will exceed the limit, Cathay Life does not undertake the loan or investment in general. However, if for any particular reason Cathay Life is required to undertake such credit, the anticipated investment or loan needs to be reviewed by loan review or investment decision committee and approved by the risk management department of Cathay Financial Holdings.

Information of insurance risk

A. Sensitivity of insurance risk - Insurance contracts and financial instruments with discretionary participation features:

(A) The Company

For the three-month period ended 31 March 2013

(NT\$)

	Change in		
	supposition	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 472,878	Decrease (increase) 392,489
Expense	×1.05 (×0.95)	Decrease (increase) 670,355	Decrease (increase) 556,394
Surrender rates	×1.05 (×0.95)	Increase (decrease) 70,477	Increase (decrease) 58,496
Investment return rate	+0.1%	Increase 813,264	Increase 675,009
Investment return rate	-0.1%	Decrease 813,466	Decrease 675,177

For the three-month period ended 31 March 2013

(US\$)

	Change in		
	supposition	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 15,863	Decrease (increase) 13,166
Expense	×1.05 (×0.95)	Decrease (increase) 22,488	Decrease (increase) 18,665
Surrender rates	×1.05 (×0.95)	Increase (decrease) 2,364	Increase (decrease) 1,962
Investment return rate	+0.1%	Increase 27,282	Increase 22,644
Investment return rate	-0.1%	Decrease 27,288	Decrease 22,649

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012

(NT\$)

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

For the three-month period ended 31 March 2012

(US\$)

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

**(B) Cathay life (China)**

For the three-month period ended 31 March 2013

(NT\$)

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

For the three-month period ended 31 March 2013

(US\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012

(NT\$)

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

For the three-month period ended 31 March 2012

(US\$)

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

(C) Cathay Life (Vietnam)

For the three-month period ended 31 March 2013

(NT\$)

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

For the three-month period ended 31 March 2013

(US\$)

	Change in supposition	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 3	Decrease (increase) 2
Expense	×1.05 (×0.95)	Decrease (increase) 79	Decrease (increase) 59
Surrender rates	×1.05 (×0.95)	Increase (decrease) 8	Increase (decrease) 6
Investment return rate	+0.1%	Increase 14	Increase 11
Investment return rate	-0.1%	Decrease 14	Decrease 11

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012

(NT\$)

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

For the three-month period ended 31 March 2012

(US\$)

	Change in supposition	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 1	Decrease (increase) -
Expense	×1.05 (×0.95)	Decrease (increase) 123	Decrease (increase) 93
Surrender rates	×1.05 (×0.95)	Increase (decrease) 20	Increase (decrease) 15
Investment return rate	+0.1%	Increase 13	Increase 10
Investment return rate	-0.1%	Decrease 13	Decrease 10

- a. Changes in income before tax listed above refer to the effects of income before tax for the three-month periods ended 31 March 2013 and 2012 by the assumption. Change of the Company, Cathay Life (China) and Cathay Life (Vietnam) equity is assumed 17%, 25% and 25% of income tax rate has been used.
- b. Increase (decrease) 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity. The result of the test shows adequacy. However, if the discount rate keeps decreasing to significant degree, income before tax and equity will probably be affected.
- c. Test of Sensitivity
  - (a) Life Table/Morbidity test is measured by mortality, morbidity and the occurrence rate of injury insurance multiply change in supposition, in opposition to the change in income before tax.
  - (b) Expenses sensitivity is measured by all expenses listed on income statement (Note 1) multiply change in supposition, in opposition to the change in income before tax.

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

Note 2: The rate of returns is measured by  $2 \times$  (net profits or losses on investment under operating costs as well as business expenses, administration expenses of usable capital balance of usable capital + the ending + Finance costs) and it needs to be annualized.

**B. Explanation of insurance risk concentration**

Cathay Life of insurance business mainly derives from Taiwan, Republic of China. All the insurance policies have the similar risks of exposure, for example, the exposure of the unanticipated changes in trend (ex: mortality, morbidity, and lapse rate), the exposure of multiple insurance contracts caused by a specific event (ex: the simultaneous exposure of life insurance, health insurance, and accidental insurance caused by one earthquake). Cathay Life reduces the risk of exposure not only by monitoring the risks consistently, but also by making reinsurance arrangements.

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



**English Translation of Financial Statements Originally Issued in Chinese**

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Furthermore, according to dicaultations Governing the Provision of Various Reserves by Insurance Enterprises.”, the annual increase of after-tax amount of special capital reserve for major incidents and fluctuation of risks which is based upon the loss ratio of each type of insurance and used for the abnormal movement of compensation needs to be recognized and recorded in appropriated retained earnings of equity in accordance with the International Accounting Standards No. 12.

C. Trend of the development on compensation

(A) Cathay Life

a. Direct business trend of development

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

**b. Retained business trend of development**

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

(B) Cathay life (China)

a. Direct business trend of development

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

**b. Retained business trend of development**

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

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

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

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

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

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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(C) Cathay life (Vietnam)

Direct business trend of development (and retained business trend of development)

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

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

The chart above has shown the development trend of the compensation. The accident year is the actual year for the occurrence of the claimed accident; The cross axle is the year of the development for the settlement cases; the dollar amount showing above the diagonal line represents the settlement cases in that specific accident year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount showing below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each accident year as time goes.

Cathay Life (Vietnam) records and recognizes indemnify reserve for anticipated payment of reported claim and unreported claim compensations. The estimated method of unreported claim is earned premium reserve multiply by claim rate based upon the past indemnity experiences instead of loss triangle method, which approved by Vietnam local authorities. Thus, the anticipated dollar amounts need to be paid for the settlement cases cannot be made the decision to be made from this chart. Also, the estimated unreported cases probably need to be settled by compensation. All these are involved in heavy judgment and estimation. Thus, it exists uncertainty that the estimated indemnify reserve in balance sheet date will be not equal to the final settled amount of compensation.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Credit risk, liquidity risk, and market risk for insurance contracts

A. Credit risk

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

Due to the nature of reinsurance market and the qualification of reinsurer under relevant regulations, the insurers in Taiwan sustain certain degree of concentration of credit risk in reinsurer. To reduce this risk, Cathay Life chooses the counterparty carefully and also reviews its credit rating periodically. Also, Cathay Life monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's "Reinsurance Risk Management Plan" and "Reinsurance Entity Assessment Procedures."

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

The credit rating of Cathay Life market and the qualification of reinsurer are under the relevant regulations, the insurers in Taiwan sustain relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life; therefore, no significant credit risks exist.

B. 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 every payment time in the future on the balance sheet date. The actual dollar amounts paid in the future will not be the same due to the difference between the actual and anticipated experiences.

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

Note: Separate account products are not included in.

C. Market risk

When Cathay Life measures insurance liabilities, the discounted rate approved by the competent authority is applied. The competent authority reviews periodically the discount rate assumption which has been used for reserves. However, the discount rate assumption is not necessarily the same of the time, dollar amount, and direction with those variables (ex: yield rate) in market risk. Thus, those possible variables in market risk to Cathay Lifeted rate approved by the competent authority is applied. The competent authority reviews periodically the discount ratdiscount 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 Cathay Life product portfolio. Furthermore, the reasonable possibly change on the market risk probably will have impact on the insurance contracts which are estimated on balance sheet date based upon the currently available information and the future cash flows of financial instruments with discretionary participation features, used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonable and possible changes on current market risk, it has no or little impact on the adequacy of current recognized insurance liabilities.



**English Translation of Financial Statements Originally Issued in Chinese**

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(2) Century insurance subsidiaries

The objectives, policies, procedures and methods of risk management:

A. The framework, organization, and responsibility of risk management Responsibility:

(A) Board of directors

- a. To recognize various risks associated with insurance business, assure effectiveness of risk management and take ultimate responsibility for risk management as a whole.
- b. To establish appropriate mechanism and culture for risk management, ratify appropriate risk management policies and optimize resource allocation.
- c. To consider the aggregate effect of various risks from the perspective of Cathay Century as a whole, at the same time take into account the regulatory capital requirements from the competent authority and other related capital allocation regulations regarding finance and business.

(B) Risk Management Committee

- a. To formulate risk management policies, frameworks, and organizations; to build quantitative and qualitative management standards, regularly report to board of directors, reflect timely the execution of risk management and propose necessary steps for improvement.
- b. To execute risk management decisions from board of directors and review development, establishment and effectiveness of risk management mechanism for Cathay Century as a whole on a regular basis.
- c. To assist with and supervise various departments in risk management activities.
- d. To adjust risk category, allotment, and attribution in response to changes in the environment.
- e. To coordinate the interaction and communication of risk management function across departments.

**English Translation of Financial Statements Originally Issued in Chinese**

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(C) Risk management department

- a. Risk management department is established independent of sales function to take charge of tasks such as the supervision and evaluation of various major risks.
- b. Responsibility of risk management division:
  - (a) To assist in drafting risk management policies and the execution when ratified by the board of directors.
  - (b) To assist in setting up risk limits according to the risk appetite.
  - (c) To compile risk information from various departments, coordinate and communicate with them to execute policies and limits.
  - (d) To propose risk management related reports on a regular basis.
  - (e) To supervise risk limit and its use in each business unit on a regular basis.
  - (f) To assist in stress tests and conduct back-testing when necessary.
  - (g) To conduct other risk management related tasks.

(D) Business unit

- a. The responsibilities of business's risk management are as follows:
  - (a) To supervise the daily risk management and report of the responsible unit and take necessary responsive actions.
  - (b) To oversee the sharing of risk management information to risk management on a regular basis.
- b. The business unit's responsibilities for risk management are as follows:
  - (a) To identify risk and report risk exposure.
  - (b) To evaluate (quantitative or qualitative) the degree of influence when risks occur and pass the risk information in a timely and correct manner.
  - (c) To review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.
  - (d) To oversee risk exposure and report when over-limit occur, including measures taken against it.
  - (e) To assist in development of risk model to insure the evaluation of risk, use of model, and its assumption are conducted on a reasonable basis and is consistent with actual practice.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (f) To assure effective execution of internal control within business unit to comply with relevant regulations and risk management policies of Cathay Century.
- (g) To assist in collecting information regarding operation risk.

(E) Internal audit room

Review the execution of risk management of each unit in Cathay Century according to the existing relevant regulations.

B. Scope and nature of risk reporting and evaluation system of property insurance

(A) Risks reporting

- a. Each business unit within Cathay Century should pass risk information to risk management unit for overseeing purpose, and propose over-limit report and responsive measures when risk exposure is over limit.
- b. Risk management unit compiles risk information from each department, examine and track the use of major risk limit, submit a monthly risk management report to the general manager, and make quarterly report to the board of director to oversee risks on a regular basis.

(B) Scope and nature of risk evaluation system

The risk management unit of Cathay Century and that of its parent company's, Cathay Financial Holding, collaborate in building market risk management system. The structure will consider functionality, source of information, completeness of uploaded information, and the safety of the environment in which the system operates. Function-wise, risk management system focuses on the need of middle office to quantify risk, and access to the system would only be authorized to risk management personnel.

C. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business. Policy in underwriting to assure proper risk categorization and fee standard.

**English Translation of Financial Statements Originally Issued in Chinese**

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

In Cathay Century, risk management department takes responsibilities in monitoring risks, integrate insurance risk of Cathay Century as a whole, and set up risk indicators, risk limit, and management mechanism. Each related department is the execution unit of insurance risk control. They report execution process to risk management department every month based on regulation, internal rules, and professional knowledge and experience of their respective field. Risk management department then propose insurance risk management report to the board of directors each quarter.

- D. Evaluate risk from the perspective of enterprise as a whole and the scope in managing insurance risk

Scope of insurance risk management of Cathay Century includes product design and pricing, underwriting, reinsurance, risks related to catastrophe, claim, and provision. Proper management mechanisms are set up and executed thoroughly.

- E. Methods with which property insurance business limit insurance risk exposure and improper risk concentration

Before a business is introduced, the underwriting personnel will evaluate the quality of the business based on the underwriting guideline of respective policy to decide whether to undertake the business. Risk is properly avoided and controlled to reduce exposure.

In addition, as Cathay Century undertakes reinsurance business, risk management mechanism is set up in accordance with “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms” and the ability to undertake risk is taken into account for the establishment of re-insurance risk management plan which execution is based upon. Accumulated risk with the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds contract limit or retention limit, risk is diversified through facultative reinsurance.

According to Cathay Century’s risk management mechanism for reinsurance business, the maximum for the retained risk per risk unit is calculated as 10% of the total amount of stockholder’s equities and special reserves (excluding compulsory automobile insurance). The following table summarizes the underlying retention for each risk unit by types of insurance:

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	2013.3.31		2012.3.31	
	NT\$	US\$	NT\$	US\$
Fire insurance	\$673,000	\$22,576	\$613,000	\$20,800
Marine insurance	673,000	22,576	613,000	20,800
Engineering insurance	673,000	22,576	613,000	20,800
Other property insurance	673,000	22,576	613,000	20,800
Automobile insurance	673,000	22,576	613,000	20,800
Health and injury insurance	673,000	22,576	613,000	20,800

F. Methods of asset/liability management

Provisions are evaluated on a regular basis based on Cathay Century's business characteristics to insure current fund allocation and the liquidity of asset investment is sufficient to meet possible future claims. Cash flow management with comprehensive consideration of the amount of fund required and its timeline of every department is conducted through fund procurement department, which is independent of trading unit.

Operation standards under crisis are set up in accordance with the "Directions for Handling Financial Institute Crisis" issued by Financial Supervision Commission. When tremendous sum of fund is lost or liquidity is severely compromised, the operation crisis team will be set up immediately to evaluate the impact on fund liquidity of Cathay Century cautiously and assess the amount, timeline, and benefit of making up the funding gap so as to assure rights of clients and Cathay Century.

G. Management, supervision, control process when additional liability or commitment to equity contribution is required for the property insurance business

Cathay Century has established a management mechanism for capital adequacy, which includes capital adequacy indicators for regular review, and every six month a capital adequacy management report will be compiled to reinforce capital adequacy management.

If capital adequacy ratio exceeds control standard (risk limit) or in the case of unusual events, related departments will meet together to study counter-measures and report to the parent company, Cathay Financial Holding, to review the impact on the Group's capital adequacy ratio.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Receivables and payables of insurance contracts

A. Receivables of insurance contracts

Item	Premiums receivable(Note)			
	(NT\$)			
	31 March, 2013	31 December 2012	31 March 2012	1 January 2012
Fire insurance	\$369,777	\$665,154	\$329,374	\$342,994
Marine insurance	286,175	369,048	506,840	477,307
Land and air insurance	777,943	748,157	528,512	638,561
Liability insurance	175,841	217,416	164,658	135,547
Bonding insurance	22,296	13,983	17,716	11,456
Other property insurance	342,604	345,181	426,702	440,887
Accident insurance	316,196	288,526	237,806	235,275
Health insurance	21,391	22,994	9,222	87,566
Compulsory automobile liability insurance	302,973	268,872	240,954	251,058
Total	2,615,196	2,939,331	2,461,784	2,620,651
Less: Allowance for bad debts	(66,356)	(69,978)	(68,987)	(78,752)
Net	\$2,548,840	\$2,869,353	\$2,392,797	\$2,541,899

Item	Premiums receivable(Note)			
	(US\$)			
	31 March, 2013	31 December 2012	31 March 2012	1 January 2012
Fire insurance	\$12,404	\$22,897	\$11,165	\$11,331
Marine insurance	9,600	12,704	17,181	15,768
Land and air insurance	26,097	25,754	17,916	21,096
Liability insurance	5,899	7,484	5,582	4,478
Bonding insurance	748	481	601	378
Other property insurance	11,493	11,882	14,464	14,565
Accident insurance	10,607	9,932	8,061	7,773
Health insurance	718	792	313	2,893
Compulsory automobile liability insurance	10,163	9,255	8,168	8,294
Total	87,729	101,181	83,451	86,576
Less: Allowance for bad debts	(2,226)	(2,408)	(2,339)	(2,602)
Net	\$85,503	\$98,773	\$81,112	\$83,974

Note: As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the receivables included overdue receivables amounted to NT\$419,858 (US\$14,084), NT\$497,914(US\$17,140), NT\$407,165 (US\$13,802) and NT\$281,695 (US\$9,306), the allowance for bad debts amounted to NT\$33,963 (US\$1,139), NT\$31,767 (US\$1,094), NT\$36,237 (US\$1,228) and NT\$42,183 (US\$1,394).

**English Translation of Financial Statements Originally Issued in Chinese**

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

B. Claims recoverable from reinsurers for policyholder with reported and paid off claims

Item	Claims reported and paid off			
	(NT\$)			
	31 March, 2013	31 December 2012	31 March 2012	1 January 2012
Fire insurance	\$117,859	\$241,267	\$51,948	\$76,577
Marine insurance	71,666	42,699	25,764	58,775
Land and air insurance	18,794	40,214	19,008	18,463
Liability insurance	18,415	13,506	4,613	14,907
Bonding insurance	125	8	(170)	2,406
Other property insurance	9,069	8,231	9,435	25,509
Accident insurance	11,412	23,435	18,568	17,873
Health insurance	-	-	-	-
Compulsory automobile liability insurance	131,557	144,232	127,509	53,741
Total	378,897	513,592	256,675	268,251
Less: Allowance for bad debts	-	-	-	-
Net	\$378,897	\$513,592	\$256,675	\$268,251

Item	Claims reported and paid off			
	(US\$)			
	31 March, 2013	31 December 2012	31 March 2012	1 January 2012
Fire insurance	\$3,954	\$8,305	\$1,761	\$2,530
Marine insurance	2,404	1,470	873	1,942
Land and air insurance	630	1,385	644	610
Liability insurance	618	465	157	493
Bonding insurance	4	-	(6)	79
Other property insurance	304	283	320	843
Accident insurance	383	807	630	590
Health insurance	-	-	-	-
Compulsory automobile liability insurance	4,413	4,965	4,322	1,775
Total	12,710	17,680	8,701	8,862
Less: Allowance for bad debts	-	-	-	-
Net	\$12,710	\$17,680	\$8,701	\$8,862

**English Translation of Financial Statements Originally Issued in Chinese**

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

C. Payables of insurance contract

Item	31 March 2013					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$4,294	\$144	\$8,386	\$281	\$12,680	\$425
Marine insurance	1,337	45	7,738	260	9,075	305
Land and air insurance	2,950	99	90,515	3,037	93,465	3,136
Liability insurance	8,407	282	5,873	197	14,280	479
Bonding insurance	100	3	111	4	211	7
Other property insurance	37,888	1,271	8,981	301	46,869	1,572
Accident insurance	-	-	31,443	1,055	31,443	1,055
Health insurance	469	16	4,902	164	5,371	180
Compulsory automobile liability insurance	93,697	3,143	93,697	3,143	187,394	6,286
<b>Total</b>	<b>\$149,142</b>	<b>\$5,003</b>	<b>\$251,646</b>	<b>\$8,442</b>	<b>\$400,788</b>	<b>\$13,445</b>

Item	31 December 2012					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$13,092	\$451	\$6,224	\$214	\$19,316	\$665
Marine insurance	3,280	113	8,177	281	11,457	394
Land and air insurance	2,965	102	73,378	2,526	76,343	2,628
Liability insurance	8,472	292	5,488	189	13,960	481
Bonding insurance	485	17	188	7	673	24
Other property insurance	7,917	272	9,154	315	17,071	587
Accident insurance	182	6	23,540	810	23,722	816
Health insurance	39	1	4,118	142	4,157	143
Compulsory automobile liability insurance	75,939	2,614	-	-	75,939	2,614
<b>Total</b>	<b>\$112,371</b>	<b>\$3,868</b>	<b>\$130,267</b>	<b>\$4,484</b>	<b>\$242,638</b>	<b>\$8,352</b>



**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	31 March 2012					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$15,447	\$524	\$7,287	\$247	\$22,734	\$771
Marine insurance	6,279	213	4,587	155	10,866	368
Land and air insurance	1,572	53	73,298	2,485	74,870	2,538
Liability insurance	4,216	143	4,905	166	9,121	309
Bonding insurance	1,543	52	98	3	1,641	55
Other property insurance	14,904	505	9,012	306	23,916	811
Accident insurance	-	-	27,752	941	27,752	941
Health insurance	-	-	5,724	194	5,724	194
Compulsory automobile liability insurance	78,884	2,674	-	-	78,884	2,674
<b>Total</b>	<b>\$122,845</b>	<b>\$4,164</b>	<b>\$132,663</b>	<b>\$4,497</b>	<b>\$255,508</b>	<b>\$8,661</b>

Item	1 January 2012					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$15,917	\$526	\$8,061	\$266	\$23,978	\$792
Marine insurance	4,753	157	5,018	166	9,771	323
Land and air insurance	1,500	49	99,623	3,291	101,123	3,340
Liability insurance	7,053	233	5,347	177	12,400	410
Bonding insurance	321	11	41	1	362	12
Other property insurance	8,232	272	8,179	270	16,411	542
Accident insurance	215	7	44,181	1,460	44,396	1,467
Health insurance	8	-	4,175	138	4,183	138
Compulsory automobile liability insurance	97,924	3,235	-	-	97,924	3,235
<b>Total</b>	<b>\$135,923</b>	<b>\$4,490</b>	<b>\$174,625</b>	<b>\$5,769</b>	<b>\$310,548</b>	<b>\$10,259</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

D. Due from (to) reinsurers and ceding companies- reinsurance

Item	31 March 2013			
	Due from reinsurers and ceding companies(Note)		Due to reinsurers and ceding companies	
	NT\$	US\$	NT\$	US\$
Non-Life Insurance Association of the R.O.C	\$54,534	\$1,829	\$213,579	\$7,165
Jia Peng Re	22,338	749	28,504	956
Best Re	28,598	959	19,236	645
Central Re	51,920	1,742	97,090	3,257
Elite	27,628	927	25,466	854
FP Marine	110,702	3,714	101,488	3,405
Guy Carpenter	44,307	1,486	114,780	3,850
Hannover Re	23,239	780	48,107	1,614
Korean Re	57,145	1,917	60,613	2,034
Swiss Re	1,803	60	79,147	2,655
Willis	1,642	55	53,133	1,782
Wilson Re	44,429	1,491	8,992	302
Zurich	364	12	74,163	2,488
Others	214,852	7,207	403,252	13,527
Total	683,501	22,928	1,327,550	44,534
Less: Allowance for bad debts	(6,272)	(210)	-	-
Net	\$677,229	\$22,718	\$1,327,550	\$44,534

Item	31 December 2012			
	Due from reinsurers and ceding companies(Note)		Due to reinsurers and ceding companies	
	NT\$	US\$	NT\$	US\$
Non-Life Insurance Association of the R.O.C	\$54,422	\$1,873	\$197,276	\$6,791
Asia Capital Re	18,264	629	12,428	428
Best Re	14,002	482	11,283	388
Elite	19,346	666	29,007	999
FP Marine	76,332	2,628	68,251	2,349
GUY CARPENTER & OMPANY.LTD	-	-	44,689	1,538
JLT	-	-	83,049	2,859
Korean Re	9,104	313	53,682	1,848
Marsh	37,557	1,293	90,672	3,121
Swiss Re	531	18	83,848	2,886
Wilson Re	26,994	929	20,931	721
Zurich	2,336	81	70,029	2,411
Others	191,294	6,585	439,956	15,145
Total	450,182	15,497	1,205,101	41,484
Less: Allowance for bad debts	(5,494)	(189)	-	-
Net	\$444,688	\$15,308	\$1,205,101	\$41,484

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	31 March 2012			
	Due from reinsurers and ceding companies(Note)		Due to reinsurers and ceding companies	
	NT\$	US\$	NT\$	US\$
Non-Life Insurance Association of the R.O.C	\$52,860	\$1,792	\$203,754	\$6,907
Taian	33,418	1,133	10,729	364
Fubon	53,263	1,805	1,510	51
Huanan	29,678	1,006	6,791	230
Tokio Marine	19,913	675	9,627	326
Best Re	22,831	774	21,292	722
Central Re	80,056	2,714	142,571	4,833
Everest Re	46,058	1,561	33,835	1,147
FP Marine	36,146	1,225	74,887	2,539
Guy Carpenter	1,198	40	113,910	3,861
Korean Re	39,497	1,339	60,152	2,039
Marsh	24,775	840	47,784	1,620
Sompo Japan Re	21,482	728	69,603	2,359
Swiss Re	1,494	51	76,077	2,579
Willis	25	1	45,968	1,558
Zurich	19	1	64,219	2,177
Others	197,260	6,687	345,949	11,727
Total	659,973	22,372	1,328,658	45,039
Less: Allowance for bad debts	(45,005)	(1,526)	-	-
Net	\$614,968	\$20,846	\$1,328,658	\$45,039

Item	1 January 2012			
	Due from reinsurers and ceding companies(Note)		Due to reinsurers and ceding companies	
	NT\$	US\$	NT\$	US\$
Non-Life Insurance Association of the R.O.C	\$55,981	\$1,849	\$147,763	\$4,881
Taian	33,319	1,101	5,721	189
Fubon	44,104	1,457	1,851	61
Huanan	31,318	1,035	13,855	458
BEST Re	3,473	115	-	-
Central Re	14,006	463	60,902	2,012
FP Marine	54,730	1,808	126,004	4,163
JLT	3,126	103	72,801	2,405
Marsh	67,883	2,242	97,473	3,220
Miller	39,307	1,298	37,488	1,239
Swiss Re	2,168	72	106,862	3,530
Wilson Re	10,318	341	72,590	2,398
Zurich	17	1	87,163	2,880
Others	190,215	6,284	430,964	14,237
Total	549,965	18,169	1,261,437	41,673
Less: Allowance for bad debts	(52,091)	(1,721)	-	-
Net	\$497,874	\$16,448	\$1,261,437	\$41,673

Notes: As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the due from reinsurers and ceding companies included overdue receivables amounted to NT\$419,858 (US\$14,084), NT\$54,939 (US\$1,891), NT\$52,091 (US\$1,766) and NT\$45,005 (US\$1,487), the allowance for bad debts amounted to NT\$33,963 (US\$1,139), NT\$5,494 (US\$189), NT\$45,005 (US\$1,525) and NT\$52,091 (US\$1,721).

**English Translation of Financial Statements Originally Issued in Chinese**

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

Information of management achievements

A. Acquisition cost for insurance contracts

For the three months ended 31 March 2013						
(NT\$)						
Item	Commission			Reinsurance commission		Total
	expense	Agency fee	Surcharge	expense	Other cost	
Fire insurance	\$12,466	\$1,050	\$9,305	\$151	\$18,891	\$41,863
Marine insurance	3,289	723	929	1,018	17,243	23,202
Land and air insurance	5,865	698	-	358	200,275	207,196
Liability insurance	7,221	516	17,024	28	14,059	38,848
Bonding insurance	326	8	107	-	393	834
Other property insurance	2,536	365	32,332	1,918	19,617	56,768
Accident insurance	3,493	505	-	6	81,012	85,016
Health insurance	2,316	201	-	-	2,951	5,468
Compulsory automobile liability insurance	-	-	112,717	-	1,660	114,377
<b>Total</b>	<b>\$37,512</b>	<b>\$4,066</b>	<b>\$172,414</b>	<b>\$3,479</b>	<b>\$356,101</b>	<b>\$573,572</b>

For the three months ended 31 March 2013						
(US\$)						
Item	Commission			Reinsurance commission		Total
	expense	Agency fee	Surcharge	expense	Other cost	
Fire insurance	\$418	\$35	\$312	\$5	\$634	\$1,404
Marine insurance	110	25	31	34	578	778
Land and air insurance	197	23	-	12	6,718	6,950
Liability insurance	242	17	571	1	472	1,303
Bonding insurance	11	-	4	-	13	28
Other property insurance	85	12	1,085	65	658	1,905
Accident insurance	117	17	-	-	2,718	2,852
Health insurance	78	7	-	-	99	184
Compulsory automobile liability insurance	-	-	3,781	-	56	3,837
<b>Total</b>	<b>\$1,258</b>	<b>\$136</b>	<b>\$5,784</b>	<b>\$117</b>	<b>\$11,946</b>	<b>\$19,241</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three months ended 31 March 2012

Item	(NT\$)					
	Commission			Reinsurance commission		Total
	expense	Agency fee	Surcharge	expense	Other cost	
Fire insurance	\$575	\$1,067	\$10,376	\$461	\$20,650	\$33,129
Marine insurance	2,111	224	1,973	252	12,680	17,240
Land and air insurance	6,740	392	-	581	169,179	176,892
Liability insurance	1,935	203	6,054	305	13,067	21,564
Bonding insurance	477	(8)	288	(2)	248	1,003
Other property insurance	9,459	1,175	11,257	714	18,326	40,931
Accident insurance	2,085	83	2	53	77,414	79,637
Health insurance	575	52	-	-	4,096	4,723
Compulsory automobile liability insurance	-	-	92,564	-	1,693	94,257
Total	\$23,957	\$3,188	\$122,514	\$2,364	\$317,353	\$469,376

For the three months ended 31 March 2012

Item	(US\$)					
	Commission			Reinsurance commission		Total
	expense	Agency fee	Surcharge	expense	Other cost	
Fire insurance	\$19	\$36	\$352	\$16	\$700	\$1,123
Marine insurance	72	7	67	8	430	584
Land and air insurance	228	13	-	20	5,735	5,996
Liability insurance	66	7	205	10	443	731
Bonding insurance	16	-	10	-	8	34
Other property insurance	321	40	381	24	622	1,388
Accident insurance	71	3	-	2	2,624	2,700
Health insurance	19	2	-	-	139	160
Compulsory automobile liability insurance	-	-	3,138	-	57	3,195
Total	\$812	\$108	\$4,153	\$80	\$10,758	\$15,911

**English Translation of Financial Statements Originally Issued in Chinese**

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

B. Disclosure for insurance cost benefit analysis

a. Cost benefit analysis for direct underwriting

For the three months ended 31 March 2013						
(NT\$)						
Item	Direct premium income	Net change for unearned premiums reserve	Acquisition cost for insurance contract	Insurance claims paid	Net change for claims reserve	Net gain (loss)
Fire insurance	\$502,289	\$264,409	\$(41,712)	\$(416,738)	\$409,718	\$717,966
Marine insurance	166,710	23,771	(22,184)	(105,667)	(78,837)	(16,207)
Land and air insurance	1,557,838	(370,375)	(206,838)	(746,455)	(127,795)	106,375
Liability insurance	249,218	(3,650)	(38,820)	(100,524)	(91,730)	14,494
Bonding insurance	22,344	(6,543)	(834)	(1,237)	13,926	27,656
Other property insurance	353,720	(1,167)	(54,850)	(138,155)	(13,660)	145,888
Accident insurance	622,656	(36,590)	(85,010)	(194,208)	145,340	452,188
Health insurance	35,147	(1,331)	(5,468)	(42,185)	16,023	2,186
Compulsory automobile liability insurance	801,693	(75,715)	(114,377)	(469,160)	(58,683)	83,758
<b>Total</b>	<b>\$4,311,615</b>	<b>\$(207,191)</b>	<b>\$(570,093)</b>	<b>\$(2,214,329)</b>	<b>\$214,302</b>	<b>\$1,534,304</b>

For the three months ended 31 March 2013						
(US\$)						
Item	Direct premium income	Net change for unearned premiums reserve	Acquisition cost for insurance contract	Insurance claims paid	Net change for claims reserve	Net gain (loss)
Fire insurance	\$16,850	\$8,870	\$(1,399)	\$(13,980)	\$13,744	\$24,085
Marine insurance	5,592	797	(744)	(3,545)	(2,645)	(545)
Land and air insurance	52,259	(12,425)	(6,938)	(25,040)	(4,287)	3,569
Liability insurance	8,360	(122)	(1,302)	(3,372)	(3,077)	487
Bonding insurance	750	(219)	(28)	(41)	467	929
Other property insurance	11,866	(39)	(1,840)	(4,635)	(458)	4,894
Accident insurance	20,887	(1,227)	(2,852)	(6,515)	4,876	15,169
Health insurance	1,179	(45)	(184)	(1,415)	537	72
Compulsory automobile liability insurance	26,893	(2,540)	(3,837)	(15,738)	(1,969)	2,809
<b>Total</b>	<b>\$144,636</b>	<b>\$(6,950)</b>	<b>\$(19,124)</b>	<b>\$(74,281)</b>	<b>\$7,188</b>	<b>\$51,469</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three months ended 31 March 2012

Item	(NT\$)					
	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
	income	premiums	insurance	paid	reserve	
	reserve	contract				
Fire insurance	\$513,636	\$125,599	\$(32,668)	\$(263,046)	\$131,117	\$474,638
Marine insurance	189,220	21,756	(16,988)	(68,733)	(88,834)	36,421
Land and air insurance	1,147,215	(195,082)	(176,311)	(632,230)	85,433	229,025
Liability insurance	257,315	(65,318)	(21,259)	(41,454)	(21,241)	108,043
Bonding insurance	21,116	(4,894)	(1,005)	(688)	388	14,917
Other property insurance	268,886	(40,619)	(40,217)	(61,445)	(34,546)	92,059
Accident insurance	556,827	23,334	(79,584)	(218,278)	(66,363)	215,936
Health insurance	26,922	22,614	(4,723)	(41,886)	(27,691)	(24,764)
Compulsory automobile liability insurance	665,381	(8,596)	(94,257)	(416,125)	10,069	156,472
<b>Total</b>	<b>\$3,646,518</b>	<b>\$(121,206)</b>	<b>\$(467,012)</b>	<b>\$(1,743,885)</b>	<b>\$(11,668)</b>	<b>\$1,302,747</b>

For the three months ended 31 March 2012

Item	(US\$)					
	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
	income	premiums	insurance	paid	reserve	
	reserve	contract				
Fire insurance	\$17,411	\$4,257	\$(1,107)	\$(8,917)	\$4,445	\$16,089
Marine insurance	6,414	737	(576)	(2,330)	(3,011)	1,234
Land and air insurance	38,889	(6,613)	(5,976)	(21,432)	2,896	7,764
Liability insurance	8,723	(2,214)	(721)	(1,405)	(720)	3,663
Bonding insurance	716	(166)	(34)	(23)	13	506
Other property insurance	9,115	(1,377)	(1,364)	(2,083)	(1,171)	3,120
Accident insurance	18,875	791	(2,698)	(7,399)	(2,249)	7,320
Health insurance	913	767	(160)	(1,420)	(939)	(839)
Compulsory automobile liability insurance	22,555	(291)	(3,195)	(14,106)	341	5,304
<b>Total</b>	<b>\$123,611</b>	<b>\$(4,109)</b>	<b>\$(15,831)</b>	<b>\$(59,115)</b>	<b>\$(395)</b>	<b>\$44,161</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Cost benefit analysis for assumed reinsurance business

For the three months ended 31 March 2013						
(NT\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$23,412	\$(4,416)	\$(151)	\$(113)	\$(152)	\$18,580
Marine insurance	12,879	(3,133)	(1,018)	(45,218)	11,359	(25,131)
Land and air insurance	928	3,335	(358)	(3,175)	(3,238)	(2,508)
Liability insurance	1	90	(28)	(14)	(29)	20
Bonding insurance	479	12	-	(11)	20	500
Other property insurance	8,674	3,166	(1,918)	(2,986)	(22)	6,914
Accident insurance	1,609	183	(6)	(6)	1,570	3,350
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	68,029	(1,116)	-	(80,400)	(4,039)	(17,526)
<b>Total</b>	<b>\$116,011</b>	<b>\$(1,879)</b>	<b>\$(3,479)</b>	<b>\$(131,923)</b>	<b>\$5,469</b>	<b>\$(15,801)</b>

For the three months ended 31 March 2013						
(US\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$786	\$(148)	\$(5)	\$(4)	\$(5)	\$624
Marine insurance	432	(105)	(34)	(1,517)	381	(843)
Land and air insurance	31	112	(12)	(107)	(109)	(85)
Liability insurance	-	3	(1)	(1)	(1)	-
Bonding insurance	16	-	-	-	1	17
Other property insurance	291	106	(65)	(100)	(1)	231
Accident insurance	54	6	-	-	53	113
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,282	(37)	-	(2,697)	(135)	(587)
<b>Total</b>	<b>\$3,892</b>	<b>\$(63)</b>	<b>\$(117)</b>	<b>\$(4,426)</b>	<b>\$184</b>	<b>\$(530)</b>



**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three months ended 31 March 2012						
(NT\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$16,286	\$211	\$(461)	\$(73)	\$(19,814)	\$(3,851)
Marine insurance	3,381	(1,719)	(252)	(4,504)	(5,207)	(8,301)
Land and air insurance	1,670	1,274	(581)	(1,165)	(12,862)	(11,664)
Liability insurance	328	(130)	(305)	(113)	1,158	938
Bonding insurance	349	(151)	2	(8)	8	200
Other property insurance	2,976	4,594	(714)	(1,024)	24	5,856
Accident insurance	2,258	14,346	(53)	(2,586)	(6,596)	7,369
Health insurance	-	-	-	-	114	114
Compulsory automobile liability insurance	65,379	2,024	-	(43,689)	(19,781)	3,933
<b>Total</b>	<b>\$92,627</b>	<b>\$20,449</b>	<b>\$(2,364)</b>	<b>\$(53,162)</b>	<b>\$(62,956)</b>	<b>\$(5,406)</b>

For the three months ended 31 March 2012						
(US\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$552	\$7	\$(16)	\$(2)	\$(671)	\$(130)
Marine insurance	115	(58)	(8)	(153)	(177)	(281)
Land and air insurance	57	43	(20)	(39)	(436)	(395)
Liability insurance	11	(4)	(10)	(4)	39	32
Bonding insurance	12	(5)	-	-	-	7
Other property insurance	101	155	(24)	(35)	1	198
Accident insurance	76	486	(2)	(88)	(223)	249
Health insurance	-	-	-	-	4	4
Compulsory automobile liability insurance	2,216	69	-	(1,481)	(671)	133
<b>Total</b>	<b>\$3,140</b>	<b>\$693</b>	<b>\$(80)</b>	<b>\$(1,802)</b>	<b>\$(2,134)</b>	<b>\$(183)</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

c. Recognized gain (loss) for reinsurance contract purchased

For the three months ended 31 March 2013						
(NT\$)						
Item	Reinsurance expense	Net change	Reinsurance commission earned	Claims	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
		for unearned premiums reserve ceded		recovered from reinsurers		
Fire insurance	\$376,250	\$113,088	\$(46,327)	\$(146,837)	\$219,863	\$516,037
Marine insurance	121,211	22,929	(18,700)	(125,911)	(23,490)	(23,961)
Land and air insurance	58,106	8,187	(17,224)	(22,760)	(13,547)	12,762
Liability insurance	76,425	12,993	(21,200)	(29,579)	(312)	38,327
Bonding insurance	14,519	(7,763)	(2,909)	(153)	4,858	8,552
Other property insurance	70,342	5,369	(10,525)	(17,335)	9,414	57,265
Accident insurance	35,812	5,680	(10,297)	(11,472)	22,691	42,414
Health insurance	301	398	(110)	(160)	1,172	1,601
Compulsory automobile liability insurance	204,931	(11,762)	-	(184,911)	(22,543)	(14,285)
<b>Total</b>	<b>\$957,897</b>	<b>\$149,119</b>	<b>\$(127,292)</b>	<b>\$(539,118)</b>	<b>\$198,106</b>	<b>\$638,712</b>

For the three months ended 31 March 2013						
(US\$)						
Item	Reinsurance expense	Net change	Reinsurance commission earned	Claims	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
		for unearned premiums reserve ceded		recovered from reinsurers		
Fire insurance	\$12,622	\$3,794	\$(1,554)	\$(4,926)	\$7,375	\$17,311
Marine insurance	4,066	769	(627)	(4,224)	(788)	(804)
Land and air insurance	1,949	275	(578)	(763)	(455)	428
Liability insurance	2,564	436	(711)	(992)	(10)	1,287
Bonding insurance	487	(260)	(98)	(5)	163	287
Other property insurance	2,360	180	(353)	(582)	316	1,921
Accident insurance	1,201	191	(345)	(385)	761	1,423
Health insurance	10	13	(4)	(5)	39	53
Compulsory automobile liability insurance	6,874	(395)	-	(6,203)	(756)	(480)
<b>Total</b>	<b>\$32,133</b>	<b>\$5,003</b>	<b>\$(4,270)</b>	<b>\$(18,085)</b>	<b>\$6,645</b>	<b>\$21,426</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three months ended 31 March 2012						
(NT\$)						
Item	Reinsurance expense	Net change for unearned premiums reserve ceded	Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$310,017	\$78,964	\$(20,862)	\$(114,765)	\$45,742	\$299,096
Marine insurance	158,132	12,766	(30,841)	(23,806)	(30,108)	86,143
Land and air insurance	20,006	24,895	(6,841)	(18,225)	(8,201)	11,634
Liability insurance	94,673	(29,458)	(24,400)	(3,029)	(12,871)	24,915
Bonding insurance	12,281	(5,562)	(2,516)	2,074	481	6,758
Other property insurance	115,087	(9,291)	(20,930)	(3,477)	2,040	83,429
Accident insurance	46,890	(8,829)	(9,317)	(17,596)	(18,079)	(6,931)
Health insurance	954	69	(335)	(400)	(1,174)	(886)
Compulsory automobile liability insurance	183,382	(4,283)	-	(162,896)	3,998	20,201
<b>Total</b>	<b>\$941,422</b>	<b>\$59,271</b>	<b>\$(116,042)</b>	<b>\$(342,120)</b>	<b>\$(18,172)</b>	<b>\$524,359</b>

For the three months ended 31 March 2012						
(US\$)						
Item	Reinsurance expense	Net change for unearned premiums reserve ceded	Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
Fire insurance	\$10,509	\$2,677	\$(707)	\$(3,890)	\$1,551	\$10,140
Marine insurance	5,361	433	(1,046)	(807)	(1,021)	2,920
Land and air insurance	678	844	(232)	(618)	(278)	394
Liability insurance	3,209	(999)	(827)	(103)	(436)	844
Bonding insurance	416	(189)	(85)	70	16	228
Other property insurance	3,901	(315)	(710)	(118)	69	2,827
Accident insurance	1,590	(299)	(316)	(596)	(613)	(234)
Health insurance	33	2	(11)	(13)	(40)	(29)
Compulsory automobile liability insurance	6,216	(145)	-	(5,522)	136	685
<b>Total</b>	<b>\$31,913</b>	<b>\$2,009</b>	<b>\$(3,934)</b>	<b>\$(11,597)</b>	<b>\$(616)</b>	<b>\$17,775</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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C. Sensitivity of insurance risk

a. Cathay Century

Insurance type	Premium income		Expected loss ratio	The impact to profit and loss when the expected loss ratio increases 5%			
	NT\$	US\$		Before reinsurance		After reinsurance	
				NT\$	US\$	NT\$	US\$
Fire insurance	\$405,118	\$13,590	63.18	\$20,256	\$680	\$10,084	\$338
Marine insurance	158,322	5,311	64.77	7,916	266	1,687	57
Land and air insurance	1,550,611	52,016	65.02	77,531	2,601	48,395	1,623
Liability insurance	162,766	5,460	68.07	8,138	273	4,421	148
Bonding insurance	20,708	695	68.04	1,035	35	225	8
Other property insurance	145,392	4,877	61.81	7,270	244	3,199	107
Accident insurance	620,913	20,829	72.10	31,046	1,041	20,592	691
Health insurance	35,147	1,179	69.60	1,757	59	1,215	41
Compulsory automobile liability insurance	749,023	25,127	NA	NA	NA	NA	NA

Note: Fire insurance does not include long-term fire insurance.

The chart above shows that with every 5% increase of the expected loss rate of every insurance contract of the company, certain influence will be imposed upon revenue; however, the influence has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

b. Cathay Insurance (China)

Insurance type	Premium income		Expected loss ratio	The impact to profit and loss when the expected loss ratio increases 5%			
	NT\$	US\$		Before reinsurance		After reinsurance	
				NT\$	US\$	NT\$	US\$
Fire insurance	\$85,974	\$2,884		\$4,299	\$144	\$1,119	\$38
Marine insurance	7,436	249		372	12	210	7
Liability insurance	86,193	2,891		4,310	145	2,956	99
Bonding insurance	1,636	55		82	3	67	2
Other property insurance	208,259	6,986		10,413	349	10,236	343
Accident insurance	-	-		-	-	1	-
Compulsory automobile liability insurance	52,670	1,767		2,633	88	2,633	88

**English Translation of Financial Statements Originally Issued in Chinese**

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According to the above chart, with every 5% increase in the ending loss rate of every insurance contract of Cathay Insurance (China), certain influence will be imposed upon revenue; however, the influence has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

**D. Concentration Risk**

**(A) Cathay Century**

**a. Situations that might cause concentration of insurance risk:**

**(a) Single insurance contract or few related contracts**

For the three month ended 31 March 2013, the Cathay Century will undertake a business with infrequent but enormous losses only if all risks are evaluated by the underwriting department based on underwriting guidelines, or are discussed by an ad hoc meeting.

**(b) A single accident that induces risk exposure in several insurance contracts**

For the three months ended 31 March 2013, the loss rate of Health insurance is high due to several large claim cases. Other than these, the loss rates of the rest insurance categories are still within reasonable range.

**(c) Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts.**

Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts. Insurance categories are still within reasonable range. ad hoc meeting. Effect of risk diversification. Insurance department of the company will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the three months ended 31 March 2013, no material lawsuit or legal risks has taken place.

**(d) Correlation and mutual influence between different risks**

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of Cathay Century being severely endangered by these derived risks, the company has established ed by these derived risks, the he insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of ers, so that possible leg the rights of the insured and Cathay Century and to guard financial order. For the three months ended 31 March 2013, there is no catastrophe has taken place.

**English Translation of Financial Statements Originally Issued in Chinese**

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- (e) When a certain key variable has approached significant non-linear relationship with future cash flow which could dramatically influence its performance

Since the 3<sup>rd</sup> stage of liberalization of property insurance fee took into effect, Cathay Century has conducted regular fee reviews on car insurance, fire insurance, and residential fire insurance in accordance with regulation. Fee will be raised when actual loss rate exceeds expected loss rate by a certain percentage to avoid worsening of further losses. In addition, from time to time related departments would observe the change in trend for loss rates of different product categories and adjust pricing and coverage in a timely manner to effectively lower insurance risk.

- (f) Concentration risks in geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and foods are centralize in the areas of Taipei, Taoyuan, Hsinchu, Chiayi, Tainan, Kaohsiung and Pingtung.

- b. Following table summarizes the concentration risk of the Company before and after reinsurance by types of insurance:

Insurance type	For the three months ended 31 March 2013 (NT\$)				For the three months ended 31 March 2013 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$2,566,621	\$69,251	\$260,162	\$2,375,710	\$86,099	\$2,323	\$8,727	\$79,695
Fire insurance	410,393	22,647	302,455	130,585	13,767	760	10,146	4,381
Marine insurance	159,039	11,351	118,711	51,679	5,335	381	3,982	1,734
Engineering insurance	124,490	3,681	49,175	78,996	4,176	124	1,650	2,650
Health and injury insurance	330,499	1,506	27,945	304,060	11,087	50	937	10,200
Other insurance	255,871	2,218	86,551	171,538	8,583	74	2,903	5,754
<b>Total</b>	<b>\$3,846,913</b>	<b>\$110,654</b>	<b>\$844,999</b>	<b>\$3,112,568</b>	<b>\$129,047</b>	<b>\$3,712</b>	<b>\$28,345</b>	<b>\$104,414</b>

- c. Catastrophes such as earthquake, typhoon, and flood, will bring tremendous insurance risk to property insurance business. The greatest loss rate for such catastrophes for the Cathay Century in the past would be the 2000 Typhoon Fanatic and the fire broke out in Formosa Plastic Group. Nevertheless, due to proper arrangement of reinsurance and profit from investment, before-tax profit for the year still came out at 342 million.

**English Translation of Financial Statements Originally Issued in Chinese**

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(B) Cathay Insurance (China)

a. Situations that might cause to the concentration of insurance risk:

(a) The exposure of unanticipated change in trend

Cathay Insurance (China) reduces the impact of unexpected risk changes on daily operating activities by formulating intensive underwriting and claim policy, entering into proper reinsurance agreements and inspecting and analyzing claims data periodically.

(b) The correlation and cross effect between different risks

When significant incidents happened, Cathay Insurance (China) may face huge claim loss for the insured cases or the impairment loss for intangible or tangible assets. It may also create risks such as market risk, credit risk, liquidity risk and so on. To ensure the management level and related departments can rapidly handle the significant incidents; Cathay Insurance (China) established a system. It may also create risks such as market risk, credit risk, and claims data processing personnel will hold the emergency response team to make sure the operation of Cathay Insurance (China) and protect the safety of policyholders rapidly handle the significant incidents; Cathay Insurance (China) established the system.

b. Following tables summarized the concentration before and after reinsurance by types of insurance risk of Cathay Insurance (China):

Insurance type	For the three months ended 31 March 2013 (NT\$)				For the three months ended 31 March 2013 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$248,583	\$3,335	\$859	\$251,059	\$8,339	\$112	\$29	\$8,422
Fire insurance	89,080	723	65,980	23,823	2,988	24	2,213	799
Marine insurance	7,436	1,235	4,466	4,205	250	41	150	141
Engineering insurance	6,523	-	4,363	2,160	219	-	146	73
Health and injury insurance	-	23	-	23	-	1	-	1
Other insurance	90,545	-	27,366	63,179	3,037	-	918	2,119
Total	\$442,167	\$5,316	\$103,034	\$344,449	\$14,833	\$178	\$3,456	\$11,555

**English Translation of Financial Statements Originally Issued in Chinese**

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

Claim development table

A. Cathay Century

	2008.1.1- 2008.3.31	2008.4.1- 2009.3.31	2009.4.1- 2010.3.31	2010.4.1- 2011.3.31	2011.4.1- 2012.3.31	2012.4.1- 2013.3.31	Total
Underwriting Year (NT\$)							
Estimate of cumulative claims incurred:							
At end of underwriting year	\$2,857,559	\$3,309,373	\$3,451,224	\$5,047,820	\$4,157,056	\$5,956,442	
One year later	3,594,047	4,395,761	4,362,499	6,226,914	4,979,753		
Two year later	3,503,804	4,390,348	4,509,300	5,907,031			
Three year later	3,492,947	4,463,529	4,548,580				
Four year later	3,511,120	4,526,001					
Five year later	3,518,675						
Estimate of cumulative claims incurred	3,518,675	4,526,001	4,548,580	5,907,031	4,979,753	5,956,442	
Cumulative payment to date	3,472,531	4,451,323	4,406,101	5,521,521	4,624,147	3,284,601	
Subtotal	46,144	74,678	142,479	385,510	355,606	2,671,841	3,676,258
Reconciliation	-	-	-	-	-	52,793	52,793
Recorded in balance sheet	\$46,144	\$74,678	\$142,479	\$385,510	\$355,606	\$2,724,634	\$3,729,051
	2008.1.1- 2008.3.31	2008.4.1- 2009.3.31	2009.4.1- 2010.3.31	2010.4.1- 2011.3.31	2011.4.1- 2012.3.31	2012.4.1- 2013.3.31	Total
Underwriting Year (US\$)							
Estimate of cumulative claims incurred:							
At end of underwriting year	\$95,859	\$111,016	\$115,774	\$169,333	\$139,452	\$199,814	
One year later	120,565	147,459	146,343	208,887	167,050		
Two year later	117,538	147,278	151,268	198,156			
Three year later	117,174	149,733	152,586				
Four year later	117,783	151,828					
Five year later	118,037						
Estimate of cumulative claims incurred	118,037	151,828	152,586	198,156	167,050	199,814	
Cumulative payment to date	116,489	149,323	147,806	185,224	155,121	110,185	
Subtotal	1,548	2,505	4,780	12,932	11,929	89,629	123,323
Reconciliation	-	-	-	-	-	1,771	1,771
Recorded in balance sheet	\$1,548	\$2,505	\$4,780	\$12,932	\$11,929	\$91,400	\$125,094

Note: The upper part of this chart is to explain the amount of claim for property insurance of each underwriting year estimated through time. The upper table excluding claim reserve of compulsory automobile liability insurance NT\$832,302(US\$27,920) and assumed reinsurance (except compulsory automobile liability insurance) NT\$233,033(US\$7,817).



**English Translation of Financial Statements Originally Issued in Chinese**

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

**B. Cathay Insurance (China)**

NT\$	For the first quarter of						Total
	2008.1.1- 2008.12.31	2009.1.1- 2009.12.31	2010.1.1- 2010.12.31	2011.1.1- 2011.12.31	2012.1.1- 2012.12.31	2013.1.1- 2013.3.31	
Estimated accumulation amount of claim							
As to 2008/12/31	\$2,633						
As to 2009/12/31	2,509	\$152,765					
As to 2010/12/31	2,505	146,807	\$326,695				
As to 2011/12/31	2,532	143,850	323,587	\$351,579			
As to 2012/12/31	1,315	124,872	290,601	314,872	\$977,962		
As to 2013/3/31	1,315	124,873	290,257	318,699	855,573	\$285,456	
Estimated accumulation of claim	1,315	124,873	290,257	318,699	855,573	285,456	\$1,876,173
Accumulated claim paid	1,315	124,741	286,822	270,720	407,336	24,337	1,115,271
Subtotal	-	132	3,435	47,979	448,237	261,119	760,902
Indirect claim expense, discount and risk margin							36,672
Recognized amount on balance sheet							\$797,574

US\$	For the first quarter of						Total
	2008.1.1- 2008.12.31	2009.1.1- 2009.12.31	2010.1.1- 2010.12.31	2011.1.1- 2011.12.31	2012.1.1- 2012.12.31	2013.1.1- 2013.3.31	
Estimated accumulation amount of claim							
As to 2008/12/31	\$88						
As to 2009/12/31	84	\$5,125					
As to 2010/12/31	84	4,925	\$10,959				
As to 2011/12/31	85	4,826	10,855	\$11,794			
As to 2012/12/31	44	4,189	9,748	10,563	\$32,807		
As to 2013/3/31	44	4,189	9,737	10,691	28,701	\$9,576	
Estimated accumulation of claim	44	4,189	9,737	10,691	28,701	9,576	\$62,938
Accumulated claim paid	44	4,185	9,622	9,082	13,664	816	37,413
Subtotal	-	4	115	1,609	15,037	8,760	25,525
Indirect claim expense, discount and risk margin							1,230
Recognized amount on balance sheet							\$26,755

**C. Cathay Insurance (Vietnam)**

Due to Cathay Insurance (Vietnam) has been operated for less than one year, there is no historical data for loss development trends. Cathay Insurance (Vietnam) has adopted the suggestion from Vietnamese Ministry of Finance 2842/BTC/QCBH for loss reserving method with IBNR, which is calculated as a rate of 5% of its annual retained premiums.

**English Translation of Financial Statements Originally Issued in Chinese**

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

**35. Related party transactions**

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	"
Cathay Century	"
Cathay Securities	"
Cathay Venture	"
Cathay Securities Investment Trust	"
Cathay Life (China)	"
Cathay Life (Vietnam)	"
Symphox Information	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Lin Yuan	"
Cathay Century (China)	"
Cathay Century (Vietnam)	"
Indovina Bank	"
SBC Bank	"
Seaward Card	"
Cathay Futures	"
Taiwan Real-estate Management Corp.	Associate
Cathay Dragon Fund etc.	Other related parties
Vietinbank	"
China Eastern Airlines Co., Ltd	"
Lin Yuan Property Management Co., Ltd.	"
Cathay General Hospital	"
Cathay Real Estate Development Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Cathay Healthcare Inc.	"
Seaward Leasing Ltd.	"
Cathay Hospitality Management	"
Others	"

**English Translation of Financial Statements Originally Issued in Chinese**

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

(2) Significant transactions with related parties:

A. Cash and cash equivalent

a. Call loans to banks

Name	For the three-month periods ended 31 March								
	2013				2012				
	Ending balance		Interest revenue		Ending balance		Interest revenue		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Other related parties									
Vietinbank	\$5,862,632	\$196,667	\$65,034	\$2,182	\$1,476,500	\$50,051	\$88,225	\$2,991	

b. Due from commercial banks

Name	For the three-month periods ended 31 March								
	2013				2012				
	Ending balance		Interest revenue		Ending balance		Interest revenue		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Other related parties									
Vietinbank	\$9,300	\$312	\$-	\$-	\$386	\$13	\$4	\$-	

c. Call loans from banks

Name	For the three-month periods ended 31 March								
	2013				2012				
	Ending balance		Interest expense		Ending balance		Interest expense		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Other related parties									
Vietinbank	\$3,585,918	\$120,292	\$63,740	\$2,138	\$-	\$-	\$73,046	\$2,476	

d. Due to commercial banks

Name	For the three-month periods ended 31 March								
	2013				2012				
	Ending balance		Interest expense		Ending balance		Interest expense		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Other related parties									
Vietinbank	\$8,195	\$275	\$-	\$-	\$11,801	\$400	\$-	\$-	

**English Translation of Financial Statements Originally Issued in Chinese**

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

**B. Financial assets at fair value through profit or loss**

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$2,324,561	\$77,979	\$2,319,889	\$79,858

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$1,668,954	\$56,575	\$1,676,355	\$55,380

**C. Receivables**

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$8,162	\$274	\$-	\$-
Other related parties				
Cathay General Hospital	33,730	1,132	-	-
Cathay Dragon Fund etc.	88,845	2,980	76,453	2,632
Total	\$130,737	\$4,386	\$76,453	\$2,632

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiary of the Company				
Cathay Insurance (Bermuda)	\$1,035	\$35	\$1,035	\$34
Other related parties				
Cathay General Hospital	35,921	1,218	-	-
Cathay Dragon Fund etc.	73,952	2,507	68,121	2,251
Total	\$110,908	\$3,760	\$69,156	\$2,285

**D. Loans**

Name	2013.1.1~2013.3.31			
	Ending balance	Ending balance	Interest income	Interest income
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$60,000	\$2,013	\$307	\$10
Other related parties				
Cathay Real Estate Development Co., Ltd.	970,000	32,539	861	29
Cathay General Hospital	3,243,680	108,812	20,491	687
Others	1,416,592	47,521	5,288	178
Total	\$5,690,272	\$190,885	\$26,947	\$904

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	2012.1.1~2012.3.31			
	Ending	Ending	Interest	Interest
	balance	balance	income	income
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$75,000	\$2,542	\$392	\$13
Other related parties				
Cathay Real Estate Development Co., Ltd.	50,000	1,695	82	3
Cathay General Hospital	3,520,448	119,337	22,215	753
Others	468,160	15,870	2,557	87
Total	<u>\$4,113,608</u>	<u>\$139,444</u>	<u>\$25,246</u>	<u>\$856</u>

E. Available-for-sale financial assets

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	<u>\$246,864</u>	<u>\$8,281</u>	<u>\$236,464</u>	<u>\$8,140</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	<u>\$233,646</u>	<u>\$7,920</u>	<u>\$209,614</u>	<u>\$6,925</u>

F. Deposit

Name	2013.1.1~2013.3.31			
	Ending	Ending	Interest	Interest
	balance	balance	expense	expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$428,420	\$14,372	\$59	\$2
Cathay Dragon Fund etc.	1,824,901	61,218	4,001	134
Others	8,697,439	291,762	26,479	888
Total	<u>\$10,950,760</u>	<u>\$367,352</u>	<u>\$30,539</u>	<u>\$1,024</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	2012.1.1~2012.3.31			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$339,444	\$11,506	\$31	\$1
Cathay Dragon Fund etc.	2,973,708	100,804	7,294	247
Others	7,133,502	241,814	284,048	9,629
Total	<u>\$10,446,654</u>	<u>\$354,124</u>	<u>\$291,373</u>	<u>\$9,877</u>

G. Property transactions

- a. Transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, construction, and lease transactions. The terms of such transactions are based on market surveys and the contracts of both parties.

Name	Item	2013.1.1~2013.3.31	
		NT\$	US\$
Other related parties			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	\$286,811	\$9,622
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	4,033	135
Total		<u>\$290,844</u>	<u>\$9,757</u>

Name	Item	2012.1.1~2012.3.31	
		NT\$	US\$
Other related parties			
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	\$14,195	\$481
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	464,744	15,754
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	4,327	147
Total		<u>\$483,266</u>	<u>\$16,382</u>

- b. Real estate rental income from Cathay Life:

Name	Rental income			
	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,343	\$146	\$4,322	\$146
Cathay General Hospital	43,552	1,461	43,676	1,481
Cathay Healthcare Inc.	8,603	288	-	-
Total	<u>\$56,498</u>	<u>\$1,895</u>	<u>\$47,998</u>	<u>\$1,627</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	Guarantee deposits received			
	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,028	\$135	\$4,028	\$138
Cathay General Hospital	10,166	341	10,166	350
Cathay Healthcare Inc.	8,012	269	8,012	276
<b>Total</b>	<b>\$22,206</b>	<b>\$745</b>	<b>\$22,206</b>	<b>\$764</b>

Name	Guarantee deposits received			
	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,028	\$136	\$4,028	\$133
Cathay General Hospital	10,166	345	13,194	436
Cathay Healthcare Inc.	-	-	6,894	228
<b>Total</b>	<b>\$14,194</b>	<b>\$481</b>	<b>\$24,116</b>	<b>\$797</b>

Lease terms are usually between 2 to 5 years and rental incomes are collected monthly.

c. Real estate rental expense from Cathay United Bank:

Name	Rental expenses			
	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$17,395	\$584	\$6,481	\$220

Name	Guarantee deposits paid			
	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$13,932	\$467	\$13,932	\$480

Name	Guarantee deposits paid			
	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$3,786	\$128	\$3,786	\$125

According to the contracts, lease terms generally were 3 years and rents were paid monthly.

**English Translation of Financial Statements Originally Issued in Chinese**

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

H. Securities sold under agreement to repurchase

Name	Ending balance			
	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Others	\$60,141	\$2,017	\$100,120	\$3,394

Name	Interest expenses			
	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Others	\$90	\$3	\$138	\$5

I. Guarantee deposits

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Healthcare Inc.	\$3,534	\$118	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	168	5,000	172
Total	\$8,534	\$286	\$5,000	\$172

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Healthcare Inc.	\$-	\$-	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	169	5,000	165
Total	\$5,000	\$169	\$5,000	\$165

J. Futures traders' equity

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$166,762	\$5,594	\$166,848	\$5,743



**English Translation of Financial Statements Originally Issued in Chinese**

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

K. Payables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Seaward Card	\$26,207	\$879	\$26,131	\$900
Other related parties				
Lin Yuan Property Management Co., Ltd.	42,591	1,429	3,580	123
San Ching Engineering Co., Ltd.	326	11	326	11
Vietinbank	418,250	14,030	407,904	14,041
Total	<u>\$487,374</u>	<u>\$16,349</u>	<u>\$437,941</u>	<u>\$15,075</u>

Name	31 March 2013		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Seaward Card	\$26,548	\$900	\$27,223	\$899
Other related parties				
Lin Yuan Property Management Co., Ltd.	41,008	1,390	5,294	175
San Ching Engineering Co., Ltd.	3,696	125	23,331	771
Vietinbank	-	-	-	-
Total	<u>\$71,252</u>	<u>\$2,415</u>	<u>\$55,848</u>	<u>\$1,845</u>

L. Net commission and handling fees

a. Handling fee income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	<u>\$5,421</u>	<u>\$182</u>	<u>\$1,051</u>	<u>\$36</u>

b. Reinsurance handling fee paid

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$4,038</u>	<u>\$135</u>	<u>\$4,110</u>	<u>\$139</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

M. Net premiums from insurance business

a. Insurance income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Cathay General Hospital	\$9,972	\$334	\$10,088	\$342
Others	34,424	1,155	28,114	953
Total	<u>\$44,396</u>	<u>\$1,489</u>	<u>\$38,202</u>	<u>\$1,295</u>

b. Reinsurance income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$40,166</u>	<u>\$1,347</u>	<u>\$34,471</u>	<u>\$1,169</u>

On 1 April 2000, Cathay Insurance (Bermuda) engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the three-month periods ended 31 March 2013 and 2012, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

c. Reinsurance claims payment

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$30,021</u>	<u>\$1,007</u>	<u>\$33,399</u>	<u>\$1,132</u>

N. Net commission and handling fees

a. Sales

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Cathay General Hospital	<u>\$46</u>	<u>\$2</u>	<u>\$26,123</u>	<u>\$886</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Management fee income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Cathay Bond Fund etc.	\$256,299	\$8,598	\$212,609	\$7,207

O. Operating expense

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	\$6,339	\$213	\$6,339	\$215
Seaward Card	99,901	3,351	83,102	2,817
Other related parties				
Lin Yuan Property Management Co., Ltd.	168,198	5,642	153,325	5,198
Cathay Real Estate Development Co., Ltd.	5,352	180	4,849	164
Total	\$279,790	\$9,386	\$247,615	\$8,394

P. Others Disclosures

Cathay United Bank paid construction planning and design maintenance service fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$594 (US\$20) thousands and NT\$1,566 (US\$53) thousands during the three months ended 31 March 2013 and 2012, respectively.

Q. Key management personnel compensation:

Name	For the three-month periods ended 31 March			
	2013		2012	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$133,225	\$4,469	\$102,088	\$3,461
Post-employment pension	2,660	89	1,813	61
Termination benefits	2,708	91	-	-
Total	\$138,593	\$4,649	\$103,901	\$3,522

The key management personnel of the Group include chairman, directors, supervisors, and vice general managers.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(2)The Company

Significant intercompany transactions within the Group have been eliminated upon consolidation.

A. Cash in bank

		2013.1.1~2013.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$5,110	0.05%~0.17%	\$17
	Time deposit	139,275	0.38%~0.88%	220
	Total	<u>\$144,385</u>		<u>\$237</u>

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$172	0.05%~0.17%	\$1
	Time deposit	4,672	0.38%~0.88%	7
	Total	<u>\$4,844</u>		<u>\$8</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	<u>\$13,133</u>	0.05%~0.17%	<u>\$8</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in bank	<u>\$445</u>	0.05%~0.17%	<u>\$-</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

**B. Receivables**

Name	Item	31 March 2013		31 December 2012	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$2,774,885	\$93,086	\$2,550,995	\$87,814
Cathay United	Receivables due to				
Bank	consolidated income tax	195,083	6,544	-	-
Cathay Century	Receivables due to				
	consolidated income tax and				
	interest	225,498	7,564	172,887	5,951
Cathay Securities	Receivables due to				
	consolidated income tax	115,343	3,869	111,308	3,832
Cathay Securities	Receivables due to				
Investment Trust	consolidated income tax	38,775	1,301	19,154	659
Total		<u>\$3,349,584</u>	<u>\$112,364</u>	<u>\$2,854,344</u>	<u>\$98,256</u>

Name	Item	31 March 2012		1 January 2012	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$1,868,754	\$63,347	\$1,642,995	\$54,278
Cathay United	Receivables due to				
Bank	consolidated income tax	-	-	-	-
Cathay Century	Receivables due to				
	consolidated income tax and				
	interest	141,014	4,780	103,717	3,426
Cathay Securities	Receivables due to				
	consolidated income tax	211,595	7,173	-	-
Cathay Securities	Receivables due to				
Investment Trust	consolidated income tax	-	-	-	-
Total		<u>\$2,221,363</u>	<u>\$75,300</u>	<u>\$1,746,712</u>	<u>\$57,704</u>

**C. Guarantee deposits paid**

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$7,115	\$239	\$6,604	\$227

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$5,816	\$197	\$5,816	\$192

**D. Held-to-maturity financial asset**

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,006,374	\$30,000,000	\$1,032,702
Cathay Century	1,000,000	33,546	1,000,000	34,424
Total	\$31,000,000	\$1,039,920	\$31,000,000	\$1,067,126

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,016,949	\$30,000,000	\$991,080
Cathay Century	1,000,000	33,898	1,000,000	33,036
Total	\$31,000,000	\$1,050,847	\$31,000,000	\$1,024,116

**E. Payables**

Name	Item	31 March 2013		31 December 2012	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payables due to consolidated income tax	\$5,996,798	\$201,167	\$5,235,287	\$180,216
Cathay United Bank	Payables due to consolidated income tax	-	-	246,573	8,488
Cathay Securities	Payables due to consolidated income tax	-	-	-	-
Total		\$5,996,798	\$201,167	\$5,481,860	\$188,704

Name	Item	31 March 2012		1 January 2012	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payables due to consolidated income tax	\$2,936,991	\$99,559	\$3,055,618	\$100,945
Cathay United Bank	Payables due to consolidated income tax	264,755	8,975	554,163	18,307
Cathay Securities	Payables due to consolidated income tax	-	-	155,365	5,133
Total		\$3,201,746	\$108,534	\$3,765,146	\$124,385

**English Translation of Financial Statements Originally Issued in Chinese**

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

F. Interest income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Life	\$223,890	\$7,510	\$225,760	\$7,653
Cathay Century	4,586	154	4,624	157
Total	<u>\$228,476</u>	<u>\$7,664</u>	<u>\$230,384</u>	<u>\$7,810</u>

G. Operating expenses

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Life	<u>\$7,696</u>	<u>\$258</u>	<u>\$6,763</u>	<u>\$229</u>

(3) Subsidiaries' significant transactions with related parties are as follows:

A. Cathay Life

a. Cash in banks

		2013.1.1~2013.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Cash in bank	\$14,975,083	0.01%~0.75%	\$4,006
Bank	Time deposit	56,711,382	0.17%~1.395%	123,948
	Total	<u>\$71,686,465</u>		<u>\$127,954</u>

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Cash in bank	\$502,351	0.01%~0.75%	\$134
Bank	Time deposit	1,902,428	0.17%~1.395%	4,158
	Total	<u>\$2,404,779</u>		<u>\$4,292</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$9,174,000	0.02%~1.05%	\$4,161
	Time deposit	56,303,898	0.17%~1.40%	109,157
	Total	<u>\$65,477,898</u>		<u>\$113,318</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$310,983	0.02%~1.05%	\$141
	Time deposit	1,908,607	0.17%~1.40%	3,700
	Total	<u>\$2,219,590</u>		<u>\$3,841</u>

b. Other receivables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding(Note 1)	\$5,996,798	\$201,167	\$5,235,287	\$180,216
Subsidiaries				
Cathay Century	178,929	6,002	141,412	4,868
Cathay Life (China)(Note 2)	204,097	6,847	204,097	7,026
Total	<u>\$6,379,824</u>	<u>\$214,016</u>	<u>\$5,580,796</u>	<u>\$192,110</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding(Note 1)	\$2,936,991	\$99,559	\$3,055,618	\$100,945
Subsidiary of the Company				
Cathay Century	152,937	5,184	217,861	7,197
Cathay Life (China)(Note 2)	204,097	6,919	204,097	6,743
Total	<u>\$3,294,025</u>	<u>\$111,662</u>	<u>\$3,477,576</u>	<u>\$114,885</u>

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

Note 2:Receivables are mainly consisted of out-of-pocket IT system expenses paid by Cathay Life on behalf of Cathay Life (China).



**English Translation of Financial Statements Originally Issued in Chinese**

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

c. Secured loans

Name	2013.1.1~2013.3.31			
	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Other related parties				
Cathay General Hospital	\$3,210,519	\$3,140,680	2.43%~2.55%	\$19,742
Others	528,879	517,507	1.34%~3.88%	804
Total		<u>\$3,658,187</u>		<u>\$20,546</u>

Name	2013.1.1~2013.3.31			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Other related parties				
Cathay General Hospital	\$107,699	\$105,357	2.43%~2.55%	\$662
Others	17,742	17,360	1.34%~3.88%	27
Total		<u>\$122,717</u>		<u>\$689</u>

Name	2012.1.1~2012.3.31			
	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Other related parties				
Cathay General Hospital	\$3,485,571	\$3,417,448	2.43%~2.55%	\$21,458
Others	127,338	112,946	1.53%~3.78%	574
Total		<u>\$3,530,394</u>		<u>\$22,032</u>

Name	2012.1.1~2012.3.31			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Other related parties				
Cathay General Hospital	\$118,155	\$115,846	2.43%~2.55%	\$727
Others	4,317	3,828	1.53%~3.78%	20
Total		<u>\$119,674</u>		<u>747</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

d. Financial assets at fair value through profit or loss-beneficiary certificates

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	<u>\$2,265,422</u>	<u>\$75,995</u>	<u>\$2,294,788</u>	<u>\$78,994</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	<u>\$1,643,969</u>	<u>\$55,728</u>	<u>\$1,641,409</u>	<u>\$54,226</u>

e. Guarantee deposits paid

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Futures	<u>\$936,007</u>	<u>\$31,399</u>	<u>\$364,739</u>	<u>\$12,556</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Futures	<u>\$264,815</u>	<u>\$8,977</u>	<u>\$511,844</u>	<u>\$16,909</u>

The guarantee deposits are futures margins of Cathay Futures. As of the three-month periods ended 31 March 2013 and 2012, the interest revenue earned from guarantee deposits were NT\$156 (US\$5) thousands and NT\$113 (US\$4) thousands, respectively.

f. Other payables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	<u>\$2,774,885</u>	<u>\$93,086</u>	<u>\$2,550,995</u>	<u>\$87,814</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	<u>\$1,868,754</u>	<u>\$63,348</u>	<u>\$1,642,995</u>	<u>\$54,278</u>

Remark: Interest payable accrued from preferred stock liability.

**English Translation of Financial Statements Originally Issued in Chinese**

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

g. Preferred stock liability

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,006,374</u>	<u>\$30,000,000</u>	<u>\$1,032,702</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,016,949</u>	<u>\$30,000,000</u>	<u>\$991,080</u>

h. Property transactions

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

Real-estate contracted prefect from Cathay Life:

Name	Item	2013.1.1~2013.3.31	
		NT\$	US\$
Other related parties			
San Ching Engineering Co., Ltd	Cathay Land Mark, etc.	<u>\$286,811</u>	<u>\$9,621</u>

Name	Item	2012.1.1~2012.3.31	
		NT\$	US\$
Other related parties			
San Ching Engineering Co., Ltd	Cathay Land Mark, etc.	<u>\$464,744</u>	<u>\$15,754</u>

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the prices of construction contract between Cathay Life and San Ching Engineering Co., Ltd. are in the amount of NT\$5,474,727 (US\$183,654), NT\$5,483,615 (US\$188,765), NT\$5,483,615 (US\$185,885) and NT\$5,483,615 (US\$181,157) thousands, respectively.

i. Premium income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay United Bank	<u>\$170,640</u>	<u>\$5,724</u>	<u>\$160,037</u>	<u>\$5,425</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

j. Miscellaneous income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Century	<u>\$321,171</u>	<u>\$10,774</u>	<u>\$287,546</u>	<u>\$9,747</u>

Remark: The miscellaneous income consists of income from Cathay Life's integrated marketing.

k. Operating expense

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay United Bank	\$543,557	\$18,234	\$538,300	\$18,248
Other related parties				
Lin Yuan Property Management Co., Ltd.	<u>168,198</u>	<u>5,642</u>	<u>151,372</u>	<u>5,131</u>
Total	<u>\$711,755</u>	<u>\$23,876</u>	<u>\$689,672</u>	<u>\$23,379</u>

l. Non-operating expenses and losses

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
The Company				
Cathay Financial Holding	<u>\$223,890</u>	<u>\$7,511</u>	<u>\$225,760</u>	<u>\$7,653</u>
(Note)				

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

m. Other disclosures

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

Name	31 March 2013	31 December 2012	31 March 2012	1 January 2012
CS contracts	USD\$1,235,000	USD \$985,000	USD \$1,867,000	USD \$1,900,000

**English Translation of Financial Statements Originally Issued in Chinese**

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

B. Cathay United Bank

a. Loans and deposits

Account/Name	For the three-month periods ended 31 March							
	2013				2012			
	Ending balance		Interest income		Ending balance		Interest income	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Loans</u>								
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	\$970,000	\$32,539	\$861	\$29	\$50,000	\$1,695	\$82	\$3
Cathay General Hospital	103,000	3,455	749	25	103,000	3,492	757	26
Others	862,333	28,928	4,300	144	316,721	10,736	1,780	60
<b>Total</b>	<b>\$1,935,333</b>	<b>\$64,922</b>	<b>\$5,910</b>	<b>\$198</b>	<b>\$469,721</b>	<b>\$15,923</b>	<b>\$2,619</b>	<b>\$89</b>

Account/Name	For the three-month periods ended 31 March							
	2013				2012			
	Ending balance		Interest expense		Ending balance		Interest expense	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Deposits</u>								
The Company								
Cathay Financial								
Holding	\$144,385	\$4,843	\$237	\$8	\$13,133	\$445	\$8	\$-
Subsidiaries								
Cathay Life	71,686,465	2,404,779	127,954	4,292	65,477,898	2,219,590	113,318	3,841
Cathay Futures	2,582,526	86,633	6,431	216	1,572,657	53,310	4,157	141
Cathay Securities	1,397,879	46,893	2,394	80	638,603	21,647	1,403	48
Cathay Century	1,268,780	42,562	2,333	78	1,363,360	46,216	2,986	101
Cathay Securities								
Investment Trust	1,670,277	56,031	2,433	82	1,744,465	59,134	3,374	114
Symphox Information	166,938	5,600	429	15	214,639	7,276	602	21
Cathay Life (Vietnam)	200,469	6,725	36	1	22,828	774	-	-
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	428,420	14,372	59	2	339,444	11,507	31	1
Cathay Dragon Fund etc.	1,824,901	61,218	4,002	134	2,973,708	100,804	7,294	247
Others	8,697,439	291,762	26,478	888	7,133,502	241,814	284,048	9,629
<b>Total</b>	<b>\$90,068,479</b>	<b>\$3,021,418</b>	<b>\$172,786</b>	<b>\$5,796</b>	<b>\$81,494,237</b>	<b>\$2,762,517</b>	<b>\$417,221</b>	<b>\$14,143</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

2013.1.1~2013.3.31							
Account/Name	Maximum amount		Ending balance		Rate	Interest income (expense)	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
<u>Call loans to banks</u>							
Indovina Bank	\$1,941,875	\$65,142	\$1,941,875	\$65,142	0.30%~2.08%	\$3,710	\$124
<u>Call loans from banks</u>							
Indovina Bank	\$-	\$-	\$-	\$-	0.30%~2.08%	\$(86)	\$(3)

2012.1.1~2012.3.31							
Account/Name	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
<u>Call loans to banks</u>							
Indovina Bank	\$2,067,100	\$70,071	\$1,624,150	\$55,056	0.51%~2.08%	\$6,580	\$223
<u>Call loans from banks</u>							
Indovina Bank	\$324,830	\$11,011	\$265,770	\$9,009	0.15%~0.28%	\$(4)	\$-

Transaction terms with related parties are similar to those with third parties.

b. Securities sold under agreements to repurchase

Name	Ending balance			
	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
<u>Other related parties</u>				
Others	\$60,141	\$2,017	\$100,120	\$3,394

Name	Interest expense			
	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
<u>Other related parties</u>				
Others	\$90	\$3	\$138	\$5

c. Handling fee income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
<u>Subsidiaries</u>				
Cathay Life	\$543,557	\$18,234	\$538,300	\$18,247

**English Translation of Financial Statements Originally Issued in Chinese**

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

d. Receivables due to consolidated income tax

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$-	\$-	\$246,573	\$8,488

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$264,755	\$8,975	\$554,163	\$18,307

e. Dividend receivables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Indovina Bank	\$418,250	\$14,031	\$407,904	\$14,041

f. Payables due to consolidated income tax

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$195,083	\$6,544	\$-	\$-

g. Accrued insurance expense

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Life	\$170,640	\$5,724	\$160,037	\$5,425

h. General expense

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Symphox Information	\$106,807	\$3,583	\$110,904	\$3,759

**English Translation of Financial Statements Originally Issued in Chinese**

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

C. Cathay Century

a. Cash in banks

		2013.1.1~2013.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$598,280	0.01%~0.75%	\$115
	Time deposits	670,500	0.17%~1.345%	2,218
	Total	<u>\$1,268,780</u>		<u>\$2,333</u>

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$20,070	0.01%~0.75%	\$4
	Time deposits	22,492	0.17%~1.345%	74
	Total	<u>\$42,562</u>		<u>\$78</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$459,760	0.17%	\$103
	Time deposits	903,600	0.17%~1.345%	2,883
	Total	<u>\$1,363,360</u>		<u>\$2,986</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$15,585	0.17%	\$3
	Time deposits	30,631	0.17%~1.345%	98
	Total	<u>\$46,216</u>		<u>\$101</u>



**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Other payables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$225,498	\$7,565	\$172,887	\$5,951
Subsidiaries				
Cathay Life	178,929	6,002	141,412	4,868
Total	<u>\$404,427</u>	<u>\$13,567</u>	<u>\$314,299</u>	<u>\$10,819</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$141,014	\$4,780	\$103,717	\$3,427
Subsidiaries				
Cathay Life	152,937	5,184	217,861	7,197
Total	<u>\$293,951</u>	<u>\$9,964</u>	<u>\$321,578</u>	<u>\$10,624</u>

c. Operating expense

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Subsidiaries				
Cathay Life	<u>\$321,171</u>	<u>\$10,774</u>	<u>\$287,546</u>	<u>\$9,747</u>

d. Preferred stock liability

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$1,000,000</u>	<u>\$33,546</u>	<u>\$1,000,000</u>	<u>\$34,423</u>

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$1,000,000</u>	<u>\$33,898</u>	<u>\$1,000,000</u>	<u>\$33,036</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

e. Other disclosures

As of 31 March 2013 and 2012 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	31 March 2013	31 December 2012
CS contracts	USD 88,250	USD 75,250
IRS	NTD 400,000 (USD13,418 )	NTD 400,000 (USD13,769 )

Item	31 March 2012	1 January 2012
CS contracts	USD 44,050	USD 41,050
IRS	NTD 600,000 (USD20,339 )	NTD 600,000 (USD19,822 )

D. Cathay Securities

a. Cash in bank

		2013.1.1~2013.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$297,879	0.17%	\$97
	Time deposits	1,100,000	0.88%~1.45%	2,297
	Total	\$1,397,879		\$2,394

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$9,993	0.17%	\$3
	Time deposits	36,900	0.88%~1.45%	77
	Total	\$46,893		\$80

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$88,603	0.17%	\$66
	Time deposits	550,000	0.47%~1.215%	1,337
	Total	\$638,603		\$1,403

**English Translation of Financial Statements Originally Issued in Chinese**

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

		2012.1.1~2012.3.31		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Subsidiaries				
Cathay United Bank	Cash in banks	\$3,004	0.17%	\$2
	Time deposits	18,644	0.47%~1.215%	46
	Total	<u>\$21,648</u>		<u>\$48</u>

b. Other receivables

Name	31 March 2013		31 December 2012	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

Name	31 March 2012		1 January 2012	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	<u>\$-</u>	<u>\$-</u>	<u>\$155,365</u>	<u>\$5,133</u>

c. Clearing and settlement fees, dealing handling fee expense and margin for futures trading-own funds

		2013.1.1~2013.3.31							
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Subsidiaries									
Cathay Futures	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$520,804</u>	<u>\$17,471</u>	

		2012.1.1~2012.3.31							
Name	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Subsidiaries									
Cathay Futures	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$530,272</u>	<u>\$17,975</u>	

**English Translation of Financial Statements Originally Issued in Chinese**

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

E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Guarantee deposit

		2013.1.1~2013.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$37,227	0.01%~0.75%	\$-
	Time deposits (Note)	1,633,050	0.365%~1.395%	2,433
	Total	<u>\$1,670,277</u>		<u>\$2,433</u>

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$1,249	0.01%~0.75%	\$-
	Time deposits (Note)	54,782	0.365%~1.395%	82
	Total	<u>\$56,031</u>		<u>\$82</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$30,015	0.17%	\$-
	Time deposits (Note)	1,714,450	0.365%~1.35%	3,374
	Total	<u>\$1,744,465</u>		<u>\$3,374</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$1,017	0.17%	\$-
	Time deposits (Note)	58,117	0.365%~1.35%	114
	Total	<u>\$59,134</u>		<u>\$114</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Remark: As of 31 March 2013 and 2012, according to “Standards Governing the Establishment of Futures Trust Enterprises and Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises”, Cathay Securities Investment Trust reserved NT\$50,000 (US\$1,677) thousands and NT\$50,000 (US\$1,695) thousands respectively of its time deposits in Cathay United Bank as operating deposit. In addition, Cathay Securities Investment Trust reserve NT\$137,500 (US\$4,613) thousands and NT\$141,000 (US\$4,780) thousands respectively as performance bond according to Discretionary Investment Services Contract.

b. Available-for-sale financial assets

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$147,852	\$4,960	\$128,032	\$4,407

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$136,621	\$4,631	\$118,147	\$3,903

c. Management fee income

Name	For the three-month periods ended 31 March			
	2013(NT\$)	2013(US\$)	2012(NT\$)	2012(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$256,299	\$8,598	\$212,609	\$7,207

G. Cathay Futures

a. Cash in bank, cash equivalent and operating deposits

Name	Item	2013.1.1~2013.3.31		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$25,646	0.17%	\$-
	Time deposits (Note)	342,300	0.52%~1.345%	1,050
	Total	\$367,946		\$1,050

**English Translation of Financial Statements Originally Issued in Chinese**

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

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$860	0.17%	\$-
	Time deposits (Note)	11,483	0.52%~1.345%	35
	Total	<u>\$12,343</u>		<u>\$35</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$23,729	0.17%	\$-
	Time deposits (Note)	347,200	0.52%~1.345%	1,078
	Total	<u>\$370,929</u>		<u>\$1,078</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$804	0.17%	\$-
	Time deposits (Note)	11,770	0.52%~1.345%	37
	Total	<u>\$12,574</u>		<u>\$37</u>

Note: As of 31 March 2013 and 2012, Cathay Futures has time deposits in the amount of NT\$90,000 (US\$3,019) thousands and NT\$60,000(US\$2,034) thousands in Cathay United Bank as guaranty bond, in accordance with Article 14 of Rules Governing Futures Commission Merchants and Article 10 of Regulation Governing Futures Advisory Enterprises.

b. Customer's margin accounts

		2013.1.1~2013.3.31			
Name	Ending balance		Rate	Interest income	
	NT\$	US\$		NT\$	US\$
Subsidiaries					
Cathay United Bank	<u>\$2,214,580</u>	<u>\$74,290</u>	0.04%~1.345%	<u>\$5,381</u>	<u>\$181</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	2012.1.1~2012.3.31				
	Ending balance		Rate	Interest income	
	NT\$	US\$		NT\$	US\$
Subsidiaries					
Cathay United Bank	\$1,201,728	\$40,737	0.02%~1.345%	\$3,079	\$104

c. Futures customers' equity

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$936,007	\$31,399	\$364,739	\$12,556
Cathay Securities	520,804	17,471	535,174	18,423
Other related parties				
Cathay Dragon Fund etc.	166,762	5,594	166,848	5,743
Total	\$1,623,573	\$54,464	\$1,066,761	\$36,722

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$264,815	\$8,977	\$511,844	\$16,909
Cathay Securities	530,272	17,975	454,706	15,022
Other related parties				
Cathay Dragon Fund etc.	-	-	-	-
Total	\$795,087	\$26,952	\$966,550	\$31,931

H. Symphox Information

a. Cash in bank

Name	Item	2013.1.1~2013.3.31		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United Bank	Cash in bank	\$6,938	0.17%	\$-
	Time deposit	160,000	1.08%	429
	Total	\$166,938		\$429

**English Translation of Financial Statements Originally Issued in Chinese**

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

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United	Cash in bank	\$233	0.17%	\$-
Bank	Time deposit	5,367	1.08%	14
	Total	<u>\$5,600</u>		<u>\$14</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Cathay United	Cash in bank	\$4,639	0.17%	\$-
Bank	Time deposit	210,000	0.94%~1.08%	602
	Total	<u>\$214,639</u>		<u>\$602</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Cathay United	Cash in bank	\$157	0.17%	\$-
Bank	Time deposit	7,119	0.94%~1.08%	20
	Total	<u>\$7,276</u>		<u>\$20</u>

I. Indovina Bank

a. Call loans from banks

		2013.1.1~2013.3.31			
Name		Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Subsidiaries					
Cathay United Bank		\$1,941,875	\$65,142	\$3,710	\$125
Other related parties					
Vietinbank		3,585,918	120,292	63,740	2,138
Total		<u>\$5,527,793</u>	<u>\$185,434</u>	<u>\$67,450</u>	<u>\$2,263</u>



**English Translation of Financial Statements Originally Issued in Chinese****(Expressed in thousand of dollars except for share and per share data and unless otherwise stated)**

Name	2012.1.1~2012.3.31			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Subsidiaries				
Cathay United Bank	\$1,624,150	\$55,056	\$6,580	\$223
Other related parties				
Vietinbank	-	-	73,046	2,476
Total	\$1,624,150	\$55,056	\$79,626	\$2,699

## b. Call loans to banks

Name	2013.1.1~2013.3.31			
	Ending balance (NT\$)	Ending balance (US\$)	Interest income (NT\$)	Interest income (US\$)
Subsidiaries				
Cathay United Bank	\$-	\$-	\$86	\$3
Other related parties				
Vietinbank	5,862,632	196,667	65,034	2,182
Total	\$5,862,632	\$196,667	\$65,120	\$2,185

Name	2012.1.1~2012.3.31			
	Ending balance (NT\$)	Ending balance (US\$)	Interest income (NT\$)	Interest income (US\$)
Subsidiaries				
Cathay United Bank	\$265,770	\$9,009	\$4	\$-
Other related parties				
Vietinbank	1,476,500	50,051	88,225	2,991
Total	\$1,742,270	\$59,060	\$88,229	\$2,991

## c. Deposits

Name	2013.1.1~2013.3.31			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Subsidiaries				
Cathay Century (Vietnam)	\$356,687	\$11,966	\$8,953	\$301
Cathay Life (Vietnam)	416,245	13,963	1,437	48
Total	\$772,932	\$25,929	\$10,390	\$349

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	2012.1.1~2012.3.31			
	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Subsidiaries				
Cathay Century (Vietnam)	\$327,889	\$11,115	\$10,272	\$348
Cathay Life (Vietnam)	20,900	708	861	29
Total	\$348,789	\$11,823	\$11,133	\$377

d. Dividends payables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$418,250	\$14,031	\$407,904	\$14,042
Other related parties				
Vietinbank	418,250	14,030	407,904	14,041
Total	\$836,500	\$28,061	\$815,808	\$28,083

J. Cathay Life (China)

Other payables

Name	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$204,097	\$6,847	\$204,097	\$7,026

Name	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$204,097	\$6,919	\$204,097	\$6,743

K. Cathay Century (Vietnam)

Cash in bank

Name	Item	2013.1.1~2013.3.31		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$4,067	0.10%~1.50%	\$15
	Time deposits	352,620	0.50%~14.00%	8,938
	Total	\$356,687		\$8,953

**English Translation of Financial Statements Originally Issued in Chinese**

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

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$136	0.10%~1.50%	\$-
	Time deposits	11,829	0.50%~14.00%	300
	Total	<u>\$11,965</u>		<u>\$300</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$3,165	0.10%~2.40%	\$29
	Time deposits	324,724	0.50%~14.00%	10,243
	Total	<u>\$327,889</u>		<u>\$10,272</u>

		2012.1.1~2012.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$107	0.10%~2.40%	\$1
	Time deposits	11,008	0.50%~14.00%	347
	Total	<u>\$11,115</u>		<u>\$348</u>

L. Cathay Life (Vietnam)

		2013.1.1~2013.3.31		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$6,723	0.10%~1.50%	\$118
	Time deposits	409,522	0.50%~16.75%	1,319
	Total	<u>\$416,245</u>		<u>\$1,437</u>

		2013.1.1~2013.3.31		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$225	0.10%~1.50%	\$4
	Time deposits	13,738	0.50%~16.75%	44
	Total	<u>\$13,963</u>		<u>\$48</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	Item	2012.1.1~2012.3.31		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$1,556	0.10%~2.40%	\$18
	Time deposits	19,344	0.50%~14.00%	843
	Total	<u>\$20,900</u>		<u>\$861</u>

Name	Item	2012.1.1~2012.3.31		
		Ending balance (US\$)	Rate	Interest income (US\$)
Subsidiaries				
Indovina Bank	Cash in bank	\$53	0.10%~2.40%	\$1
	Time deposits	656	0.50%~14.00%	28
	Total	<u>\$709</u>		<u>\$29</u>

**36. Pledged assets**

As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, the Group's pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		31 March 2013		31 December 2012	
		NT\$	US\$	NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$2,748,606	\$92,204	\$2,559,994	\$88,124
Guarantee deposits paid	Government bonds	10,716,570	359,496	10,277,450	353,785
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customer's rights	44,150	1,481	45,103	1,552
Available-for-sale financial assets	Business reserves and guarantees	1,581,798	53,063	1,603,158	55,186
Held-to-maturity financial assets	Business reserves and guarantees	805,452	27,020	610,570	21,018
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,680,644	50,100,000	1,724,613
Other financial assets	Business reserves and guarantees	253	8	10	-
Total		<u>\$65,996,829</u>	<u>\$2,213,916</u>	<u>\$65,196,285</u>	<u>\$2,244,278</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	Guarantee purpose	Carrying amount			
		31 March 2012		1 January 2012	
		NT\$	US\$	NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loan, other financial or leasing	\$2,085,487	\$70,694	\$2,194,023	\$72,482
Guarantee deposits paid	Government bonds	11,131,418	377,336	11,153,999	368,484
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customer's rights	40,579	1,376	39,313	1,299
Available-for-sale financial assets	Business reserves and guarantees	1,687,659	57,209	1,504,328	49,697
Held-to-maturity financial assets	Business reserves and guarantees	487,257	16,517	635,080	20,980
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,698,305	38,500,000	1,271,886
Other financial assets	Business reserves and guarantees	-	-	-	-
Total		<u>\$65,532,400</u>	<u>\$2,221,437</u>	<u>\$54,026,743</u>	<u>\$1,784,828</u>

### **37. Commitment and contingent liabilities**

#### **(1) Cathay United Bank**

Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court and alleged that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted to NT\$0.99 billion (US\$33 million) and NT\$3.09 billion (US\$104 million). The case brought by Lee and Li was in litigation process in July 2007 and is still pending in Taipei District Court. Cathay United Bank is in mediation procedure with SanDisk Corporation. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will be resolved in the bank's favor and accordingly no provision for such claims has been made in these financial statements.

#### **(2) Cathay Securities**

As of 31 March 2013, Cathay Securities requested financial institutions issue letters of guarantees for security borrowing of NT\$420,000 (US\$14,089) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (3) As of 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012, Cathay United Bank had the following commitments and contingent liabilities, which were not reflected in the financial statements:

Item	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Trust and security held for safekeeping	\$367,756,562	\$12,336,684	\$337,334,621	\$11,612,207
Travelers checks for sale	485,254	16,278	462,167	15,909
Bills for collection	42,528,398	1,426,649	39,523,311	1,360,527
Book-entry for government bonds and depository for short-term marketable securities under management	569,106,000	19,091,110	564,494,500	19,431,824
Entrusted financial management business	4,210,142	141,233	2,385,838	82,129
Guarantees on duties and contracts	11,680,203	391,822	12,081,454	415,885
Unused commercial letters of credit	4,821,034	161,725	4,281,218	147,374
Irrevocable loan commitments	63,763,068	2,138,982	34,415,264	1,184,691
Credit card lines commitments	300,553,885	10,082,318	295,794,164	10,182,243
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	35

Item	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Trust and security held for safekeeping	\$279,697,787	\$9,481,281	\$283,313,658	\$9,359,553
Travelers checks for sale	444,197	15,058	419,563	13,861
Bills for collection	43,991,208	1,491,227	46,271,479	1,528,625
Book-entry for government bonds and depository for short-term marketable securities under management	547,176,405	18,548,353	548,802,600	18,130,248
Entrusted financial management business	2,551,381	86,487	2,670,038	88,207
Guarantees on duties and contracts	13,684,917	463,895	13,245,165	437,567
Unused commercial letters of credit	5,178,705	175,549	4,308,561	142,338
Irrevocable loan commitments	52,057,334	1,764,655	51,897,159	1,714,475
Credit card lines commitments	286,428,584	9,709,444	282,315,962	9,326,593
Stamp tax, securities and memorial currency consignments	1,005	34	1,006	33

- (4) According to the effective operating leases agreement (the longest lease term being 5 years), rentals for the next five years are as follows:

	31 March 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$780,899	\$26,196	\$879,398	\$30,272
1 to 5 years	1,166,379	39,127	1,228,925	42,304
Over 5 year	81,883	2,747	-	-
	<u>\$2,029,161</u>	<u>68,070</u>	<u>\$2,108,323</u>	<u>\$72,576</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

	31 March 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$1,133,819	\$38,434	\$1,223,780	\$40,429
1 to 5 years	1,398,119	47,394	1,396,152	46,123
Over 5 year	-	-	-	-
	<u>\$2,531,938</u>	<u>\$85,828</u>	<u>\$2,619,932</u>	<u>\$86,552</u>

**38. Significant disaster losses:** None.

**39. Subsequent events:** None.

**40. Other significant matters**

(1) Financial instruments related information

The Group

A. Information of fair value

Item	31 March 2013			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$269,517,585	\$269,517,585	\$9,041,180	\$9,041,180
Due from the Central Bank and call loans to banks	73,873,985	73,873,985	2,478,161	2,478,161
Financial assets at fair value through profit or loss	174,615,322	174,615,322	5,857,609	5,857,609
Available-for-sale financial assets	1,389,852,577	1,389,852,577	46,623,703	46,623,703
Derivative financial assets for hedging	2,196,659	2,196,659	73,689	73,689
Repurchase bonds and bond investment notes	12,465,467	12,465,467	418,164	418,164
Receivables, net	130,699,964	130,699,964	4,384,434	4,384,434
Discounts and loans-net	1,546,886,562	1,546,886,562	51,891,532	51,891,532
Held-to-maturity financial assets, net	51,691,033	51,919,391	1,734,016	1,741,677
Other financial assets - Investments in debt securities with no active market	1,274,525,065	1,307,730,702	42,754,950	43,868,860
Other financial assets	389,723,045	389,723,045	13,073,568	13,073,568
Guarantee deposits paid	66,587,936	66,587,936	2,233,745	2,233,745

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	31 March 2013			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Liabilities</u>				
Due to the Central Bank and call loans from banks	73,996,201	73,996,201	2,482,261	2,482,261
Funds borrowed from the Central Bank and other banks	1,493,750	1,493,750	50,109	50,109
Financial liabilities at fair value through profit or loss	24,377,181	24,377,181	817,752	817,752
Securities sold under agreements to repurchase	36,380,124	36,380,124	1,220,400	1,220,400
Payables	65,731,116	65,731,116	2,205,002	2,205,002
Deposits and remittances	1,466,687,367	1,466,687,367	49,201,186	49,201,186
Financial debentures payable	90,196,450	90,196,450	3,025,711	3,025,711
Other financial liabilities	378,882,142	378,882,142	12,709,901	12,709,901
Guarantee deposits received	3,121,248	3,121,248	104,705	104,705
Item	31 December 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$309,450,218	\$309,450,218	\$10,652,331	\$10,652,331
Due from the Central Bank and call loans to banks	109,003,762	109,003,762	3,752,281	3,752,281
Financial assets at fair value through profit or loss	147,159,888	147,159,888	5,065,745	5,065,745
Available-for-sale financial assets	1,301,567,066	1,301,567,066	44,804,374	44,804,374
Derivative financial assets for hedging	3,521,595	3,521,595	121,225	121,225
Repurchase bonds and bond investment notes	18,517,498	18,517,498	637,435	637,435
Receivables, net	104,959,781	104,959,781	3,613,073	3,613,073
Discounts and loans-net	1,520,005,053	1,520,005,053	52,323,754	52,323,754
Held-to-maturity financial assets, net	24,380,985	24,625,423	839,277	847,691
Other financial assets - Investments in debt securities with no active market	1,242,282,799	1,292,676,960	42,763,607	44,498,346
Other financial assets	363,020,410	363,020,410	12,496,400	12,496,400
Guarantee deposits paid	67,544,515	67,544,515	2,325,112	2,325,112
<u>Liabilities</u>				



**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	31 December 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Due to the Central Bank and call loans from banks	56,934,246	56,934,246	1,959,871	1,959,871
Funds borrowed from the Central Bank and other banks	1,456,800	1,456,800	50,148	50,148
Financial liabilities at fair value through profit or loss	9,086,346	9,086,346	312,783	312,783
Securities sold under agreements to repurchase	22,046,517	22,046,517	758,916	758,916
Payables	60,259,320	60,259,320	2,074,331	2,074,331
Deposits and remittances	1,458,587,976	1,458,587,976	50,209,569	50,209,569
Financial debentures payable	89,831,007	89,831,007	3,092,289	3,092,289
Other financial liabilities	348,229,937	348,229,937	11,987,261	11,987,261
Guarantee deposits received	3,139,941	3,139,941	108,087	108,087
Item	31 March 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$370,916,608	\$370,916,608	\$12,573,444	\$12,573,444
Due from the Central Bank and call loans to banks	111,804,727	111,804,727	3,789,991	3,789,991
Financial assets at fair value through profit or loss	107,250,568	107,250,568	3,635,612	3,635,612
Available-for-sale financial assets	1,346,814,709	1,346,814,709	45,654,736	45,654,736
Derivative financial assets for hedging	4,842,093	4,842,093	164,139	164,139
Repurchase bonds and bond investment notes	19,980,344	19,980,344	677,300	677,300
Receivables, net	129,022,991	129,022,991	4,373,661	4,373,661
Discounts and loans-net	1,496,802,642	1,496,802,642	50,739,073	50,739,073
Held-to-maturity financial assets, net	23,682,500	23,983,429	802,797	812,998
Other financial assets - Investments in debt securities with no active market	1,023,913,636	1,032,513,394	34,708,937	35,000,454
Other financial assets	324,250,880	324,250,880	10,991,555	10,991,555
Guarantee deposits paid	68,049,853	68,049,853	2,306,775	2,306,775
<u>Liabilities</u>				
Due to the Central Bank and call loans from banks	61,204,218	61,204,218	2,074,719	2,074,719
Funds borrowed from the Central Bank and other banks	1,476,500	1,476,500	50,051	50,051
Financial liabilities at fair value through profit or loss	10,450,223	10,450,223	354,245	354,245
Securities sold under agreements to repurchase	17,412,765	17,412,765	590,263	590,263
Payables	102,960,067	102,960,067	3,490,172	3,490,172
Deposits and remittances	1,442,614,260	1,442,614,260	48,902,178	48,902,178
Financial debentures payable	75,646,552	75,646,552	2,564,290	2,564,290
Other financial liabilities	317,417,427	317,417,427	10,759,913	10,759,913
Guarantee deposits received	2,809,237	2,809,237	95,228	95,228

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	1 January 2012			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$334,236,544	\$334,236,544	\$11,041,842	\$11,041,842
Due from the Central Bank and call loans to banks	100,101,541	100,101,541	3,306,955	3,306,955
Financial assets at fair value through profit or loss	84,682,482	84,682,482	2,797,571	2,797,571
Available-for-sale financial assets	1,346,672,023	1,346,672,023	44,488,669	44,488,669
Derivative financial assets for hedging	5,411,507	5,411,507	178,775	178,775
Repurchase bonds and bond investment notes	11,820,837	11,820,837	390,513	390,513
Receivables, net	92,007,648	92,007,648	3,039,565	3,039,565
Discounts and loans-net	1,492,075,403	1,492,075,403	49,292,217	49,292,217
Held-to-maturity financial assets, net	21,955,565	22,270,266	725,324	735,721
Other financial assets - Investments in debt securities				
with no active market	941,404,652	942,270,052	31,100,253	31,128,842
Other financial assets	317,326,064	317,326,064	10,483,187	10,483,187
Guarantee deposits paid	56,981,479	56,981,479	1,882,441	1,882,441
<u>Liabilities</u>				
Due to the Central Bank and call loans from banks	62,275,073	62,275,073	2,057,320	2,057,320
Funds borrowed from the Central Bank and other banks	1,514,500	1,514,500	50,033	50,033
Financial liabilities at fair value through profit or loss	23,136,143	23,136,143	764,326	764,326
Securities sold under agreements to repurchase	14,686,609	14,686,609	485,187	485,187
Payables	43,454,178	43,454,178	1,435,553	1,435,553
Deposits and remittances	1,414,421,828	1,414,421,828	46,726,853	46,726,853
Financial debentures payable	76,023,825	76,023,825	2,511,524	2,511,524
Other financial liabilities	305,766,443	305,766,443	10,101,303	10,101,303
Guarantee deposits received	2,798,826	2,798,826	92,462	92,462

**B. The methods and hypothesis for estimation of fair value measurement:**

- For short-term financial instruments, its book value shown on consolidated balance statement was used to estimate fair value. Due to the upcoming expiration, the fair values of short-term financial instruments are reasonable to be estimated based on book values. Such method mentioned above is applicable to Cash and cash equivalents, Receivables, Securities sold under agreements to repurchase (resell), Payables, Deposits, Remittances and Call loans to or from Banks.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

, If there are active markets for financial assets or liabilities at fair value through profit and loss, available-for-sale financial assets, held-to-maturity financial assets, bonds investments without active market and derivative financial assets for hedging, such offer prices are regarded as fair value. If offer prices in active market are not available, valuation method is adopted alternatively. The basis of parameter used in valuation method are derived from available data in market, such as yield curve, exchange rate and reference to the condition and character of financial instruments, including credit rating, duration of bonds, currency and other condition and character similar to current fair value of financial instruments which results in consistency between valuation method and hypothesis of financial instruments valuation with market involvement.

*f* Discounts, loans and deposits are interest bearing financial instruments, resulting in the approximation between book value and current fair value. The book value of overdue receivables is derived from expected collectible amount less allowance of bad debts. As result, the book value is regarded as fair value.

„ The fair value of bonds payables are calculated from the discount value of expected cash flows, equaling its book value.

... The book values of refundable deposits and deposits received are regarded as their fair value due to insignificant difference between amount received and paid in the future.

### C. Financial instruments related information

To provide information of disclosure, the Group adopted the fair value levels reflecting the importance of inputs during measurement and classified the measurements of fair values into the following levels:

1st level: The offer prices in active market (without adjustments) were the basis of fair value measurement.

2nd level: The fair value measurement was derived from direct use of price or observable inputs concluded from price indirectly.

3rd level: Unobservable inputs were the basis of fair value measurement and observable inputs that require significant adjustments based on unobservable parameters.

## English Translation of Financial Statements Originally Issued in Chinese

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

- The fair values of financial assets or liabilities determined by quoted market price are classified as level 1 or pricing models are classified as level 2 and 3 are summarized as following:

Financial instruments measured at fair value item	31 March 2013							
	Total		1 <sup>st</sup> Level		2 <sup>nd</sup> Level		3 <sup>rd</sup> Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$17,619,063	\$591,045	\$17,619,063	\$591,045	\$-	\$-	\$-	\$-
Bonds	13,718,547	460,200	12,087,609	405,489	1,630,938	54,711	-	-
Others	133,143,450	4,466,402	24,195,148	811,645	108,948,302	3,654,757	-	-
Available-for-sale financial assets:								
Stocks	343,337,456	11,517,526	332,737,574	11,161,945	10,599,882	355,581	-	-
Bonds	887,892,659	29,785,061	72,519,104	2,432,711	815,373,555	27,352,350	-	-
Others	158,622,462	5,321,116	127,644,589	4,281,939	22,826,415	765,730	8,151,458	273,447
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	862,815	28,944	862,815	28,944	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	10,134,262	339,962	554,403	18,598	9,579,859	321,364	-	-
Other financial assets:								
Derivatives financial assets for hedging	2,196,659	73,689	16,284	546	2,180,375	73,143	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	23,514,366	788,808	250,790	8,413	23,263,576	780,395	-	-
31 December 2012								
Financial instruments measured at fair value item	Total		1 <sup>st</sup> Level		2 <sup>nd</sup> Level		3 <sup>rd</sup> Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$14,896,788	\$512,798	\$14,896,788	\$512,798	\$-	\$-	\$-	\$-
Bonds	7,721,892	265,814	2,866,200	98,664	4,855,692	167,150	-	-
Others	114,486,559	3,941,018	37,032,794	1,274,795	77,453,765	2,666,223	-	-
Available-for-sale financial assets:								
Stocks	294,257,861	10,129,358	283,849,825	9,771,078	10,408,036	358,280	-	-
Bonds	891,487,105	30,688,024	56,266,713	1,936,892	835,220,392	28,751,132	-	-
Others	115,822,100	3,986,992	88,229,855	3,037,173	19,951,630	686,803	7,640,615	263,016
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,503,682	51,762	1,503,682	51,762	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	10,054,649	346,115	648,848	22,335	9,405,801	323,780	-	-
Other financial assets:								
Derivatives financial assets for hedging	3,521,595	121,225	34,268	1,179	3,487,327	120,046	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	7,582,664	261,021	203,241	6,996	7,379,423	254,025	-	-

## English Translation of Financial Statements Originally Issued in Chinese

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

Financial instruments measured at fair value item	31 March 2012							
	Total		1 <sup>st</sup> Level		2 <sup>nd</sup> Level		3 <sup>rd</sup> Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$7,744,816	\$262,536	\$7,744,816	\$262,536	\$-	\$-	\$-	\$-
Bonds	4,920,367	166,792	2,953,008	100,102	1,967,359	66,690	-	-
Others	84,363,677	2,859,786	69,476,298	2,355,129	14,887,379	504,657	-	-
Available-for-sale financial assets:								
Stocks	283,080,842	9,595,961	274,664,417	9,310,658	8,416,425	285,303	-	-
Bonds	965,620,657	32,732,904	39,219,143	1,329,463	926,401,514	31,403,441	-	-
Others	98,113,210	3,325,871	72,702,004	2,464,475	20,068,959	680,303	5,342,247	181,093
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	853,760	28,941	853,760	28,941	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	10,221,708	346,498	675,710	22,905	9,545,998	323,593	-	-
Other financial assets:								
Derivatives financial assets for hedging	4,842,093	164,139	52,022	1,764	4,790,071	162,375	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	9,596,463	325,304	11,691	396	9,584,772	324,908	-	-
1 January 2012								
Financial instruments measured at fair value item	Total		1 <sup>st</sup> Level		2 <sup>nd</sup> Level		3 <sup>rd</sup> Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Financial assets for trading								
Stocks	\$9,105,722	\$300,817	\$9,105,722	\$300,817	\$-	\$-	\$-	\$-
Bonds	5,497,968	181,631	3,527,286	116,527	1,970,682	65,104	-	-
Others	60,853,570	2,010,359	45,957,143	1,518,241	14,896,427	492,118	-	-
Available-for-sale financial assets:								
Stocks	255,198,528	8,430,741	246,450,250	8,141,733	8,748,278	289,008	-	-
Bonds	999,881,697	33,032,101	22,887,071	756,097	976,994,626	32,276,004	-	-
Others	91,591,798	3,025,827	64,971,447	2,146,397	20,427,218	674,834	6,193,133	204,596
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,379,357	45,569	1,379,357	45,569	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	9,225,222	304,764	558,663	18,456	8,666,559	286,308	-	-
Other financial assets:								
Derivatives financial assets for hedging	5,411,507	178,775	57,042	1,885	5,354,465	176,890	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	21,756,786	718,757	200,363	6,619	21,556,423	712,138	-	-

**English Translation of Financial Statements Originally Issued in Chinese**

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, Statements of change in financial assets measure at fair value classified as 3rd level are summarized as following:

a. The statement of changes in financial assets whose fair value measurement attributed to 3<sup>rd</sup> level.

2013.1.1~2013.3.31 (NT\$)						
Item	Beginning Balance	Gain or loss recognized as net income or stockholder's equity	Increase	Decrease	Ending Balance	Ending book value
Financial assets measure at fair value						
Available for sale financial assets	\$7,077,704	\$641,667	\$1,069,041	\$(636,954)	\$7,509,791	\$8,151,458

2013.1.1~2013.3.31 (US\$)						
Item	Beginning Balance	Gain or loss recognized as net income or stockholder's equity	Increase	Decrease	Ending Balance	Ending book value
Financial assets measure at fair value						
Available for sale financial assets	\$237,427	\$21,525	\$35,862	\$(21,367)	\$251,922	\$273,447

2012.1.1~2012.3.31 (NT\$)						
Item	Beginning Balance	Gain or loss recognized as net income or stockholder's equity	Increase	Decrease	Ending Balance	Ending book value
Financial assets measure at fair value						
Available for sale financial assets	\$4,771,878	\$398,668	\$561,149	\$(389,448)	\$4,943,579	\$5,342,247

2012.1.1~2012.3.31 (US\$)						
Item	Beginning Balance	Gain or loss recognized as net income or stockholder's equity	Increase	Decrease	Ending Balance	Ending book value
Financial assets measure at fair value						
Available for sale financial assets	\$161,759	\$13,514	\$19,022	\$(13,202)	\$167,579	\$181,093

## **English Translation of Financial Statements Originally Issued in Chinese**

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b. The transition between 1<sup>st</sup> level and 2<sup>nd</sup> level:

During current year, the transition of financial assets and liabilities between 1<sup>st</sup> level and 2<sup>nd</sup> level did not occur in the Group.

(2) Management on financial risks

A. Cathay Life and its subsidiaries

- Credit risk

(A) Credit risk

Anticipated credit risks due to conducted financial transactions included the credit risks from issuers, counterparties, and underlying assets:

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

(B) Concentration risk

Regional distribution of credit risk exposure for financial assets of Cathay Life

31 March 2013

(NT\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

31 March 2013

(US\$)

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

31 December 2012

(NT\$)

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

31 December 2012

(US\$)

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,909,128	\$20,109	\$-	\$2,007,808	\$1,550,923	\$12,487,968
Financial assets at fair value through profit or loss	741,023	18,583	83,589	43,599	-	886,794
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	9,937,697	8,090,558	28,036,277
Other financial assets	654,045	-	154,905	-	-	808,950
Total	\$27,737,273	\$2,224,094	\$10,577,104	\$19,709,573	\$10,937,853	\$71,185,897
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%



**English Translation of Financial Statements Originally Issued in Chinese**

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

31 March 2012

(NT\$)

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

31 March 2012

(US\$)

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

1 January 2012

(NT\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

1 January 2012  
(US\$)

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,250,884	\$75,086	\$-	\$2,567,061	\$1,398,148	\$12,291,179
Financial assets at fair value through profit or loss	436,949	4,941	101,834	58,567	-	602,291
Available-for-sale financial assets	14,066,079	571,220	4,658,172	10,543,842	1,969,031	31,808,344
Derivative financial assets for hedging	15,728	1,935	38,121	8,895	-	64,679
Bond investments for which no active market exists	657,681	1,033,161	5,337,714	5,863,178	4,016,237	16,907,971
Other financial assets	356,789	-	82,590	-	-	439,379
<b>Total</b>	<b>\$23,784,110</b>	<b>\$1,686,343</b>	<b>\$10,218,431</b>	<b>\$19,041,543</b>	<b>\$7,383,416</b>	<b>\$62,113,843</b>
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

**(C) Credit Quality**

Classification of credit quality for financial assets of Cathay Life:

31 March 2013  
(NT\$)

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

31 March 2013  
(US\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

31 December 2012

(NT\$)

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

31 December 2012

(US\$)

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non- investment grade and unrated				
Cash and cash equivalents	\$12,487,897	\$71	\$-	\$-	\$-	\$12,487,968
Financial assets at fair value through profit or loss	864,821	21,973	-	-	-	886,794
Available-for-sale financial assets	28,509,027	413,934	-	28,934	(25,302)	28,926,593
Derivative financial assets for hedging	39,315	-	-	-	-	39,315
Bond investments for which no active market exists	27,874,190	162,087	-	13,038	(13,038)	28,036,277
Other financial assets	808,950	-	-	-	-	808,950
Total	\$70,584,200	\$598,065	\$-	\$41,972	\$(38,340)	\$71,185,897
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

31 March 2012

(NT\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

31 March 2012

(US\$)

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

1 January 2012

(NT\$)

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

1 January 2012

(US\$)

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non- investment grade and unrated				
Cash and cash equivalents	\$12,291,110	\$69	\$-	\$-	\$-	\$12,291,179
Financial assets at fair value through profit or loss	575,723	26,568	-	-	-	602,291
Available-for-sale financial assets	31,506,038	297,681	-	28,907	(24,282)	31,808,344
Derivative financial assets for hedging	64,679	-	-	-	-	64,679
Bond investments for which no active market exists	16,515,071	392,900	-	13,009	(13,009)	16,907,971
Other financial assets	439,379	-	-	-	-	439,379
Total	\$61,392,000	\$717,218	\$-	\$41,916	\$(37,291)	\$62,113,843
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

**English Translation of Financial Statements Originally Issued in Chinese**

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

Investment grade assets are assets whose credit rating of “BBB-“ or higher granted by a credit rating institution; non-investment grade assets are assets whose credit rating granted by a credit rating institution fails to meet “BBB-“.

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

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

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

**(E) Secured loans and overdue receivables**

31 March 2013

(NT\$)

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

31 March 2013

(US\$)

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

31 December 2012

(NT\$)

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

31 December 2012

(US\$)

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

31 March 2012

(NT\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

31 March 2012

(US\$)

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

1 January 2012

(NT\$)

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

1 January 2012

(US\$)

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$4,833,700	\$3,362,574	\$941,155	\$5,932	\$120,102	\$9,263,463	\$26,244	\$9,237,219
Corporate finance	140,878	227,901	117,274	-	255,162	741,215	20,021	721,194
<b>Total</b>	<b>\$4,974,578</b>	<b>\$3,590,475</b>	<b>\$1,058,429</b>	<b>\$5,932</b>	<b>\$375,264</b>	<b>\$10,004,678</b>	<b>\$46,265</b>	<b>\$9,958,413</b>

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

Based on the historical default rates, Cathay Life believes that provisions for loans past due within a month are not necessary except that indicator of impairment exists.

Past due but not impaired

(NT\$)

	Due in 1~2 months	Due in 2~3 months	Total
31 March 2013	\$138,446	\$6,601	\$145,047
31 December 2012	157,700	26,242	183,942
31 March 2012	162,686	32,139	194,825
1 January 2012	162,914	16,656	179,570



**English Translation of Financial Statements Originally Issued in Chinese**

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

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

, Liquidity risk analysis

(A) Sources of liquidity risk

Liquidity risks of the financial instruments are classified into “capital liquidity risk” and “market liquidity risk.” “Capital liquidity risk” represents the risk that Cathay Life is not able to acquire sufficient capital by reasonable costs in reasonable time. “Market liquidity risk” represents the risk that Cathay Life sells at loss to acquire necessary capital.

(B) Liquidity risk management

Cathay Life assesses the characteristics of business, monitors short-term cash flows, and establishes a complete mechanism of liquidity risk management. Furthermore, Cathay Life manages market liquidity risk cautiously by considering the balance between its market transactions and positions held.

Cathay Life 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, Cathay Life has established an emergency responding procedure to deal with significant liquidity risks.

(C) Maturity analysis of liquidity risk management of financial assets and non-derivative financial liabilities held

Maturity Analysis of non-derivative financial liabilities:

The analysis of cash outflows of Cathay Life and Subsidiaries is listed below based on the residual term to maturity on balance sheet date. The disclosed amounts are based on the contract cash flows, therefore some of the disclosed amounts do not correspond to the same items on consolidated balance sheet.

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

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

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

**(D) Maturity analysis of derivative financial liability:**

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

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

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

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

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

**I 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 price difference, and stock price.

**(B) Cathay Life 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 risk of the most probable loss on the portfolio in position arising from the movements in market risk by measuring portfolio over a specific time frame and at a certain confidence level. Cathay Life measures VaR within an investment portfolio over a week and at confidence levels of 95% and 99%.

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Stress testing

Cathay Life measures and evaluates potential risks of the occurrence of extreme and abnormal events periodically in addition to Value at Risk models.

Cathay Life performs stress testing on positions periodically by applying “Simple Sensitivity” and “Scenario Analysis” methods. The test may represent the position loss resulted from movements of each risk factor in all kinds of historical scenarios:

i. Simple Sensitivity

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

ii. Scenario Analysis

Scenario Analysis is to measure the dollar amount changes of the total value of investment positions if the assumed trigger event occurs. The types of scenario include:

(a) Historical scenario

Cathay Life assesses the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical event and taking the fluctuation of the risk factor into the consideration.

(b) Hypothesis scenario

Cathay Life 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 hypothesis scenarios periodically. Cathay Life’s risk analysis, risk warnings, and business management are made in accordance with the stress testing report.

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2013

Table of Stress Testing

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

For the three-month period ended 31 March 2012

Table of Stress Testing

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

**m Sensitivity analysis**

For the three-month period ended 31 March 2013

Summarization of Sensitivity analysis

(NT\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

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

For the three-month period 31 March 2012  
Summarization of Sensitivity analysis  
(NT\$)

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

For the three-month period ended 31 March 2012  
Summarization of Sensitivity analysis  
(US\$)

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

**n** Hedged accounting disclosures

Cash flow hedges

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

a. 31 March 2013

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



**English Translation of Financial Statements Originally Issued in Chinese**

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

b. 31 March 2012

Par value		Exchange rate	Payment term	Maturity date
NT\$	US\$			
\$1,000,000	\$33,898	90DCP	Each quarter	2012.6.26
2,000,000	67,797	90DCP	Each quarter	2012.9.9
2,000,000	67,797	90DCP	Each quarter	2012.10.11
700,000	23,729	90DCP	Each quarter	2012.11.24
2,000,000	67,797	90DCP	Yearly	2013.3.26
2,425,000	82,203	90DCP	Each quarter	2013.4.24
3,600,000	122,034	90DCP	Each quarter	2013.6.8
2,700,000	91,525	90DCP+25bps	Each quarter	2013.8.24
3,000,000	101,695	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	67,797	90DCP	Yearly	2013.11.3
1,000,000	33,898	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,949	90DCP+23bps	Yearly	2013.12.14
1,500,000	50,847	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,898	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,508	90DCP	Yearly	2014.3.12
1,000,000	33,898	90DCP	Yearly	2014.6.12
3,000,000	101,695	90DCP	Each quarter	2014.6.25
1,810,000	61,356	90DCP	Each quarter	2014.6.26
2,000,000	67,797	90DCP	Yearly	2014.6.29
5,000,000	169,492	90DCP	Yearly	2014.8.23
1,000,000	33,898	90DCP	Yearly	2014.9.20
3,200,000	108,475	90DCP	Yearly	2014.9.27
2,000,000	67,797	90DCP	Each quarter	2014.9.28
1,500,000	50,847	90DCP	Yearly	2014.9.29
2,500,000	84,746	90DCP	Yearly	2014.12.20
2,000,000	67,797	90DCP	Yearly	2014.12.24
2,300,000	77,966	90DCP	Each quarter	2015.3.25
1,500,000	50,847	90DCP	Each quarter	2015.5.9
2,543,500	86,220	90DCP	Each quarter	2016.10.23
900,000	30,508	90DCP	Each quarter	2016.10.24
1,200,000	40,678	90DCP	Each quarter	2017.10.25
1,400,000	47,458	90DCP	Each quarter	2017.12.9
600,000	20,339	90DCP	Each quarter	2020.9.23

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

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

**B. Cathay United Bank and its subsidiaries**

- Risk control and hedging strategy

Cathay United Bank's risk control and hedging strategy followed the requirement of customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopted different risk management methods to identify its risks and Cathay United Bank followed the spirit and regulation of "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain a better capital adequacy ratio.

Cathay United Bank organized a risk management committee and its responsibilities are as illustrated as follows:

- a. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.
- b. To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operating risk management.
- c. To report the significant risk management issues such as credit rating, market assessment and risk indicator.
- d. To analyze the issues that Cathay United Bank's business unit brings up for discussion.
- e. Other issues.

Cathay United Bank organized a risk management office to monitor, lead, develop, and establish the integral risk management framework.

, **Market risk**

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

Cathay United Bank organized market risk management department and the committee of assets and liabilities management is responsible for monitoring the market risk management. The department and committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing and projects of medium and long term funding while executing the market risk management. The market risk management department periodically provides related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as valuating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

### **Market risk management process**

#### **(A) Identification and measurement**

The operating department and risk management department of Cathay United Bank identified the market risk factors of risk exposure position, and measured the market risk further. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, and equity securities, such components include positions, gains and losses, the loss of stress test, sensitivity (DVO1, Delta, Vega, Gamma) and Value at Risk (VaR) and etc., to measure the extent of investment portfolio that is influenced by interest risk, foreign exchange risk, and equity securities.

#### **(B) Monitoring and reporting**

The risk management department regularly reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors. The department also helps the board of directors understand the status of market risk management. Cathay United Bank established a defined reporting process. Each transaction is regulated by a transaction limit and stop-loss limit. If the transaction reaches its stop-loss limit, stop-loss will be implemented immediately. If stop-loss action is not implemented, the transaction department shall report the reason of not executing the stop-loss action and the responding plan to the executive management for approval and report the same to the board of directors regularly.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### **Risk management policy of the trading book**

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio held for trading is which intended to earn the profit from bid-ask spread. Except positions from the above trading book, they will be called banking book.

#### **(A) Strategy**

In order to control market risk effectively and ensure the operating departments operate the transaction strategy with flexibility, Cathay United Bank makes various assessments and controls. The portfolio of trading book is subject to risk limitation for each investment portfolio which is determined by the transaction strategy, category of investment and the annual profit target.

#### **(B) Policy and procedure**

Cathay United Bank sets forth the “Regulation Governing of Market Risk Management” as the important regulation that shall be complied with when holding trading portfolios.

#### **(C) Valuation policy**

If the financial instruments of trading book have market values, they should be evaluated at least once each day by the information obtained from independent sources and is easily accessible. If they are evaluated by a model, a mathematical model should be applied prudently, and the assumptions and parameters of the valuation model should be reviewed and examined regularly.

#### **(D) Method of measurement**

- a. The assumption and calculation of VaR: see VaR section.
- b. Cathay United Bank sets the scenarios at interest rate fluctuation: 100bp, equity securities: 15% and foreign exchange rate: 3% to execute the stress test monthly, and report to the risk management committee regularly.

### **Interest risk management of trading book**

#### **(1) Definition of interest risk**

Interest risk is the risk that the trading portfolio suffers loss or change of its fair value which is caused by fluctuation of interest rates. The main instruments include securities and derivatives that relate to interest rates.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### (2) Interest risk management procedure of trading book

By researching the credit quality and financial position of the securities issuer, the sovereign risk and the trend of interest rate, Cathay United Bank prudently choose its investment target. According to the operation strategy and the circumstances of the market, Cathay United Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment...etc.) of the trading book that are approved by executive management or the board of directors.

### (3) Method of measurement

- a. The assumption and calculation of VaR: see VaR section.
- b. Cathay United Bank measures by DVO1 the extent of investment portfolio that is influenced by interest risk monthly.

### Interest risk management of banking book

The main objective in interest risk management of banking book is to strengthen the interest risk management, enhance the operating efficiency of funding and support sound business operation.

#### (1) Strategy

Interest risk management aims at enhancing Cathay United Bank's ability to respond to challenges and to measure, manage and avoid the risk that the economic values of profit and assets/liabilities are affected by the fluctuation of interest rates.

#### (2) Management procedure

When undertaking operations related to interest-rate instruments, Cathay United Bank identifies the repricing risk of interest rates, yield curve risk, basis risk and options risk characteristics. In additional, Cathay United Bank also measures the potential impact of the fluctuation of interest rates on the profit and economic values of Cathay United Bank. Cathay United Bank analyzes and monitors monthly the interest risk limits and each target under interest risk management. The analytical and monitor results are reported to not only the risk management committee but also the board of directors periodically.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

If there is any risk management target found over the limit during the monitor process, it will be reported to risk management committee and a responsive measure should be proposed.

### (3) Method of measurement

The interest rate risk of Cathay United Bank mainly measures the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off balance sheet item in banking book. To stabilize long-term profitability and ensure business growth, Cathay United Bank set the monitoring indicators of interest sensitivity in major terms to execute stress test. Each interest risk indicator and the results of stress test are reported to executive management to review periodically.

### Foreign exchange risk management

#### (1) Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange in different times. The foreign exchange risk of Cathay United Bank arises from the derivative instrument, such as spot exchange, forward exchange and foreign exchange option and etc. The principle of executing the foreign exchange transaction is to offset clients' position. Thus, Cathay United Bank suffers insignificant foreign exchange risk.

#### (2) Policy, procedure and measurement methodology of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the transaction and stop-loss limits to the dealing room and traders. Meanwhile, Cathay United Bank also sets the largest annual loss limit to control the loss in the tolerable extent. Foreign exchange risk is controlled based on VaR, the assumption and calculation of which is described in VaR paragraph.

For foreign exchange risk, Cathay United Bank sets the scenario at 3% interest rate fluctuation of major currencies to execute the stress test quarterly, and reports to risk management committee.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### Risk management of equity price

#### (1) Definition of risk of equity price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market prices and general market risk from the fluctuation of macro market prices.

#### (2) Purpose of risk management in equity prices

To avoid the massive fluctuation of equity prices to worsen Cathay United Bank's financial situation or earnings, also to raise the operating efficiency of capital and strengthen its business operation.

#### (3) Procedure of risk management of equity prices

Cathay United Bank sets investment limit for industries, using the  $\beta$  value to measure the investment portfolio affected by the systemic risk monthly. The stop loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop loss point is reached but the investment is not going to be disposed of.

#### (4) Measured methodology

The risk of equity prices in trading book is mainly controlled by VaR.

Cathay United Bank's risk of equity prices from its non-trading portfolio should be controlled by each bank according to its individual business scale to develop a stress test under appropriate scenarios and report to the risk management committee.

Cathay United Bank adopts many methodologies to manage its market risk. Value-at-risk (VAR) is one of the methodologies. VaR is statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence.

2013.3.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$603,777	\$20,254	\$876,417	\$29,400	\$457,036	\$15,332
Foreign exchange	152,819	5,126	162,367	5,447	146,608	4,918
Equity Securities price	148,642	4,986	196,839	6,603	97,710	3,278

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.12.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$611,347	\$21,045	\$876,417	\$30,169	\$457,036	\$15,733
Foreign exchange	156,656	5,393	162,280	5,586	146,608	5,047
Equity Securities price	124,933	4,301	165,277	5,689	60,704	2,090

2012.3.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$425,818	\$14,435	\$628,526	\$21,306	\$258,043	\$8,747
Foreign exchange	149,576	5,070	177,844	6,029	92,593	3,139
Equity Securities price	127,989	4,339	207,076	7,020	60,704	2,058

2012.1.1						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$358,300	\$11,837	\$590,383	\$19,504	\$258,043	\$8,525
Foreign exchange	133,656	4,415	177,844	5,875	92,593	3,059
Equity Securities price	138,602	4,579	207,076	6,841	100,824	3,331

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

**Stress testing**

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. Cathay United Bank's stress testing considers various types of risk factors and reporting the results to the executive management.



**English Translation of Financial Statements Originally Issued in Chinese**

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

Stress Test					
Market/ Product	Scenarios	2013.3.31		2012.12.31	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges + 15%	\$1,144,942	\$38,408	\$1,025,960	\$35,317
	Major Stock Exchanges - 15%	(1,144,942)	(38,408)	(1,025,960)	(35,317)
Interest Rate/ Bond Market	Major Interest Rate + 100bp	(4,612,589)	(154,733)	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	3,740,131	125,466	2,496,083	85,924
Foreign Exchange Market	Major Currencies + 3%	2,663,693	89,356	1,450,437	49,929
	Major Currencies - 3%	(2,508,526)	(84,150)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(3,093,838)	(103,785)	(2,397,199)	(82,520)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

Stress Test					
Market/ Product	Scenarios	2012.3.31		2012.1.1	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$635,695	\$21,549	\$656,831	\$21,699
	Major Stock Exchanges -15%	(635,695)	(21,549)	(656,831)	(21,699)
Interest Rate/ Bond Market	Major Interest Rate + 100bp	(2,681,169)	(90,887)	(2,034,384)	(67,208)
	Major Interest Rate - 100bp	2,479,785	84,061	2,018,467	66,682
Foreign Exchange Market	Major Currencies +3%	1,611,429	54,625	1,331,737	43,995
	Major Currencies -3%	(1,522,797)	(51,620)	(1,254,207)	(41,434)
Composite	Major Stock Exchanges -15%	(1,705,435)	(57,811)	(1,359,477)	(44,912)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

Sensitivity analysis

(A) Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(B) Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios caused by the underlying currency exchange rate fluctuation.

(C) Equity price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stocks prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

	2013.3.31			
	Income		Equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$471,142	\$15,805	\$3,841	\$129
HKD+1%	22,695	761	98,669	3,310
JPY+1%	-	-	995	33
NTD+1%	(595,272)	(19,969)	(15,582)	(523)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(156)	(5)	(15,109)	(507)
Yield curves (HKD) parallel shift+1bp	-	-	(1)	-
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(349)	(12)	(1,522)	(51)
Equity securities price factor sensitivity (Equity Delta)	808	27	75,522	2,533
	2012.12.31			
	Income		Equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$411,904	\$14,179	\$5,220	\$180
HKD+1%	3,042	105	-	-
JPY+1%	1	-	-	-
NTD+1%	(458,563)	(15,785)	(5,769)	(199)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(349)	(12)	(18,027)	(621)
Yield curves (HKD) parallel shift+1bp	-	-	(30)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(771)	(27)	(8,373)	(288)
Equity securities price factor sensitivity (Equity Delta)	-	-	68,397	2,354

**English Translation of Financial Statements Originally Issued in Chinese**

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

	2012.3.31			
	Income		Equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$477,342	\$16,181	\$3,601	\$122
HKD+1%	6,907	234	-	-
JPY+1%	5,435	184	-	-
NTD+1%	(512,900)	(17,386)	(3,803)	(129)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(220)	(7)	(19,779)	(670)
Yield curves (HKD) parallel shift+1bp	-	-	(53)	(2)
Yield curves (JPY) parallel shift+1bp	-	-	(8)	-
Yield curves (NTD) parallel shift+1bp	(38)	(1)	(6,577)	(223)
Equity securities price factor sensitivity (Equity Delta)	-	-	42,380	1,437
	2012.1.1			
	Income		Equity	
	NT	US	NT	US
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$412,143	\$13,616	\$3,791	\$125
HKD+1%	5,454	180	-	-
JPY+1%	3,944	130	-	-
NTD+1%	(422,515)	(13,958)	(3,817)	(126)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(158)	(5)	(15,172)	(501)
Yield curves (HKD) parallel shift+1bp	-	-	-	-
Yield curves (JPY) parallel shift+1bp	-	-	(8)	-
Yield curves (NTD) parallel shift+1bp	(210)	(7)	(5,390)	(178)
Equity securities price factor sensitivity (Equity Delta)	-	-	43,789	1,447

## I Credit risk

Credit risk represents the risk of loss that Cathay United Bank and its subsidiaries would incur if a counterparty fails to perform its contractual obligations.

To centralize risk management functions currently handled by different departments, Cathay United Bank's board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balanced loan portfolio. Cathay United Bank's board of directors sets the counterparty credit limits, which are then implemented by the credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. Cathay United Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Cathay United Bank and its subsidiaries maintain a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank and its subsidiaries retain the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

The management procedure and measurement methodology of credit risk in Cathay United Bank's main business are as follows:

Credit business (including the loan commitments and guarantees)

The category of credit asset and the grade of credit quality were narrated as follow:

(A) Category of credit risk

The credit risk of Cathay United Bank was classified into five categories. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five". For managing the default credits, Cathay United Bank established the regulations governing the procedure to deal with non-performing loans, non-accrual loans and bad debts.

(B) Grade of credit quality

Cathay United Bank sets the level of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed the risk management.

In order to measure the credit risk of the clients, Cathay United Bank employs the statistic methods and the professional judgement from the experts. Cathay United Bank develops the rating model of business credit after considering the clients' relevant information. The model shall be reviewed periodically to verify if the calculated results conformed to the reality and revise every parameter to optimize the results.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

The credit quality of Cathay United Bank's corporate borrowers is classified as excellent, good, and average.

To ensure the reasonable estimated values of credit rating system's design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and test in the model according to the actual default every year so that the calculated results will be close to the actual default.

### **Due from and call loans to other banks**

Cathay United Bank evaluates the counterparties' credit quality before transactions and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

## **(C) Hedge of credit risk and easing policy**

### **a. Collateral**

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collaterals. To ensure the creditor's rights, Cathay United Bank sets the scope available as collaterals and the procedures of appraising, managing, and disposing of the collaterals. In addition, a credit contract is in place to provide the credit claim preservation, collaterals, and offset provisions to stipulate that when a credit trigger event occurs, Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts matured. Also, Cathay United Bank will use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

Other non-credit business collaterals shall depend on the characteristics of the financial instruments. Only the asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

c. Net settlement agreement

Cathay United Bank usually settles by the aggregate balance, but signs contract with some counterparties to settle by net balance. If a default happens, Cathay United Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

(D) Cathay United Bank's maximum exposures to credit risk

Without taking into account the collateral or other credit enhancement instrument, the maximum credit risk exposure of balance-sheet financial assets equals their carrying values. The maximum credit risk exposure of off-balance-sheet items (without considering the collaterals or other credit enhancement and is irrevocable) are as follows:

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$63,763,068	\$2,138,982	\$34,415,264	\$1,184,691
Credit card commitments	331,652,393	11,125,542	328,719,949	11,315,661
Unused commercial letters of credit	4,821,034	161,725	4,281,218	147,374
Guarantees on duties and contracts	11,680,203	391,822	12,081,454	415,885
Total	\$411,916,698	\$13,818,071	\$379,497,885	\$13,063,611

Off balance sheet items	Maximum exposure to credit risk			
	2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$52,057,334	\$1,764,655	\$51,897,159	\$1,714,475
Credit card commitments	317,808,352	10,773,165	316,507,785	10,456,154
Unused commercial letters of credit	5,178,705	175,549	4,308,561	142,338
Guarantees on duties and contracts	13,684,917	463,896	13,245,165	437,567
Total	\$388,729,308	\$13,177,265	\$385,958,670	\$12,750,534

**English Translation of Financial Statements Originally Issued in Chinese**

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

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conduct reviews regularly.

(E) Credit risk concentration of Cathay United Bank and its subsidiaries

While the counterparties are obviously the same party or there are several counterparties but all engage in similar business activities and share similar economic characteristics, so they are vulnerable to the same economic impacts or other changes, the credit risk concentration is apparent.

Credit risk concentration of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arise from performing obligations or engaging in transactions or cross-line portfolio of risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries do not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty accounted for the Bank's total bills discounts and loans and overdue receivables was not significant. Discounts and loans, guarantees, bills purchased, and acceptances receivable of Cathay United Bank and its subsidiaries according to industry, country and collateral are listed below:

Item	2013.3.31			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$135,506,135	\$4,545,660	13.21	\$125,610,955	\$4,323,957	12.20
Financial institutions and insurance	33,071,723	1,109,417	3.22	29,912,516	1,029,691	2.90
Leasing and real estate	86,170,070	2,890,643	8.40	83,834,530	2,885,870	8.14
Individuals	485,560,824	16,288,522	47.34	492,107,196	16,940,007	47.77
Others	285,435,075	9,575,145	27.83	298,671,240	10,281,282	28.99
Total	\$1,025,743,827	\$34,409,387	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2012.3.31			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$63,120,303	\$2,139,671	6.11	\$138,134,019	\$4,563,397	13.47
Financial institutions and insurance	36,090,133	1,223,394	3.49	31,290,029	1,033,698	3.05
Leasing and real estate	93,346,085	3,164,274	9.03	90,742,485	2,997,769	8.85
Individuals	480,845,418	16,299,845	46.52	484,825,562	16,016,702	47.26
Others	360,136,411	12,208,014	34.85	280,810,821	9,276,869	27.37
Total	\$1,033,538,350	\$35,035,198	100.00	\$1,025,802,916	\$33,888,435	100.00

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	2013.3.31			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$853,656,597	\$28,636,585	83.22	\$876,857,476	\$30,184,423	85.12
Asia	85,280,568	2,860,804	8.31	69,497,214	2,392,331	6.75
America	23,244,096	779,742	2.27	22,560,687	776,616	2.19
Others	63,562,566	2,132,256	6.20	61,221,060	2,107,437	5.94
Total	\$1,025,743,827	\$34,409,387	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2012.3.31			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$887,896,376	\$30,098,182	85.91	\$891,970,478	\$29,467,145	86.95
Asia	60,561,604	2,052,936	5.86	44,761,460	1,478,740	4.37
America	22,533,783	763,857	2.18	15,206,114	502,350	1.48
Others	62,546,587	2,120,223	6.05	73,864,864	2,440,200	7.20
Total	\$1,033,538,350	\$35,035,198	100.00	\$1,025,802,916	\$33,888,435	100.00

(F) Credit quality analysis of the financial assets

Some of the financial assets held by Cathay United Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit and loss, securities purchased under agreements to resell, refundable deposits, operational guarantee deposits and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and is considered as low credit risk.

In addition to all of the above, the credit quality analysis of the financial assets was shown as follows:

a. Credit quality analysis to loans and receivables of Cathay United Bank

2013.3.31 (NT\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card business	\$26,316,036	\$5,303,907	\$2,755,303	\$34,375,246	\$125,560	\$139,092	\$34,639,898	\$115,649	\$1,653,373	\$32,870,876
Others	35,259,486	2,501,348	29,335	37,790,169	3,343	63,160	37,856,672	11,852	157,493	37,687,327
Discounts and loans	659,000,267	269,563,077	35,867,119	964,430,463	468,821	31,074,794	995,974,078	4,404,817	9,158,968	982,410,293



**English Translation of Financial Statements Originally Issued in Chinese**

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

2013.3.31 (US\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired (C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card										
business	\$882,792	\$177,924	\$92,429	\$1,153,145	\$4,212	\$4,666	\$1,162,023	\$3,879	\$55,464	\$1,102,680
Others	1,182,807	83,910	984	1,267,701	112	2,119	1,269,932	398	5,283	1,264,251
Discounts and loans	22,106,685	9,042,706	1,203,191	32,352,582	15,727	1,042,429	33,410,738	147,763	307,245	32,955,730

2012.12.31 (NT\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card										
business	\$26,857,133	\$6,221,934	\$2,874,072	\$35,953,139	\$111,701	\$127,992	\$36,192,832	\$108,337	\$1,798,623	\$34,285,872
Others	15,398,473	1,046,175	47,366	16,492,014	5,871	49,694	16,547,579	7,801	91,694	16,448,084
Discounts and loans	670,693,846	255,821,555	44,369,776	970,885,177	816,751	26,753,925	998,455,853	3,838,785	9,198,147	985,418,921

2012.12.31 (US\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card										
business	\$924,514	\$214,180	\$98,936	\$1,237,630	\$3,845	\$4,406	\$1,245,881	\$3,729	\$61,915	\$1,180,237
Others	530,068	36,013	1,630	567,711	202	1,711	569,624	269	3,156	566,199
Discounts and loans	23,087,568	8,806,250	1,527,359	33,421,177	28,115	920,961	34,370,253	132,144	316,632	33,921,477

2012.3.31 (NT\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card										
business	\$24,405,851	\$5,720,718	\$2,942,824	\$33,069,393	\$100,635	\$130,833	\$33,300,861	\$110,745	\$1,815,096	\$31,375,020
Others	9,489,214	1,583,944	51,307	11,124,465	6,092	51,880	11,182,437	8,253	66,075	11,108,109
Discounts and loans	697,836,923	236,260,080	41,682,481	975,779,484	1,044,808	25,489,042	1,002,313,334	3,534,183	6,852,126	991,927,025

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.3.31 (US\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card business	\$827,317	\$193,923	\$99,757	\$1,120,997	\$3,411	\$4,435	\$1,128,843	\$3,754	\$61,529	\$1,063,560
Others	321,668	53,693	1,739	377,100	207	1,759	379,066	280	2,240	376,546
Discounts and loans	23,655,489	8,008,816	1,412,966	33,077,271	35,417	864,035	33,976,723	119,803	232,275	33,624,645

2012.1.1 (NT\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card business	\$24,972,407	\$6,686,738	\$3,229,365	\$34,888,510	\$111,061	\$140,798	\$35,140,369	\$122,260	\$2,538,626	\$32,479,483
Others	10,926,714	2,128,310	97,277	13,152,301	6,987	35,839	13,195,127	7,600	86,025	13,101,502
Discounts and loans	683,187,435	234,443,058	58,306,958	975,937,451	976,060	15,628,820	992,542,331	3,059,807	6,247,744	983,234,780

2012.1.1 (US\$)	Neither past due nor impaired				Past due but not impaired(B)	Impaired(C)	Total (A)+(B)+(C)	Loss provisioning(D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal(A)				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit card business	\$824,989	\$220,903	\$106,685	\$1,152,577	\$3,669	\$4,652	\$1,160,898	\$4,039	\$83,866	\$1,072,993
Others	360,975	70,311	3,214	434,500	231	1,184	435,915	251	2,842	432,822
Discounts and loans	22,569,787	7,745,063	1,926,229	32,241,079	32,245	516,314	32,789,638	101,084	206,401	32,482,153

**b. The credit quality analysis on neither past due nor impaired discounts and loans**

	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.3.31								
Consumer banking								
Residential mortgage loans	\$219,733,198	\$7,371,124	\$43,881,144	\$1,472,027	\$7,540,145	\$252,940	\$271,154,487	\$9,096,091
Unsecured personal loans	5,853,661	196,366	2,201,066	73,836	922,490	30,946	8,977,217	301,148
Other	138,040,632	4,630,682	30,429,800	1,020,792	5,450,737	182,849	173,921,169	5,834,323
Corporate banking								
Secured	109,816,242	3,683,873	101,209,634	3,395,157	14,825,665	497,339	225,851,541	7,576,369
Unsecured	185,556,534	6,224,640	91,841,433	3,080,894	7,128,082	239,117	284,526,049	9,544,651
Total	\$659,000,267	\$22,106,685	\$269,563,077	\$9,042,706	\$35,867,119	\$1,203,191	\$964,430,463	\$32,352,582

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.12.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential mortgage								
loans	\$210,365,875	\$7,241,510	\$57,522,974	\$1,980,137	\$11,752,064	\$404,546	\$279,640,913	\$9,626,193
Unsecured personal								
loans	5,023,910	172,940	2,625,973	90,395	1,097,468	37,779	8,747,351	301,114
Other	142,126,809	4,892,489	38,303,966	1,318,553	7,442,926	256,211	187,873,701	6,467,253
Corporate banking								
Secured	119,997,846	4,130,735	78,926,054	2,716,904	17,549,751	604,122	216,473,651	7,451,761
Unsecured	193,179,406	6,649,894	78,442,588	2,700,261	6,527,567	224,701	278,149,561	9,574,856
<b>Total</b>	<b>\$670,693,846</b>	<b>\$23,087,568</b>	<b>\$255,821,555</b>	<b>\$8,806,250</b>	<b>\$44,369,776</b>	<b>\$1,527,359</b>	<b>\$970,885,177</b>	<b>\$33,421,177</b>

2012.3.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential mortgage								
loans	\$211,103,772	\$7,156,060	\$57,760,582	\$1,957,986	\$11,554,500	\$391,678	\$280,418,854	\$9,505,724
Unsecured personal								
loans	4,281,724	145,143	1,819,413	61,675	997,254	33,805	7,098,391	240,623
Other	115,512,409	3,915,675	34,523,669	1,170,293	6,559,786	222,366	156,595,864	5,308,334
Corporate banking								
Secured	134,958,537	4,574,866	63,256,377	2,144,284	11,060,401	374,929	209,275,315	7,094,079
Unsecured	231,980,481	7,863,745	78,900,039	2,674,578	11,510,540	390,188	322,391,060	10,928,511
<b>Total</b>	<b>\$697,836,923</b>	<b>\$23,655,489</b>	<b>\$236,260,080</b>	<b>\$8,008,816</b>	<b>\$41,682,481</b>	<b>\$1,412,966</b>	<b>\$975,779,484</b>	<b>\$33,077,271</b>

2012.1.1	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential mortgage								
loans	\$207,094,380	\$6,841,572	\$66,179,715	\$2,186,313	\$15,177,100	\$501,391	\$288,451,195	\$9,529,276
Unsecured personal								
loans	3,394,782	112,150	2,455,049	81,105	1,076,075	35,549	6,925,906	228,804
Other	106,414,451	3,515,509	35,962,558	1,188,060	8,015,814	264,810	150,392,823	4,968,379
Corporate banking								
Secured	139,020,781	4,592,692	58,924,067	1,946,616	22,981,734	759,225	220,926,582	7,298,533
Unsecured	227,263,041	7,507,864	70,921,669	2,342,969	11,056,235	365,254	309,240,945	10,216,087
<b>Total</b>	<b>\$683,187,435</b>	<b>\$22,569,787</b>	<b>\$234,443,058</b>	<b>\$7,745,063</b>	<b>\$58,306,958</b>	<b>\$1,926,229</b>	<b>\$975,937,451</b>	<b>\$32,241,079</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

c. Credit quality analysis on securities investment

2013.3.31 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$64,095,827	\$2,147,931	\$66,243,758	\$-	\$-	\$66,243,758	\$-	\$66,243,758
Stocks	4,258,719	8,192,790	12,451,509	-	438,941	12,890,450	438,941	12,451,509
Others	-	1,919,728	1,919,728	-	-	1,919,728	-	1,919,728
Held-to-maturity financial assets								
Bonds	47,419,885	592,363	48,012,248	-	-	48,012,248	-	48,012,248
Investments in debt securities with no active market								
Bonds	10,883,711	753,612	11,637,323	-	1,213,681	12,851,004	1,213,591	11,637,413
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	389,300,000	-	389,300,000	-	-	389,300,000	-	389,300,000

2013.3.31 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$2,150,145	\$72,054	\$2,222,199	\$-	\$-	\$2,222,199	\$-	\$2,222,199
Stocks	142,862	274,834	417,696	-	14,724	432,420	14,724	417,696
Others	-	64,399	64,399	-	-	64,399	-	64,399
Held-to-maturity financial assets								
Bonds	1,590,738	19,871	1,610,609	-	-	1,610,609	-	1,610,609
Investments in debt securities with no active market								
Bonds	365,103	25,280	390,383	-	40,714	431,097	40,711	390,386
Stocks	-	18,441	18,441	-	-	18,441	-	18,441
Others	13,059,376	-	13,059,376	-	-	13,059,376	-	13,059,376

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.12.31 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$48,134,737	\$2,029,777	\$50,164,514	\$-	\$-	\$50,164,514	\$-	\$50,164,514
Stocks	4,542,271	6,709,298	11,251,569	-	438,311	11,689,880	438,311	11,251,569
Others	-	1,770,324	1,770,324	-	-	1,770,324	-	1,770,324
Held-to-maturity financial assets								
Bonds	19,965,414	577,456	20,542,870	-	-	20,542,870	-	20,542,870
Investments in debt securities with no active market								
Bonds	12,637,782	756,057	13,393,839	-	1,273,827	14,667,666	1,273,733	13,393,933
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	410,100,000	-	410,100,000	-	-	410,100,000	-	410,100,000

2012.12.31 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,656,962	\$69,872	\$1,726,834	\$-	\$-	\$1,726,834	\$-	\$1,726,834
Stocks	156,360	230,957	387,317	-	15,088	402,405	15,088	387,317
Others	-	60,941	60,941	-	-	60,941	-	60,941
Held-to-maturity financial assets								
Bonds	687,278	19,878	707,156	-	-	707,156	-	707,156
Investments in debt securities with no active market								
Bonds	435,036	26,026	461,062	-	43,849	504,911	43,846	461,065
Stocks	-	18,923	18,923	-	-	18,923	-	18,923
Others	14,117,040	-	14,117,040	-	-	14,117,040	-	14,117,040

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.3.31 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$54,458,785	\$1,432,010	\$55,890,795	\$-	\$-	\$55,890,795	\$-	\$55,890,795
Stocks	5,253,953	937,667	6,191,620	-	-	6,191,620	-	6,191,620
Others	-	1,197,753	1,197,753	-	-	1,197,753	-	1,197,753
Held-to-maturity financial assets								
Bonds	19,907,149	-	19,907,149	-	-	19,907,149	-	19,907,149
Investments in debt securities with no active market								
Bonds	22,645,384	932,504	23,577,888	-	1,510,480	25,088,368	1,510,263	23,578,105
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	415,250,000	-	415,250,000	-	-	415,250,000	-	415,250,000

2012.3.31 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,846,060	\$48,543	\$1,894,603	\$-	\$-	\$1,894,603	\$-	\$1,894,603
Stocks	178,100	31,785	209,885	-	-	209,885	-	209,885
Others	-	40,602	40,602	-	-	40,602	-	40,602
Held-to-maturity financial assets								
Bonds	674,819	-	674,819	-	-	674,819	-	674,819
Investments in debt securities with no active market								
Bonds	767,640	31,610	799,250	-	51,203	850,453	51,195	799,258
Stocks	-	18,635	18,635	-	-	18,635	-	18,635
Others	14,076,271	-	14,076,271	-	-	14,076,271	-	14,076,271

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.1.1 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$37,471,680	\$1,560,900	\$39,032,580	\$-	\$-	\$39,032,580	\$-	\$39,032,580
Stocks	6,765,923	-	6,765,923	-	-	6,765,923	-	6,765,923
Others	-	1,524,130	1,524,130	-	-	1,524,130	-	1,524,130
Held-to-maturity financial assets								
Bonds	18,176,146	-	18,176,146	-	-	18,176,146	-	18,176,146
Investments in debt securities with no active market								
Bonds	15,874,513	1,365,792	17,240,305	-	1,547,815	18,788,120	1,547,584	17,240,536
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	407,350,000	-	407,350,000	-	-	407,350,000	-	407,350,000

2012.1.1 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non- credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,237,915	\$51,566	\$1,289,481	\$-	\$-	\$1,289,481	\$-	\$1,289,481
Stocks	223,519	-	223,519	-	-	223,519	-	223,519
Others	-	50,351	50,351	-	-	50,351	-	50,351
Held-to-maturity financial assets								
Bonds	600,467	-	600,467	-	-	600,467	-	600,467
Investments in debt securities with no active market								
Bonds	524,431	45,120	569,551	-	51,134	620,685	51,126	569,559
Stocks	-	18,161	18,161	-	-	18,161	-	18,161
Others	13,457,218	-	13,457,218	-	-	13,457,218	-	13,457,218

**English Translation of Financial Statements Originally Issued in Chinese**

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

d. Aging analysis on past due but not impaired financial assets of Cathay United Bank

Past due but not impaired loans might result from some temporary administration reasons so the customers is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown otherwise, according to internal credit risk assets impairment evaluation guideline, a loan that is past due for no more than 30 days is typically not to be treated as impairment.

2013.3.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$71,027	\$2,383	\$54,533	\$1,829	\$125,560	\$4,212
Others	2,298	77	1,045	35	3,343	112
Discounts and loans						
Consumer banking						
Residential						
mortgage loans	205,834	6,905	49,765	1,669	255,599	8,574
Unsecured personal						
loans	5,806	195	3,022	101	8,828	296
Others	142,643	4,785	61,751	2,072	204,394	6,857
2012.12.31						
	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,641	\$2,328	\$44,060	\$1,517	\$111,701	\$3,845
Others	4,123	142	1,748	60	5,871	202
Discounts and loans						
Consumer banking						
Residential						
mortgage loans	375,157	12,914	92,963	3,200	468,120	16,114
Unsecured personal						
loans	6,895	237	3,132	108	10,027	345
Others	239,662	8,250	94,270	3,245	333,932	11,495
Corporate banking						
Secured	3,216	111	-	-	3,216	111
Unsecured	1,456	50	-	-	1,456	50



**English Translation of Financial Statements Originally Issued in Chinese**

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2012.3.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$63,217	\$2,143	\$37,418	\$1,268	\$100,635	\$3,411
Others	4,302	146	1,790	61	6,092	207
Discounts and loans						
Consumer banking						
Residential						
mortgage loans	382,412	12,963	94,215	3,194	476,627	16,157
Unsecured personal						
loans	5,111	173	2,606	88	7,717	261
Others	268,592	9,105	110,111	3,732	378,703	12,837
Corporate banking						
Secured	3,239	110	-	-	3,239	110
Unsecured	178,522	6,052	-	-	178,522	6,052
2012.1.1	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$68,540	\$2,264	\$42,521	\$1,405	\$111,061	\$3,669
Others	4,788	158	2,199	73	6,987	231
Discounts and loans						
Consumer banking						
Residential						
mortgage loans	400,535	13,232	141,421	4,672	541,956	17,904
Unsecured personal						
loans	5,005	165	2,366	78	7,371	243
Others	335,722	11,091	87,666	2,896	423,388	13,987
Corporate banking						
Secured	3,345	111	-	-	3,345	111

**m Liquidity risk**

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds Cathay United Bank and its subsidiaries believe they can generate within that period. As part of our liquidity risk management, Cathay United Bank and its subsidiaries focus on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(A) Analysis of financial assets and non-derivative financial liabilities by remaining contractual maturities

a. Financial assets were held to manage liquidity risk

Cathay United Bank holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit and loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets and other investments in bonds with no active market.

b. Maturity analysis of non-derivative financial liabilities

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on time remaining until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

2013.3.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$15,644,854	\$11,184,268	\$41,553,612	\$243,130	\$68,625,864
Funds borrowed from Central Bank and other banks	-	1,493,750	-	-	1,493,750
Securities sold under agreements to repurchase	32,636,357	2,063,709	-	-	34,700,066
Payables	14,828,292	1,137,405	2,871,935	2,422,845	21,260,477
Deposits and remittances	323,681,516	612,269,893	533,821,699	56,348,186	1,526,121,294
Financial debentures payable	-	-	-	42,705,232	42,705,232
Other cash outflow at maturity	9,892,458	2,369,758	1,222,791	4,758,667	18,243,674

2013.3.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$524,819	\$375,185	\$1,393,949	\$8,156	\$2,302,109
Funds borrowed from Central Bank and other banks	-	50,109	-	-	50,109
Securities sold under agreements to repurchase	1,094,812	69,229	-	-	1,164,041
Payables	497,427	38,155	96,341	81,276	713,199
Deposits and remittances	10,858,152	20,539,077	17,907,471	1,890,244	51,194,944
Financial debentures payable	-	-	-	1,432,581	1,432,581
Other cash outflow at maturity	331,850	79,496	41,020	159,633	611,999

**English Translation of Financial Statements Originally Issued in Chinese**

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2012.12.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$8,312,357	\$20,691,829	\$22,704,113	\$182,804	\$51,891,103
Funds borrowed from Central Bank and other banks	-	1,456,800	-	-	1,456,800
Securities sold under agreements to repurchase	17,592,340	2,776,909	-	-	20,369,249
Payables	18,220,419	744,674	753,845	1,506,411	21,225,349
Deposits and remittances	359,588,433	589,341,071	515,137,208	56,668,654	1,520,735,366
Financial debentures payable	-	-	-	42,542,297	42,542,297
Other cash outflow at maturity	3,716,808	4,330,286	-	9,379,097	17,426,191

2012.12.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$286,140	\$712,283	\$781,553	\$6,293	\$1,786,269
Funds borrowed from Central Bank and other banks	-	50,148	-	-	50,148
Securities sold under agreements to repurchase	605,588	95,591	-	-	701,179
Payables	627,209	25,634	25,950	51,856	730,649
Deposits and remittances	12,378,260	20,287,128	17,732,778	1,950,728	52,348,894
Financial debentures payable	-	-	-	1,464,451	1,464,451
Other cash outflow at maturity	127,945	149,063	-	322,861	599,869

2012.3.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$17,088,030	\$7,616,260	\$34,410,391	\$170,687	\$59,285,368
Funds borrowed from Central Bank and other banks	1,476,500	-	-	-	1,476,500
Securities sold under agreements to repurchase	9,803,339	867,136	-	5,639,461	16,309,936
Payables	29,637,201	1,096,122	1,094,061	2,185,752	34,013,136
Deposits and remittances	358,030,656	620,775,344	470,153,948	51,345,376	1,500,305,324
Financial debentures payable	-	-	-	32,840,518	32,840,518
Other cash outflow at maturity	2,844,780	1,879,153	-	11,684,889	16,408,822

2012.3.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$579,255	\$258,178	\$1,166,454	\$5,786	\$2,009,673
Funds borrowed from Central Bank and other banks	50,051	-	-	-	50,051
Securities sold under agreements to repurchase	332,317	29,394	-	191,168	552,879
Payables	1,004,651	37,157	37,087	74,093	1,152,988
Deposits and remittances	12,136,633	21,043,232	15,937,422	1,740,521	50,857,808
Financial debentures payable	-	-	-	1,113,238	1,113,238
Other cash outflow at maturity	96,433	63,700	-	396,098	556,231

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.1.1 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$6,939,116	\$22,576,575	\$24,122,343	\$177,870	\$53,815,904
Funds borrowed from Central Bank and other banks	1,514,500	-	-	-	1,514,500
Securities sold under agreements to repurchase	1,878,449	11,668,013	-	-	13,546,462
Payables	17,248,617	637,444	636,689	1,272,069	19,794,819
Deposits and remittances	332,992,626	603,411,318	485,958,028	47,125,337	1,469,487,309
Financial debentures payable	-	-	-	33,147,459	33,147,459
Other cash outflow at maturity	3,474,821	1,548,748	-	5,587,504	10,611,073

2012.1.1 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$229,241	\$745,840	\$796,906	\$5,876	\$1,777,863
Funds borrowed from Central Bank and other banks	50,033	-	-	-	50,033
Securities sold under agreements to repurchase	62,056	385,465	-	-	447,521
Payables	569,825	21,059	21,034	42,024	653,942
Deposits and remittances	11,000,747	19,934,302	16,054,114	1,556,833	48,545,996
Financial debentures payable	-	-	-	1,095,060	1,095,060
Other cash outflow at maturity	114,794	51,165	-	184,589	350,548

**(B) Maturity analysis of derivative financial liabilities**

**a. Net settled derivative financial instruments**

Net settled derivatives engaged by Cathay United Bank include:

- (a) Foreign exchange derivative instruments: foreign exchange options, non-delivery forwards;
- (b) Interest rate derivative instruments: swaptions, net settled interest rate swaps and other interest rate agreements.

Analysis of contractual maturity date helps to illustrate all derivative financial instruments listed in the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

2013.3.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$93,218	\$28,849	\$25,112	\$(8,278)	\$138,901
- Interest rate derivative instruments	10,481	35,729	24,426	1,291,229	1,361,865
Total	\$103,699	\$64,578	\$49,538	\$1,282,951	\$1,500,766

**English Translation of Financial Statements Originally Issued in Chinese**

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

2013.3.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$3,127	\$968	\$842	\$(277)	\$4,660
- Interest rate derivative instruments	352	1,199	819	43,315	45,685
Total	\$3,479	\$2,167	\$1,661	\$43,038	\$50,345

2012.12.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$57,407	\$127,037	\$103,663	\$(1,353)	\$286,754
- Interest rate derivative instruments	11,759	50,023	37,435	1,240,323	1,339,540
Total	\$69,166	\$177,060	\$141,098	\$1,238,970	\$1,626,294

2012.12.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$1,976	\$4,373	\$3,568	\$(46)	\$9,871
- Interest rate derivative instruments	405	1,722	1,289	42,696	46,112
Total	\$2,381	\$6,095	\$4,857	\$42,650	\$55,983

2012.3.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$9,269	\$11,808	\$11,397	\$(64)	\$32,410
- Interest rate derivative instruments	6,427	100,244	136,103	1,210,290	1,453,064
Total	\$15,696	\$112,052	\$147,500	\$1,210,226	\$1,485,474

2012.3.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$314	\$400	\$387	\$(2)	\$1,099
- Interest rate derivative instruments	218	3,398	4,613	41,027	49,256
Total	\$532	\$3,798	\$5,000	\$41,025	\$50,355

2012.1.1 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$33,407	\$52,531	\$2,470	\$-	\$88,408
- Interest rate derivative instruments	4,829	94,881	185,159	1,237,790	1,522,659
Total	\$38,236	\$147,412	\$187,629	\$1,237,790	\$1,611,067

**English Translation of Financial Statements Originally Issued in Chinese**

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2012.1.1 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$1,104	\$1,736	\$81	\$-	\$2,921
- Interest rate derivative instruments	159	3,134	6,117	40,892	50,302
Total	\$1,263	\$4,870	\$6,198	\$40,892	\$53,223

**b. Maturity analysis of gross settled derivative financial instruments**

Gross settled derivatives engaged by Cathay United Bank include:

- (a) Foreign exchange derivative instruments: currency futures and swaps;
- (b) Interest rate derivative instruments: cross currency swaps;
- (c) Credit derivative instruments: all derivatives shown in gross pay a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

The contract maturity date is the basic element to understand Cathay United Bank's gross settled derivative instruments as at balance sheet dates. Maturity analysis of gross settled derivative financial liabilities was as follows:

2013.3.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(1,155,100)	\$(1,635,994)	\$(540,442)	\$(164,861)	\$(3,496,397)
-Cash inflow	114,996	148,071	76,940	101,273	441,280
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(13,292)	(179,927)	(203,086)	(396,305)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,155,100)	(1,649,286)	(720,369)	(367,947)	(3,892,702)
Cash inflow subtotal	114,996	148,071	76,940	101,273	441,280
Net cash flow	\$(1,040,104)	\$(1,501,215)	\$(643,429)	\$(266,674)	\$(3,451,422)

2013.3.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(38,749)	\$(54,881)	\$(18,130)	\$(5,530)	\$(117,290)
-Cash inflow	3,858	4,967	2,581	3,397	14,803
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(446)	(6,035)	(6,813)	(13,294)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(38,749)	(55,327)	(24,165)	(12,343)	(130,584)
Cash inflow subtotal	3,858	4,967	2,581	3,397	14,803
Net cash flow	\$(34,891)	\$(50,360)	\$(21,584)	\$(8,946)	\$(115,781)

**English Translation of Financial Statements Originally Issued in Chinese**

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

2012.12.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(1,029,082)	\$(1,271,583)	\$(273,293)	\$(242,322)	\$(2,816,280)
-Cash inflow	77,581	223,841	180,734	19,235	501,391
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(19,228)	(35,377)	(178,560)	(233,165)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,029,082)	(1,290,811)	(308,670)	(420,882)	(3,049,445)
Cash inflow subtotal	77,581	223,841	180,734	19,235	501,391
Net cash flow	\$(951,501)	\$(1,066,970)	\$(127,936)	\$(401,647)	\$(2,548,054)

2012.12.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(35,425)	\$(43,772)	\$(9,407)	\$(8,342)	\$(96,946)
-Cash inflow	2,671	7,705	6,221	662	17,259
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(662)	(1,218)	(6,146)	(8,026)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,425)	(44,434)	(10,625)	(14,488)	(104,972)
Cash inflow subtotal	2,671	7,705	6,221	662	17,259
Net cash flow	\$(32,754)	\$(36,729)	\$(4,404)	\$(13,826)	\$(87,713)

2012.3.31 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(992,922)	\$(830,184)	\$(34,871)	\$(11,883)	\$(1,869,860)
-Cash inflow	114,869	39,143	248,658	5,862	408,532
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(192,295)	(192,295)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(992,922)	(830,184)	(34,871)	(204,178)	(2,062,155)
Cash inflow subtotal	114,869	39,143	248,658	5,862	408,532
Net cash flow	\$(878,053)	\$(791,041)	\$213,787	\$(198,316)	\$(1,653,623)

**English Translation of Financial Statements Originally Issued in Chinese**

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2012.3.31 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(33,658)	\$(28,142)	\$(1,182)	\$(403)	\$(63,385)
-Cash inflow	3,894	1,327	8,429	199	13,849
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(6,519)	(6,519)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(33,658)	(28,142)	(1,182)	(6,922)	(69,904)
Cash inflow subtotal	3,894	1,327	8,429	199	13,849
Net cash flow	\$(29,764)	\$(26,815)	\$7,247	\$(6,723)	\$(56,055)

2012.1.1 (NT\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(308,472)	\$(562,531)	\$(100,903)	\$(418)	\$(972,324)
-Cash inflow	50,663	8,095	1,886	-	60,644
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(303,957)	(303,957)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(308,472)	(562,531)	(100,903)	(304,375)	(1,276,281)
Cash inflow subtotal	50,663	8,095	1,886	-	60,644
Net cash flow	\$(257,809)	\$(554,436)	\$(99,017)	\$(304,375)	\$(1,215,637)

2012.1.1 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(10,191)	\$(18,584)	\$(3,333)	\$(14)	\$(32,122)
-Cash inflow	1,674	267	62	-	2,003
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	-	(10,041)	(10,041)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(10,191)	(18,584)	(3,333)	(10,055)	(42,163)
Cash inflow subtotal	1,674	267	62	-	2,003
Net cash flow	\$(8,517)	\$(18,317)	\$(3,271)	\$(10,055)	\$(40,160)



**English Translation of Financial Statements Originally Issued in Chinese**

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(C) Maturity analysis of off-balance sheet items

a. Irrevocable commitments include irrevocable loan commitments and credit card commitments.

b. Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.

c. Leasing commitments: Cathay United Bank acts as a lessor / lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.3.31								
Irrevocable commitments	\$58,041,882	\$1,947,061	\$139,844,308	\$4,691,188	\$197,529,271	\$6,626,275	\$395,415,461	\$13,264,524
Financial guarantee								
contracts	15,773,339	529,129	723,879	24,283	4,019	135	16,501,237	553,547
Leasing commitments								
Non-cancellable								
operating lease								
payments	161,242	5,409	732,015	24,556	-	-	893,257	29,965
Non-cancellable								
operating lease receipts	52,812	1,772	336,054	11,273	-	-	388,866	13,045
Total	\$74,029,275	\$2,483,371	\$141,636,256	\$4,751,300	\$197,533,290	\$6,626,410	\$413,198,821	\$13,861,081

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2012.12.31								
Irrevocable commitments	\$58,419,184	\$2,010,987	\$136,578,962	\$4,701,514	\$168,137,067	\$5,787,851	\$363,135,213	\$12,500,352
Financial guarantee								
contracts	15,532,327	534,676	821,920	28,293	8,425	290	16,362,672	563,259
Leasing commitments								
Non-cancellable								
operating lease								
payments	246,487	8,485	167,652	5,771	-	-	414,139	14,256
Non-cancellable								
operating lease receipts	16,488	568	378,942	13,044	-	-	395,430	13,612
Total	\$74,214,486	\$2,554,716	\$137,947,476	\$4,748,622	\$168,145,492	\$5,788,141	\$380,307,454	\$13,091,479

**English Translation of Financial Statements Originally Issued in Chinese**

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2012.3.31	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$75,002,216	\$2,542,448	\$132,477,787	\$4,490,773	\$162,385,683	\$5,504,599	\$369,865,686	\$12,537,820
Financial guarantee								
contracts	17,352,870	588,233	1,225,231	41,533	285,521	9,679	18,863,622	639,445
Leasing commitments								
Non-cancellable								
operating lease								
payments	241,638	8,191	364,325	12,350	-	-	605,963	20,541
Non-cancellable								
operating lease receipts	12,141	412	471,869	15,995	-	-	484,010	16,407
Total	\$92,608,865	\$3,139,284	\$134,539,212	\$4,560,651	\$162,671,204	\$5,514,278	\$389,819,281	\$13,214,213

2012.1.1	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$77,473,704	\$2,559,422	\$128,265,893	\$4,237,393	\$162,665,347	\$5,373,814	\$368,404,944	\$12,170,629
Financial guarantee								
contracts	15,757,476	520,564	1,524,860	50,375	271,390	8,966	17,553,726	579,905
Leasing commitments								
Non-cancellable								
operating lease								
payments	22,752	752	705,838	23,318	-	-	728,590	24,070
Non-cancellable								
operating lease receipts	25,439	840	333,300	11,011	-	-	358,739	11,851
Total	\$93,279,371	\$3,081,578	\$130,829,891	\$4,322,097	\$162,936,737	\$5,382,780	\$387,045,999	\$12,786,455

**C. Cathay Century and its subsidiaries**

Non-derivative financial instruments Cathay Century holds to adjust operating cash flow include cash and cash equivalents, and investments. Cathay Century holds other financial assets and liabilities, including note receivables, premiums receivables and claim payables, due to reinsurers and ceding companies, reinsurance premiums receivables and payables and secured loans.

In addition, Cathay Century holds derivative financial instruments, including futures options contracts, forward contracts and swaps to avoid share price risk, foreign exchange risk and interest rate risk. Cathay Century does not engage in derivatives transactions for trading purposes.

**English Translation of Financial Statements Originally Issued in Chinese**

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Cathay Century's financial instruments are mainly exposed to market risk, credit risk and liquidity risk. The risk management policies approved by board of directors are as follows:

- Market risk

(A) Foreign currency risk

Cathay Century and its subsidiaries are exposed to foreign exchange risk from US and NT dollars exchanges for investing in foreign special purpose money trust. Since the amount of investment is significant, Cathay Century and its subsidiaries engage in forward foreign exchange contracts for hedging purposes.

Cathay Century is further exposed to exchange rate risk for engaging in reinsurance business involving transactions denominated in non-functional currency. . Because this type of transaction usually has a relatively shorter collection period, the exchange rate fluctuations are not significant. Cathay Century and its subsidiaries do not engage in hedging in relation to this type of transaction.

Cathay Century and its subsidiaries' self-evaluation showed that the terms of the hedging instrument and the hedged items are the same, so as to maximize the effectiveness of the hedge.

(B) Interest rate risk

Interest rate risk results from changes in the market interest rates which cause the fair value of financial instruments or the future cash flow to fluctuate. Cathay Century and its subsidiaries' interest rate risk primarily results from floating rate investments classified as available-for-sale financial assets and fixed rate preferred shares liabilities.

(C) Equity price risk

Cathay Century and its subsidiaries hold equity securities of local and foreign listed companies. Their prices are affected by uncertainties about the future values of the investment securities. Equity securities of listed companies held by Cathay Century and its subsidiaries are classified under held for trading financial assets or available-for-sale financial assets. Cathay Century and its subsidiaries manage the equity price risk through diversification and placing limits on individual and total equity instruments.

**English Translation of Financial Statements Originally Issued in Chinese**

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, Credit risk

(A) Credit risk management policies

Cathay Century and its subsidiaries trade only with established and creditworthy third parties. Cathay Century and its subsidiaries' policy is that all customers who trade on credit terms are subject to credit verification procedures, and that premiums receivable and notes receivable collections are monitored on an ongoing basis. Therefore Cathay Century and its subsidiaries' bad debt is insignificant. On the other hand, in the event a counterparty's creditworthiness deteriorates, Cathay Century and its subsidiaries will suspend the related contracts and resume exercising relevant rights and obligations when transaction status is restored.

Cathay Century and its subsidiaries' secured lending operations must be approved and verified by performing credit verification procedures, and obtain real property security provided by the counterparty. In the event the counterparty's creditworthiness deteriorate, Cathay Century and its subsidiaries may exercise under their own discretion the relevant security rights upon presentation, to protect Cathay Century and its subsidiaries' interests.

Cathay Century and its subsidiaries' credit risk exposure of financial transactions include: issuer risk, counterparty risk and the credit risk of underlying assets:

- i. Issuer risk is the risk that the issuer of the debt instrument held by Cathay Century and its subsidiaries or banks with which Cathay Century and its subsidiaries maintain deposits fail to deliver in accordance with the agreement due to default, bankruptcy or settlement, and Cathay Century and its subsidiaries incur financial losses as a result.
- ii. Counterparty risk is the risk that a counterparty of Cathay Century and its subsidiaries fails to deliver as obligated before the settlement date which then cause losses to Cathay Century and its subsidiaries.
- iii. Credit risk of the underlying assets is the risk of loss due to weakened credit quality, increase in credit premium, credit rating downgrade or default of underlying assets linked to a financial instrument.

**English Translation of Financial Statements Originally Issued in Chinese**

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(B) Credit concentration risk analysis

The amounts of credit risk exposure of Cathay Century and its subsidiaries' financial assets are as follows:

Financial assets	The amount of credit risk exposure - by area					
	31 March 2013 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,708,633	\$114	\$19,074	\$183,795	\$924,065	\$5,835,681
Financial assets at fair value through profit or loss	377,807	-	-	-	111,654	489,461
Available-for-sale financial assets	4,824,014	-	-	266,109	3,504,847	8,594,970
Derivative financial assets for hedging	16,284	-	-	-	-	16,284
Bond investments for which no active market exists	900,000	-	320,406	300,111	351,195	1,871,712
Held-to-maturity investments	-	-	-	2,265,404	-	2,265,404
Total	\$10,826,738	\$114	\$339,480	\$3,015,419	\$4,891,761	\$19,073,512
Each area percentage	56.76%	0.00%	1.78%	15.81%	25.65%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	31 March 2013 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$157,955	\$4	\$640	\$6,166	\$30,998	\$195,763
Financial assets at fair value through profit or loss	12,674	-	-	-	3,745	16,419
Available-for-sale financial assets	161,825	-	-	8,927	117,573	288,325
Derivative financial assets for hedging	546	-	-	-	-	546
Bond investments for which no active market exists	30,192	-	10,748	10,067	11,781	62,788
Held-to-maturity investments	-	-	-	75,995	-	75,995
Total	\$363,192	\$4	\$11,388	\$101,155	\$164,097	\$639,836
Each area percentage	56.76%	0.00%	1.78%	15.81%	25.65%	100.00%

**English Translation of Financial Statements Originally Issued in Chinese**

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

Financial assets	The amount of credit risk exposure - by area					
	31 December 2012 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,850,799	\$54	\$14,840	\$110,172	\$701,186	\$5,677,051
Financial assets at fair value through profit or loss	385,460	-	-	-	51,813	437,273
Available-for-sale financial assets	4,863,917	-	-	284,143	3,256,432	8,404,492
Derivative financial assets for hedging	17,134	-	-	-	-	17,134
Bond investments for which no active market exists	900,000	-	-	-	423,270	1,323,270
Held-to-maturity investments	-	-	-	2,512,011	-	2,512,011
<b>Total</b>	<b>\$11,017,310</b>	<b>\$54</b>	<b>\$14,840</b>	<b>\$2,906,326</b>	<b>\$4,432,701</b>	<b>\$18,371,231</b>
Each area percentage	59.97%	0.00%	0.08%	15.82%	24.13%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	31 December 2012 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$166,981	\$2	\$511	\$3,792	\$24,137	\$195,423
Financial assets at fair value through profit or loss	13,269	-	-	-	1,784	15,053
Available-for-sale financial assets	167,432	-	-	9,781	112,098	289,311
Derivative financial assets for hedging	590	-	-	-	-	590
Bond investments for which no active market exists	30,981	-	-	-	14,571	45,552
Held-to-maturity investments	-	-	-	86,472	-	86,472
<b>Total</b>	<b>\$379,253</b>	<b>\$2</b>	<b>\$511</b>	<b>\$100,045</b>	<b>\$152,590</b>	<b>\$632,401</b>
Each area percentage	59.97%	0.00%	0.08%	15.82%	24.13%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	31 March 2012 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$5,742,913	\$-	\$9	\$389,069	\$568,950	\$6,700,941
Financial assets at fair value through profit or loss	149,013	-	-	-	138,730	287,743
Available-for-sale financial assets	5,377,156	-	-	26,610	950,389	6,354,155
Derivative financial assets for hedging	26,011	-	-	-	-	26,011
Bond investments for which no active market exists	1,200,000	-	-	-	347,447	1,547,447
Held-to-maturity investments	-	-	-	2,450,987	-	2,450,987
<b>Total</b>	<b>\$12,495,093</b>	<b>\$-</b>	<b>\$9</b>	<b>\$2,866,666</b>	<b>\$2,005,516</b>	<b>\$17,367,284</b>
Each area percentage	71.95%	0.00%	0.00%	16.50%	11.55%	100.00%

**English Translation of Financial Statements Originally Issued in Chinese**

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

Financial assets	The amount of credit risk exposure - by area					
	31 March 2012 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$194,675	\$-	\$1	\$13,189	\$19,286	\$227,151
Financial assets at fair value through profit or loss	5,051	-	-	-	4,703	9,754
Available-for-sale financial assets	182,276	-	-	902	32,217	215,395
Derivative financial assets for hedging	882	-	-	-	-	882
Bond investments for which no active market exists	40,678	-	-	-	11,778	52,456
Held-to-maturity investments	-	-	-	83,084	-	83,084
<b>Total</b>	<b>\$423,562</b>	<b>\$-</b>	<b>\$1</b>	<b>\$97,175</b>	<b>\$67,984</b>	<b>\$588,722</b>
Each area percentage	71.95%	0.00%	0.00%	16.50%	11.55%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	1 January 2012 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$5,950,700	\$-	\$9	\$310,066	\$665,292	\$6,926,067
Financial assets at fair value through profit or loss	454,959	-	-	-	164,496	619,455
Available-for-sale financial assets	4,999,742	-	-	25,163	872,713	5,897,618
Derivative financial assets for hedging	28,521	-	-	-	-	28,521
Bond investments for which no active market exists	900,000	-	-	-	292,997	1,192,997
Held-to-maturity investments	-	-	-	2,408,714	-	2,408,714
<b>Total</b>	<b>\$12,333,922</b>	<b>\$-</b>	<b>\$9</b>	<b>\$2,743,943</b>	<b>\$1,995,498</b>	<b>\$17,073,372</b>
Each area percentage	72.24%	0.00%	0.00%	16.07%	11.69%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	1 January 2012 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$196,587	\$-	\$1	\$10,243	\$21,979	\$228,810
Financial assets at fair value through profit or loss	15,030	-	-	-	5,434	20,464
Available-for-sale financial assets	165,172	-	-	831	28,831	194,834
Derivative financial assets for hedging	942	-	-	-	-	942
Bond investments for which no active market exists	29,732	-	-	-	9,679	39,411
Held-to-maturity investments	-	-	-	79,574	-	79,574
<b>Total</b>	<b>\$407,463</b>	<b>\$-</b>	<b>\$1</b>	<b>\$90,648</b>	<b>\$65,923</b>	<b>\$564,035</b>
Each area percentage	72.24%	0.00%	0.00%	16.07%	11.69%	100.00%

**English Translation of Financial Statements Originally Issued in Chinese**

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

C. Credit risk quality analysis

a. Credit quality classifications of Cathay Century and its subsidiaries- financial assets are as follows:

Financial assets	Credit quality of financial assets				
	31 March 2013 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$5,835,681	\$-	\$-	\$-	\$5,835,681
Financial assets at fair value through profit or loss	489,461	-	-	-	489,461
Available-for-sale financial assets	8,536,072	-	-	58,898	8,594,970
Derivative financial assets for hedging	16,284	-	-	-	16,284
Bond investments for which no active market exists	1,871,712	-	-	-	1,871,712
Held-to-maturity investments	2,265,404	-	-	-	2,265,404
<b>Total</b>	<b>\$19,014,614</b>	<b>\$-</b>	<b>\$-</b>	<b>\$58,898</b>	<b>\$19,073,512</b>

Financial assets	Credit quality of financial assets				
	31 March 2013 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$195,763	\$-	\$-	\$-	\$195,763
Financial assets at fair value through profit or loss	16,419	-	-	-	16,419
Available-for-sale financial assets	286,349	-	-	1,976	288,325
Derivative financial assets for hedging	546	-	-	-	546
Bond investments for which no active market exists	62,788	-	-	-	62,788
Held-to-maturity investments	75,995	-	-	-	75,995
<b>Total</b>	<b>\$637,860</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,976</b>	<b>\$639,836</b>

Financial assets	Credit quality of financial assets				
	31 December 2012 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$5,677,051	\$-	\$-	\$-	\$5,677,051
Financial assets at fair value through profit or loss	437,273	-	-	-	437,273
Available-for-sale financial assets	8,404,492	-	-	-	8,404,492
Derivative financial assets for hedging	17,134	-	-	-	17,134
Bond investments for which no active market exists	1,323,270	-	-	-	1,323,270
Held-to-maturity investments	2,512,011	-	-	-	2,512,011
<b>Total</b>	<b>\$18,371,231</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$18,371,231</b>



**English Translation of Financial Statements Originally Issued in Chinese**

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

Financial assets	Credit quality of financial assets				
	31 December 2012 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$195,423	\$-	\$-	\$-	\$195,423
Financial assets at fair value through profit or loss	15,053	-	-	-	15,053
Available-for-sale financial assets	289,311	-	-	-	289,311
Derivative financial assets for hedging	590	-	-	-	590
Bond investments for which no active market exists	45,552	-	-	-	45,552
Held-to-maturity investments	86,472	-	-	-	86,472
Total	\$632,401	\$-	\$-	\$-	\$632,401

Financial assets	Credit quality of financial assets				
	31 March 2012 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$6,700,941	\$-	\$-	\$-	\$6,700,941
Financial assets at fair value through profit or loss	287,743	-	-	-	287,743
Available-for-sale financial assets	6,354,155	-	-	-	6,354,155
Derivative financial assets for hedging	26,011	-	-	-	26,011
Bond investments for which no active market exists	1,547,447	-	-	-	1,547,447
Held-to-maturity investments	2,450,987	-	-	-	2,450,987
Total	\$17,367,284	\$-	\$-	\$-	\$17,367,284

Financial assets	Credit quality of financial assets				
	31 March 2012 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$227,151	\$-	\$-	\$-	\$227,151
Financial assets at fair value through profit or loss	9,754	-	-	-	9,754
Available-for-sale financial assets	215,395	-	-	-	215,395
Derivative financial assets for hedging	882	-	-	-	882
Bond investments for which no active market exists	52,456	-	-	-	52,456
Held-to-maturity investments	83,084	-	-	-	83,084
Total	\$588,722	\$-	\$-	\$-	\$588,722

**English Translation of Financial Statements Originally Issued in Chinese**

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

Financial assets	Credit quality of financial assets				
	1 January 2012 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$6,926,067	\$-	\$-	\$-	\$6,926,067
Financial assets at fair value through profit or loss	619,455	-	-	-	619,455
Available-for-sale financial assets	5,897,618	-	-	-	5,897,618
Derivative financial assets for hedging	28,521	-	-	-	28,521
Bond investments for which no active market exists	1,192,997	-	-	-	1,192,997
Held-to-maturity investments	2,408,714	-	-	-	2,408,714
<b>Total</b>	<b>\$17,073,372</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$17,073,372</b>

Financial assets	Credit quality of financial assets				
	1 January 2012 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$228,810	\$-	\$-	\$-	\$228,810
Financial assets at fair value through profit or loss	20,464	-	-	-	20,464
Available-for-sale financial assets	194,834	-	-	-	194,834
Derivative financial assets for hedging	942	-	-	-	942
Bond investments for which no active market exists	39,411	-	-	-	39,411
Held-to-maturity investments	79,574	-	-	-	79,574
<b>Total</b>	<b>\$564,035</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$564,035</b>

Note: Investment grade shall refer to credit ratings of or higher than “BBB-“ and non-investment grade shall refer to credit ratings lower than “BBB-“.

**b. Secured loans**

Secured loans	31 March 2013 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$135,029	\$-	\$-	\$-	\$129,707	\$264,736	\$1,624	\$263,112
Corporate Finance	60,000	-	-	-	271,730	331,730	71,545	260,185
<b>Total</b>	<b>\$195,029</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$401,437</b>	<b>\$596,466</b>	<b>\$73,169</b>	<b>\$523,297</b>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Secured loans	31 March 2013 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,530	\$-	\$-	\$-	\$4,351	\$8,881	\$55	\$8,826
Corporate Finance	2,013	-	-	-	9,115	11,128	2,400	8,728
Total	\$6,543	\$-	\$-	\$-	\$13,466	\$20,009	\$2,455	\$17,554

Secured loans	31 December 2012 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$142,885	\$-	\$-	\$-	\$120,628	\$263,513	\$1,618	\$261,895
Corporate Finance	60,000	-	-	-	271,730	331,730	71,545	260,185
Total	\$202,885	\$-	\$-	\$-	\$392,358	\$595,243	\$73,163	\$522,080

Secured loans	31 December 2012 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,919	\$-	\$-	\$-	\$4,152	\$9,071	\$56	\$9,015
Corporate Finance	2,066	-	-	-	9,354	11,420	2,463	8,957
Total	\$6,985	\$-	\$-	\$-	\$13,506	\$20,491	\$2,519	\$17,972

Secured loans	31 March 2012 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$143,337	\$-	\$-	\$-	\$110,440	\$253,777	\$1,269	\$252,508
Corporate Finance	-	-	-	-	303,597	303,597	31,919	271,678
Total	\$143,337	\$-	\$-	\$-	\$414,037	\$557,374	\$33,188	\$524,186

Secured loans	31 March 2012 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,859	\$-	\$-	\$-	\$3,744	\$8,603	\$43	\$8,560
Corporate Finance	-	-	-	-	10,291	10,291	1,082	9,209
Total	\$4,859	\$-	\$-	\$-	\$14,035	\$18,894	\$1,125	\$17,769

**English Translation of Financial Statements Originally Issued in Chinese**

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

Secured loans	1 January 2012 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$149,245	\$-	\$-	\$-	\$116,040	\$265,285	\$1,727	\$263,558
Corporate Finance	80,000	-	-	-	224,452	304,452	16,045	288,407
<b>Total</b>	<b>\$229,245</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$340,492</b>	<b>\$569,737</b>	<b>\$17,772</b>	<b>\$551,965</b>

Secured loans	1 January 2012 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,931	\$-	\$-	\$-	\$3,833	\$8,764	\$57	\$8,707
Corporate Finance	2,643	-	-	-	7,415	10,058	530	9,528
<b>Total</b>	<b>\$7,574</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$11,248</b>	<b>\$18,822</b>	<b>\$587</b>	<b>\$18,235</b>

**I Operational Risk**

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, Cathay Century adopt and implement the internal control regulations and establish an information system to accommodate the aforementioned policies.

**m Liquidity risk**

**(A) Definition and resource of liquidity risk**

Liquidity risk includes capital liquidity risk and market liquidity risk. Capital liquidity happens when Cathay Century and its subsidiaries fail to raise sufficiently capital on reasonable terms and costs, leading to cash flow gap. Market liquidity risk happens when Cathay Century and its subsidiaries sell assets below market prices to raise sufficient capital but may suffer loss.

**(B) Liquidity risk management**

Cathay Century and its subsidiaries established a capital liquidity management mechanism based on the business features and monitoring short-term cash flow. Considering the trading volume and holding position, Cathay Century and its subsidiaries carefully manage the market liquidity risk. Moreover, Cathay Century and its subsidiaries have drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Depending on the actual management need or special situation, Cathay Century and its subsidiaries uses models to assess cash flow risk, such as cash flow model or stress testing model.

Stress testing analysis is used to test changes of capital liquidity in the event of extreme adversity in order to ensure liquidity. Stress scenarios include significant market volatility, a variety of credit events, unanticipated events of the financial market liquidity crunch and any other scenarios which may trigger liquidity pressures. They are employed to evaluate Cathay Century and its subsidiaries' overall capital supply, demand and changes in cash flow gap.

In the event of cash flow gap, the will conduct an internal discussion and report the result to supervisors and the funding management department. The risk management department will take necessary measures to prevent further stressful events.

(C) The table below summarizes the maturity profile of Cathay Century and its subsidiaries' financial liabilities based on contractual undiscounted payments.

Liabilities	31 March 2013 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,133,430	\$1,327,550	\$1,283,549	\$38,059	\$923	\$5,019	\$-
Financial liabilities at fair value through profit or loss	94,825	94,825	-	94,825	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	31 March 2013 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$71,567	\$44,534	\$43,058	\$1,277	\$31	\$168	\$-
Financial liabilities at fair value through profit or loss	3,181	3,181	-	3,181	-	-	-
Preferred stock liability	33,546	33,546	-	-	-	-	33,546

Liabilities	31 December 2012(NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,223,005	\$1,205,101	\$1,182,771	\$16,771	\$3,852	\$1,707	\$-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

**English Translation of Financial Statements Originally Issued in Chinese**

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

Liabilities	31 December 2012(US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$76,523	\$41,484	\$40,715	\$577	\$133	\$59	\$-
Preferred stock liability	34,424	34,424	-	-	-	-	34,424

Liabilities	31 March 2012 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$1,922,626	\$1,328,658	\$1,308,841	\$13,331	\$5,145	\$1,341	\$-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	31 March 2012 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$65,174	\$45,039	\$44,368	\$452	\$174	\$45	\$-
Preferred stock liability	33,898	33,898	-	-	-	-	33,898

Liabilities	1 January 2012 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,101,262	\$1,261,437	\$1,237,624	\$13,092	\$9,649	\$1,072	\$-
Financial liabilities at fair value through profit or loss	45,000	45,000	-	45,000	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	1 January 2012 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$69,417	\$41,673	\$40,886	\$433	\$319	\$35	\$-
Financial liabilities at fair value through profit or loss	1,487	1,487	-	1,487	-	-	-
Preferred stock liability	33,036	33,036	-	-	-	-	33,036

**n Market risk analysis**

Market risk is the risk of potential revenue and portfolio value reduction due to the fluctuations of market risk factors, such as exchange rates, commodity prices, interest rates, credit spreads, and stock prices.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

Cathay Century continues to use market risk management tools such as value-at-risk and stress testing to completely and effectively measure, monitor and manage market risk.

### a. Value-at-risk

Value-at-risk is used to measure the maximum potential loss of a portfolio in a certain period of time and confidence level when the market risk factors change. Cathay Century estimates value at risk of the following day (week or two weeks) with a 99% level of confidence.

The value-at-risk model must reasonably, completely and accurately measure the maximum potential risk to be used as Cathay Century's risk management model. The risk management model must conduct back testing on an ongoing basis to ensure the model can effectively measure the maximum potential risk of a financial instrument or a portfolio.

### b. Stress testing

In addition to the value-at-risk model, Cathay Century periodically uses stress testing to assess the potential risk of extreme incidents.

Stress testing is used to evaluate the potential impact on portfolio values when a series of financial variables undergo extreme changes.

Cathay Century conducts stress testing regularly on positions by simple sensitivity analysis and scenario analysis. The stress testing contains changes of various risk factors in all historical scenarios that may cause losses in an investment portfolio.

#### I. Simple Sensitivity

Simple sensitivity mainly evaluate changes in value of portfolio caused by specific risk factor

#### II. Scenario Analysis

Scenario analysis measures the change in the total value of a portfolio under a stressful event. The measures include:

##### i. Historical scenarios

The measure selects from historical data of a certain period and adds the volatility of the risk factors selected to a given portfolio, then calculates the amount of loss.

**English Translation of Financial Statements Originally Issued in Chinese**

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

ii. Hypothetical scenarios

Hypothetical scenario makes reasonable hypothesis with respect to possible extreme market changes and includes the risk factors related to the changes in the current portfolio to estimate the amount of loss that may incur.

The risk management department conducts stress testing regularly under historical scenario and hypothetical scenario for the company to perform risk analysis, risk alert and business management based on the stress test report.

31 March 2013	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	10%	\$124,375	\$4,172
Interest rate risk (Yield curve)	20bp	71,771	2,408
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(218,759)	(7,338)

31 March 2013		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	RMB appreciate 1 %	\$14,495	\$486	\$-	\$-
	HKD appreciate 1 %	408	14	-	-
	NTD appreciate 1 %	(6,025)	(202)	-	-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,316)	(44)	(100)	(3)
	Yield curve (RMB) flat rises 1bp	-	-	(159)	(5)
	Yield curve (NTD) flat rises 1bp	(123)	(4)	(1,827)	(61)
Equity securities price sensitivity	Increase 1% in equity price	-	-	(12,438)	(417)

31 March 2012	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	10%	\$184,435	\$6,252
Interest rate risk (Yield curve)	20bp	65,402	2,217
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(112,066)	(3,799)



**English Translation of Financial Statements Originally Issued in Chinese**

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

31 March 2012		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	NTD appreciate 1 %	\$(2,833)	\$(96)	\$-	\$-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,108)	(38)	-	(3)
	Yield curve (NTD) flat rises 1bp	(165)	(6)	(1,997)	(68)
Equity securities price sensitivity	Increase 1% in equity price	-	-	(18,444)	(625)

**D. Cathay Securities and its subsidiaries**

- Risk management policies

**(A) Risk management objectives**

Adhere to the risk management policies of the parent company and comply to the local and internal rules and regulations so that Cathay Securities and its subsidiaries may manage risks efficiently with flexibility to maximize profit.

**(B) Risk management policies**

Cathay Securities and its subsidiaries comply with the “Risk Management Policies” which establish the risk management objectives, scope, organizational duties, the operating and management principles, and report preparations.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operation risk, liquidity risk, capital adequacy management, legal risk and other risks related to the operation of the company. Cathay Securities and its subsidiaries identify related risks and integrate the mechanism and approaches of risk management in accordance with the management policies before making business commitment.

**(C) Risk management organizational structure**

**a. Board of directors**

The board of directors has the ultimate responsibilities for risk management. The board is primarily responsible for determining the risk management strategies and ensuring that approved risk management policies are in accordance with the nature of operating activities, types of operating business and they cover different types of risk. Also, the board is required to monitor that the implementation of risk management policies is effective.

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Risk management committee

The risk management committee is responsible for reviewing the risk management policies, principles, and directions of trading management, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is established by the board of directors and the members include the general manager, auditor, finance executive, accounting executive, risk management executive, and relevant trading executive. The committee meetings are typically held quarterly and special meetings are called by the chairman.

c. Risk management department

Risk management department is governed by the board of directors. The supervisor and staff of the department are prohibited from holding positions at trading or settlement department simultaneously. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies periodically to ensure that those policies are suitable for business development. Risk management department also establishes an online monitor and prevention system and a responsive action plan.

d. Business Units

Each business unit participates in the planning of risk management mechanism, executing daily risk management and making reports to ensure that the credibility of the risk models that service unit implements is made under the same basis of consistency to comply with the internal control procedures and the legal requirements and risk management policies.

e. Auditing office

The auditing office participates in the planning of risk management mechanism and executes risk management and internal control procedures periodically. All staff members are also responsible for monitoring and documenting problems of internal control procedures periodically to ensure that the appropriate actions have been taken in time.

**English Translation of Financial Statements Originally Issued in Chinese**

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

f. Finance department

The finance department participates in the planning of risk management mechanism. The department is responsible of executing liquidity risk management and providing the liquidity risk report to risk management department periodically.

g. Accounting department

The accounting department participates in the planning of risk management mechanism

h. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulatory requirements.

(D) Risk management workflows

Risk management workflows for Cathay Securities and its subsidiaries include risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

a. Market Risk

(i) Definition

Market risk is the risk of loss in positions that include stocks, bonds, and derivatives, etc. arising from the movement in market prices.

(ii) Controls:

Cathay Securities and its subsidiaries sets up trading directions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or business unit and actual operations and implement those control procedures efficiently through the risk control staff in front desk and on-line monitor system. Furthermore, Cathay Securities and its subsidiaries provide market risk management report periodically that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

**English Translation of Financial Statements Originally Issued in Chinese**

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

b. Credit Risk

(i) Definition

Credit risk is the risk that a counterparty will not meet its obligations under a contract due to the aggravation of financial conditions or other factors, leading to a financial loss.

(ii) Controls

Cathay Securities and its subsidiaries check and review credit position to each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on credit rating models. Investment concentration and risk are analyzed and documented periodically. Investment limit to each counterparty is established by its credit rating (by TCRI, Taiwan Ratings, S&P, MoodyRI and Fitch).

c. Operational Risk

(i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, employees and systems, or from external events. This definition includes legal risk, but excludes strategy risk and reputation risk.

(ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the separation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading document are kept in the archives for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies. The reporting mechanism for loss events from operational risk and database are established to identify causes of the loss. In addition, the auditing office is established under the Board of Directors. The functions of the office are to implement daily process check to establish completed internal audit control and provide internal review report periodically to reduce the loss arising from the operation failures.

**English Translation of Financial Statements Originally Issued in Chinese**

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

d. Liquidity Risk

(i) Definition

Liquidity is defined as the capability of Cathay Securities to acquire sufficient capital and to support asset growth and pay the liabilities.

(ii) Controls

Measurement index for liquidity risk is established and Cathay Securities compiles the liquidity risk management report periodically to review capital conditions and cash flow gap as of balance sheet dates. Capital allocation planning is based on the compiled structure analysis as of balance sheet dates. Meanwhile, the company acquires credit line of short-term financing from other financial institutions and manages receipts and payments properly to sustain appropriate liquidity and ensures the ability to make the payment.

e. Legal Risk

(i) Definition

Legal risk is a risk of loss that results from a counterparty being unable to legally perform a contract due to the defective contract or the counterparty's questionable qualification.

(ii) Controls

The procedures of making and reviewing legal documentation are established. All the document related to the contracts is required to be reviewed and approved by the legal office and may be advised by the external legal counsel.

f. Capital adequacy management

(i) Definition

Cathay Securities and its subsidiaries implement capital management to sustain appropriate capital adequacy ratio, accelerate the business growth and ensure the perfection of capital structure.

(ii) Controls

Cathay Securities establishes capital adequacy index and compiles the report periodically to evaluate the appropriateness of capital adequacy ratio and the perfection of the capital structure.

**English Translation of Financial Statements Originally Issued in Chinese**

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

g. Reputation Risk and Strategy Risk

(i) Definition

Reputation Risk is a risk of loss resulting from damages to Cathay Securities and its subsidiaries' reputation in lost customers or revenues and Cathay Securities and its subsidiaries might need to undertake a prodigious amount of legal fares or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to competition.

(ii) Controls

Cathay Securities and its subsidiaries establish internal responses and reactions to the reputation risk and strategy risk for mitigation of damages.

Risk management policies and principles are established based on the above mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the limit for each risk and review the appropriateness of each limit periodically. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Financial Holdings to elaborate on Cathay Securities and its subsidiaries' risk tolerance and the appropriateness of current risk management scheme.

(E) Hedge and Risk Mitigation Strategy

The hedge and risk mitigation strategy for Cathay Securities and its subsidiaries are implemented by dynamic hedge through investment products to duplicate the same cash flows when derivatives are matured. The hedge for outstanding stock warrants and structured products use Delta Neutral as a principle. If the prices of those investment positions fluctuate wildly in the financial market, the violation of hedge operating due to the impact from the significant events, or the violation of the hedge operating rules from the operators, the business department is required to explain by writing and report to the risk management department.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism by the individual attributes of the product. When the position meets the warning point, the risk management department will inform the supervisor or position administrator in time and monitor the change of the position. In addition, the business department should operate in accordance with the approved limits. If the stop-loss point is met, the investment position should be sold or the business department is required to provide the exception report. The reason and specific responsive actions also need to be stated.

### **, Credit risks Analysis**

Credit risks arising from financial transactions conducted are issuer risk, counterparty risk, and credit risks from underlying assets:

- (A) Issuer risk is a risk that Cathay Securities and its subsidiaries may encounter financial losses because the issuers (guarantors) or banks are not able to pay where it is obligated to do on financial debt instruments or bank savings which Cathay Securities and its subsidiaries invest in.
- (B) Counterparty risk is a risk that the counterparty will not live up to its obligations to perform or pay on the designated dates and Cathay Securities and its subsidiaries are exposed to the risk of financial losses.
- (C) Credit risk of the underlying assets is the risk of loss due to weakened credit quality, increase in credit premium, credit rating downgrade or default of underlying assets linked to a financial instrument.

Financial assets which face the credit risk include bank deposits, debt securities, the trading from Over-the-Counter derivatives, repurchase and resale agreements, short sales, refundable deposits, futures deposit in bank, other refundable deposits and account receivables etc.

### ***f* Capital Liquidity Risk Analysis**

#### **(A) Cash flow analysis**

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time and results in cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirement.

**English Translation of Financial Statements Originally Issued in Chinese**

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

As of 31 March 2013

Cash Flows Analysis of Financial Liabilities (NT\$)

Financial Liabilities	Payment Terms				Total
	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	
Notes payables	\$3,360,000	\$-	\$-	\$-	\$3,360,000
Financial liabilities at fair value					
through profit or loss -current	1,018,780	-	-	-	1,018,780
Liabilities for bonds with repurchase					
agreements	1,600,000	-	-	-	1,600,000
Deposits for securities borrowed	14,346	28,690	43,035	172,141	258,212
Futures clients' equity	1,293,672	-	111,308	329,978	1,734,958
Account payables	120	-	-	8,339	8,459
Others	-	-	-	418,764	418,764
<b>Total</b>	<b>\$7,286,918</b>	<b>\$28,690</b>	<b>\$154,343</b>	<b>\$929,222</b>	<b>\$8,399,173</b>
<b>% to the total</b>	<b>86.76%</b>	<b>0.34%</b>	<b>1.84%</b>	<b>11.06%</b>	<b>100%</b>

As of 31 March 2013

Cash Flows Analysis of Financial Liabilities (US\$)

Financial Liabilities	Payment Terms				Total
	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	
Notes payables	\$112,714	\$-	\$-	\$-	\$112,714
Financial liabilities at fair value					
through profit or loss -current	34,176	-	-	-	34,176
Liabilities for bonds with repurchase					
agreements	53,673	-	-	-	53,673
Deposits for securities borrowed	481	962	1,444	5,775	8,662
Futures clients' equity	43,397	-	3,734	11,069	58,200
Account payables	4	-	-	280	284
Others	-	-	-	14,048	14,048
<b>Total</b>	<b>\$244,445</b>	<b>\$962</b>	<b>\$5,178</b>	<b>\$31,172</b>	<b>\$281,757</b>
<b>% to the total</b>	<b>86.76%</b>	<b>0.34%</b>	<b>1.84%</b>	<b>11.06%</b>	<b>100%</b>

Short-term loans, notes payable and repurchase bonds are fund procurement instruments and will mature within three months.



**English Translation of Financial Statements Originally Issued in Chinese**

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

As of 31 March 2013

Cash Flow Gap(NT\$)

Financial Assets	Received Terms				Total
	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	
Cash and cash equivalents	\$394,368	\$-	\$-	\$-	\$394,368
Financial assets at fair value through profit or loss -current					
Operations Security	4,396,939	-	-	-	4,396,939
Open-end Funds	93,192	-	-	-	93,192
Margin for futures trading	-	-	-	554,081	554,081
Available for sale financial assets	427,123	-	-	-	427,123
Other current assets-time deposit	-	-	-	1,000,000	1,000,000
Investments accounted for using the equity method	-	-	-	789,601	789,601
Property and equipment	-	-	-	110,048	110,048
Account Receivables	1,737,504	3,556	5,334	21,335	1,767,729
Other account receivables	-	-	-	44,977	44,977
Securities financing receivables	93,777	187,555	281,332	1,125,328	1,687,992
Others	-	-	-	1,850,641	1,850,641
Subtotal	7,142,903	191,111	286,666	5,496,011	13,116,691
Residual cash	\$(144,015)	\$162,421	\$132,323	\$4,566,789	\$4,717,518

As of 31 March 2013

Cash Flow Gap(US\$)

Financial Assets	Received Terms				Total
	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	
Cash and cash equivalents	\$13,229	\$-	\$-	\$-	\$13,229
Financial assets at fair value through profit or loss -current					
Operations Security	147,499	-	-	-	147,499
Open-end Funds	3,126	-	-	-	3,126
Margin for futures trading	-	-	-	18,587	18,587
Available for sale financial assets	14,328	-	-	-	14,328
Other current assets-time deposit	-	-	-	33,546	33,546
Investments accounted for using the equity method	-	-	-	26,488	26,488
Property and equipment	-	-	-	3,691	3,691
Account Receivables	58,286	119	179	716	59,300
Other account receivables	-	-	-	1,509	1,509
Securities financing receivables	3,146	6,292	9,438	37,750	56,626
Others	-	-	-	62,081	62,081
Subtotal	239,614	6,411	9,617	184,368	440,010
Residual cash	\$(4,831)	\$5,449	\$4,439	\$153,197	\$158,254

**English Translation of Financial Statements Originally Issued in Chinese**

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

(B) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing periodically to measure and evaluate the changes of capital liquidity under extreme and abnormal circumstances to ensure that Cathay Securities and its subsidiaries sustain proper capital liquidity. Stress scenarios include the significant fluctuation in the financial market, the occurrence of all kinds of credit event, and the assumption of unexpected tighten capital liquidity in financial market that are used to measure the capability of acquiring sufficient capital to meet the demand and supply of capital and the changes in cash flow gap.

If the cash flow gap arises under a specific stress scenario, the following procedures are used to prevent the occurrence of the stress events:

- a. Disposal of current assets by planned and reduced the impact of market value to obtain funding.
- b. Reduced the proprietary of trading to improve the liquidity reserve.
- c. Pledged assets of Cathay Securities to obtain funding from financial institutions.

„ Market risk analysis

Cathay Securities and its subsidiaries assesses, monitors, and manages market risks comprehensive and effectively by applying Value at Risk (“VaR”) and stress testing on an ongoing bases.

(A) Sensitivity Analysis

Sensitivity analysis measures the degree of impact on each product and portfolio arising from the changes of certain market factor. The monitoring and related controls to the businesses Cathay Securities and its subsidiaries operate are established. The degrees of risk exposure are monitored and measured by the following sensitivity exposure:

- a. Price value of basis point: denoting the change in the value of a position given a basis point change in the yield curve.
- b. Delta: measuring the change in the value of a position given 1% price change of a certain underlying asset.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- c. Gamma: measuring the dollar amount of change in Delta of a position given 1% price change of a certain underlying asset.
- d. Vega: denoting the change in the value of a position given 1% price change of a certain underlying asset.

**(B) Value at Risk**

Value at Risk (“VaR”) is the risk of the most probable loss on the portfolio in position arising from the movements in market risk factors by measuring portfolio over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries measure VaR for the following day at 99% confidence level. Also, a back test at VaR model is performed each year to ensure the accuracy of this model.

VaR at one single trading day within 99% confidence level:

102.1.1~102.3.31	NTD (in thousands)
Period Ended	\$10,716
Average	14,439
Lowest	10,594
Highest	25,642

102.1.1~102.3.31	USD (in thousands)
Period Ended	\$359
Average	484
Lowest	355
Highest	860

**(C) Stress Test**

Cathay Securities and its subsidiaries perform monthly stress test to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events and identify the risk factors which have more significant influence on the asset portfolio. Follow-up and review report will be documented. Customized or extreme scenarios which take rapid changes in foreign and domestic financial environment into consideration are also performed from time to time to measure the maximized losses arising from these scenarios and ensure that Cathay Securities and its subsidiaries manage each potential risk effectively.

**English Translation of Financial Statements Originally Issued in Chinese**

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

Stress test on scenarios includes historical scenario and hypothesis scenario:

a. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of a historical event and taking the fluctuation of risk factors into consideration such as the bankruptcy of Lehman Brothers in 2008 and the 2011 Japan earthquake which caused immediate significant and comprehensive impact on the financial market.

b. Hypothesis scenario

Cathay Securities and its subsidiaries make hypothesis with reasonable expectations from the extreme market movements to assess the dollar amount of losses of the investment position by taking into consideration the movement of relevant risk factors, including 10% drops on the total values of stock market arising from the global system breakdown.

As of 31 March 2013  
Table of Stress Test (NT\$)

<u>Risk Simple</u>	<u>Price Risk</u>	<u>Changes(+/-)</u>	<u>Changes in profit and loss</u>
Equity Risk	Stock index	-10%	\$(100,886)(Note)
Interest Risk	Yield Curve	+100bps	(90,310)
Exchange Risk	Exchange Rate	+3%	(2,859)
Produce Risk	Price	-10%	-

As of 31 March 2013  
Table of Stress Test (US\$)

<u>Risk Simple</u>	<u>Price Risk</u>	<u>Changes(+/-)</u>	<u>Changes in profit and loss</u>
Equity Risk	Stock index	-10%	\$(3,384) (Note)
Interest Risk	Yield Curve	+100bps	(3,030)
Exchange Risk	Exchange Rate	+3%	(96)
Produce Risk	Price	-10%	-

Note: The changes in profit and loss when the stock index drops by 10% and the credit span increases by 100bps.

**English Translation of Financial Statements Originally Issued in Chinese**

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

(3) Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	2013.3.31			2012.12.31		
	Foreign	Exchange	NT\$	Foreign	Exchange	NT\$
	Currency	Rate		Currency	Rate	
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$47,619,512	29.8750	\$1,422,632,921	\$45,105,812	29.1360	\$1,314,202,938
AUD	Note	Note	Note	Note	Note	Note
RMB	22,183,611	4.8151	106,816,305	19,422,188	4.6797	90,890,013
<u>Non-Monetary Items</u>						
USD	4,702,475	29.8750	140,486,441	3,188,552	29.1360	92,901,651
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	6,324,769	29.8750	188,952,474	6,087,435	29.1360	177,363,506
	2012.3.31			2012.1.1		
	Foreign	Exchange	NT\$	Foreign	Exchange	NT\$
	Currency	Rate		Currency	Rate	
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$39,582,638	29.5300	\$1,168,875,300	\$38,440,021	30.2900	\$1,164,348,236
AUD	1,146,311	30.7186	35,213,069	1,549,838	30.7519	47,660,463
RMB	2,963,562	4.6793	13,867,396	2,765,935	4.7746	13,206,233
<u>Non-Monetary Items</u>						
USD	2,579,905	29.5300	76,184,595	2,407,923	30.2900	72,935,988
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	5,383,066	29.5300	158,961,939	5,076,249	30.2900	153,759,582

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

(4) Discretionary account management for Cathay Life

Item	31 March 2013			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$112,766,260	\$3,782,833	\$112,766,260	\$3,782,833
Overseas stocks	32,438,001	1,088,158	32,438,001	1,088,158
Repurchase bonds notes	2,400,000	80,510	2,400,000	80,510
Cash in banks	27,900,641	935,949	27,900,641	935,949
Beneficiary certificate	35,077,916	1,176,717	35,077,916	1,176,717
Futures and options	967,185	32,445	967,185	32,445
Corporate bonds	727,612	24,408	727,612	24,408
<b>Total</b>	<b>\$212,277,615</b>	<b>\$7,121,020</b>	<b>\$212,277,615</b>	<b>\$7,121,020</b>

Item	31 December 2012			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$100,690,134	\$3,466,098	\$100,690,134	\$3,466,098
Overseas stocks	28,173,078	969,813	28,173,078	969,813
Repurchase bonds notes	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 certificate	29,184,078	1,004,615	29,184,078	1,004,615
Futures and options	1,482,600	51,036	1,482,600	51,036
Corporate bonds	690,768	23,779	690,768	23,779
<b>Total</b>	<b>\$204,663,888</b>	<b>\$7,045,228</b>	<b>\$204,663,888</b>	<b>\$7,045,228</b>

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

Item	1 January 2012			
	Carrying value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$90,957,252	\$3,004,865	\$90,957,252	\$3,004,865
Repurchase bonds notes	1,989,703	65,732	1,989,703	65,732
Cash in banks	25,585,086	845,229	25,585,086	845,229
Beneficiary certificate	748,618	24,731	748,618	24,731
Futures and options	1,859,134	61,418	1,859,134	61,418
Total	\$121,139,793	\$4,001,975	\$121,139,793	\$4,001,975

As of 31 March 2013, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$46,946,411) thousands, US\$2,090,000 thousands and HK\$2,000,000 thousands, respectively. As of 31 December 2012, Cathay Life 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 thousands, respectively. As of 31 March 2012, Cathay Life entered into discretionary account management contracts in the amounts of NT\$139,500,000 (US\$4,728,814) thousands, US\$2,340,000 thousands and HK\$6,350,000 thousands. As of 1 January 2012, the amount is NT\$139,500,000 (US\$4,608,523) thousands.

(5) Capital management:

Currently, the Group's capital adequacy ratios meet the statutory requirements. Under the pretext that the Group meets the statutory capital adequacy requirement, dynamic capital management mechanism is employed to increase the capital efficiency of the subsidiaries. After the redistribution of capital, the subsidiaryest, dynamic capital management mechanism is e'. Under such scenario, the Company will conduct overall planning based on the distribution of the subsidiariescapital efficiency of the subsidiaries. After the re investment position by taking int

(6) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

Please refer Note 28 (business with stakeholders) for further details.

**English Translation of Financial Statements Originally Issued in Chinese**

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

B. Integrate business activities:

By integrating the insurance, securities, banking, and other various financial institutions, the Company has become a full-functioning financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strategy and provide a one-stop shopping service for its customers.

C. Cross utilization of information:

In compliance with of information:n:tioning financial platform. Through the bra Acting financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strateFinancial Supervisory Commission, Executive Yuan, the Company has stipulated ra Actctiinancial Holding Subsidiaries Cross-selling Activities Acts”nancial Holding Subsidiaries Cross-selling Activities Ainancial Holding Subsidiaries Cross-utilization of Customerny has stipulate”nancial Holding Subsidiaries Cross-utilization of Customerny has stipulated ra Actcti financial platform. Through the branches and professional sales repre

D. Locations and business utilities:

In order to provide more comprehensive financial service and comply with the ncial instovide comprehensive and integrated financial service to the customers.disciplinar instovide comprehensive and integrated financiaFrom September 13, 2010, all the business units of Cathay United Bank (165 branches) may engage in cross-selling activities for insurance business and securities business (except for 3 mini-branches). On September 2, 2011, Cathay Life has been approved by the competent authorities to engage in cross-selling activities for banking, property and casualty insurance businesses in all its business and service units (176 locations). In the future, the Group will continue to apply for approval to expand its cross-selling businesses.

E. Allocation of revenues, costs, expenses, profits and losses:

Revenue, costs, expenses, profits or losses arising from integrated business activities between the subsidiaries are allocated to each subsidiary based on the related business features.



**English Translation of Financial Statements Originally Issued in Chinese**

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

**41. Information regarding investment in Mainland China**

- (1) 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, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 to US\$48,330 thousands approved by MOEAIC on 20 December 2010. Also, MOEAIC authorized the Company to remit US \$59,000 thousands as the registered capital again on 16 May 2008. The total registered capital was US \$107,330 thousands. On 25 September 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company's subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise legal person on 29 December 2004. The Company has remitted US\$48,330 thousands to Cathay Life Insurance Ltd. (China) as of 31 December 2009, and injected another US\$29,880 thousands on 29 September 2010. As of 31 March 2013, the Company's remittances to Cathay Life. Insurance Ltd. (China) totaled approximately US\$78,210 thousands.
- (2) On 17 October 2007, MOEAIC authorized the Company to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance). On 6 March 2008, MOEAIC authorized the Company to increase the remittance from US\$26,390 thousands to US\$28,960 thousands. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise legal person on 26 August 2008. As of 31 March 2013, the Company's remittances to this general insurance Company totaled approximately US\$28,140 thousands.
- (3) On 1 November 2011 and 11 April 2012, MOEAIC authorized the Company to remit US\$47,000 thousands and US\$80,000 thousands 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 legal person on 15 August 2012. As of 31 March 2013, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US\$126,060 thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (4) On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousands as the registered capital to establish a China-based general insurance subsidiary (in the form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life Insurance subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise legal person on August 26, 2008. As of 31 March 2013, Century's remittances to this Company totaled approximately US\$27,820 thousands.
- (5) The Investment Commission, MOEA approved Cathay United Bank to remit to China US\$60,067 thousands, an equivalent of RMB400 million. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank's Shanghai Branch was RMB400 million, an equivalent of US\$59,768 thousand. The remaining amount of US\$299 thousand was repatriated by Shanghai Branch, Cathay United Bank on 5 November 2010. The investment amounts were revised by Cathay United Bank by reporting to the Investment Commission, MOEA in 18 January 2011 and were approved on 24 January 2011. In addition, the Investment Commission, MOEA further approved the Bank to remit US\$95,024 thousand to China, an equivalent of RMB600 million. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank's Shanghai Branch was RMB600 million, an equivalent of US\$94,929 thousands. The remaining amount of US\$95 thousand was repatriated by Cathay United Bank's Shanghai Branch on 1 February 2012. The investment amounts were revised by the Bank by reporting to the Investment Commission, MOEA on 20 March 2012 and were approved on 26 March 2012.

#### **42. Segment information**

The Group separated operating segments based on the natures of business and they classified into five reportable segments for the purpose of management:

- (1) Banking operating segments: Banking operating segments operate the permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (2) Life insurance operating segments: Life insurance operating segments operate the sales of traditional insurance policies, investment-linked insurance policies and floating-rate annuity insurance products.
- (3) Properties insurance operating segments: Properties insurance operating segments engage in fire insurance, marine insurance, land and air insurance, liability insurance, reinsurance and other insurance.
- (4) Securities operating segments: Securities operating segments are responsible for securities brokerage, discretionary and underwriting and dedicates to the innovation and development of financial products and services by providing a variety of new financial products.
- (5) Other operating segments: Such segments include assets, liabilities, revenue and expenditure which are not able to be allocated to certain operating segments.

To formulate strategies of the allocation of resources and assessment of performance, the management monitor results of operating segments. The accounting policies are the same as the summary of significant accounting policies in Note 4.

For the three-month period ended 31 March 2013

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	5,431,311	23,418,424	83,692	20,258	(263,482)	28,690,203
Net income other than interest	2,019,217	56,469,669	1,170,361	283,210	(807,694)	59,134,763
Total income	7,450,528	79,888,093	1,254,053	303,468	(1,071,176)	87,824,966
Bad debt expenses and Provision for premiums reserve	124,184	(213,242)	-	-	-	(89,058)
The net change of insurance liabilities	-	(67,170,725)	46,847	-	-	(67,123,878)
Operating expenses	(4,148,552)	(7,223,034)	(813,431)	(212,989)	(381,265)	(12,779,271)
Income (loss) from continuing operations before income taxes	3,426,160	5,281,092	487,469	90,479	(1,452,441)	7,832,759
Income taxes (expense) benefit	(590,579)	(225,376)	(43,535)	(7,413)	98,564	(768,339)
Consolidated net income	2,835,581	5,055,716	443,934	83,066	(1,353,877)	7,064,420

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2013

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	182,198	785,590	2,807	680	(8,839)	962,436
Net income other than interest	67,736	1,894,320	39,261	9,500	(27,095)	1,983,722
Total income	249,934	2,679,910	42,068	10,180	(35,934)	2,946,158
Bad debt expenses and Provision for premiums reserve	4,166	(7,154)	-	-	-	(2,988)
The net change of insurance liabilities	-	(2,253,295)	1,572	-	-	(2,251,723)
Operating expenses	(139,167)	(242,302)	(27,287)	(7,145)	(12,790)	(428,691)
Income (loss) from continuing operations before income taxes	114,933	177,159	16,353	3,035	(48,724)	262,756
Income taxes (expense) benefit	(19,812)	(7,560)	(1,460)	(249)	3,306	(25,775)
Consolidated net income	95,121	169,599	14,893	2,786	(45,418)	236,981

For the three-month period ended 31 March 2012

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	5,386,884	22,398,150	76,374	24,495	(63,927)	27,821,976
Net income other than interest	3,325,539	84,347,080	1,256,491	289,890	325,589	89,544,589
Total income	8,712,423	106,745,230	1,332,865	314,385	261,662	117,366,565
Bad debt expenses and Provision for premiums reserve	301,924	(342,539)	-	-	-	(40,615)
The net change of insurance liabilities	-	(102,983,600)	(226,669)	-	-	(103,210,269)
Operating expenses	(4,055,934)	(6,640,327)	(636,271)	(173,368)	(358,337)	(11,864,237)
Income (loss) from continuing operations before income taxes	4,958,413	(3,221,236)	469,925	141,017	(96,675)	2,251,444
Income taxes (expense) benefit	(516,633)	845,077	(45,153)	(5,785)	(100,128)	177,378
Consolidated net income	4,441,780	(2,376,159)	424,772	135,232	(196,803)	2,428,822

**English Translation of Financial Statements Originally Issued in Chinese**

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

For the three-month period ended 31 March 2012

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	182,606	759,259	2,589	831	(2,167)	943,118
Net income other than interest	112,730	2,859,223	42,593	9,827	11,037	3,035,410
Total income	295,336	3,618,482	45,182	10,658	8,870	3,978,528
Bad debt expenses and Provision for premiums reserve	10,235	(11,612)	-	-	-	(1,377)
The net change of insurance liabilities	-	(3,490,969)	(7,684)	-	-	(3,498,653)
Operating expenses	(137,489)	(225,096)	(21,569)	(5,877)	(12,147)	(402,178)
Income (loss) from continuing operations before income taxes	168,082	(109,195)	15,929	4,781	(3,277)	76,320
Income taxes (expense) benefit	(17,513)	28,647	(1,531)	(196)	(3,394)	6,013
Consolidated net income	150,569	(80,548)	14,398	4,585	(6,671)	82,333

Remarks:

- (1) No sales from a certain external customer reached more than ten percentage of the gross revenue of the Group.
- (2) The profit or loss from the operating segments is measured by profit and loss before tax without allocating tax expense to the reportable segments, and is regarded as the fundamental of the determination of resources allocation and assessment of performance.

**43. The First-time adoption of International Financial Reporting Standards**

Prior to 31 December 2012, the Group compiled the financial statements in conformity of R.O.C GAAP. The consolidated financial statements for the three-month periods ended 31 March 2013 are the first financial statements compiled in accordance with International Financial Reporting Standards approved by the Financial Supervisory Commission.

## **English Translation of Financial Statements Originally Issued in Chinese**

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

As a result, starting from January 1, 2013, the Group has compiled financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards approved by Financial Supervisory Commission, International Accounting Standards and International Financial Reporting Interpretations Committee, with clarifications stated in the paragraph of accounting policy. The compliance basis of the first financial statements in conformity with International Financial Reporting Standards approved by Financial Supervisory Commission not only adhered to significant accounting policy stated in the explanation of Note 4, but also adhered to IFRS 1 First-time Adoption of International Financial Reporting Standards. The compliance of consolidated balance sheets in accordance with IFRS compiled by the Group started from 1 January 2012, the date of transition.

For the impact of adopting IFRS on the Group's consolidated balance sheets as of 1 January 2012 (the transit date) and 31 December 2012 and consolidated comprehensive income statement for the year ended 31 December 2012, please refer to the Group's consolidated financial statements for the three-month periods ended 31 March 2013.

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

IFRS 1 *First-time Adoption of International Financial Reporting Standards* allowed entities with first-time adoption of IFRS to select several options of exemption provided by the rules of retrospective adoption of International Financial Reporting Standards. The options of exemption are as follows:

- (1) IFRS 3 *Business Combinations* is not applicable to the acquisition of subsidiaries, Associate and Joint Ventures. The selection of such exemption represents that the book value of assets and assumed liabilities recorded in accordance with R.O.C GAAP from acquisition is regarded as deemed cost at the date of business combinations according to IFRS. After the date of business combinations, in subsequent, such cost of assets and liabilities from acquisition should be measured based on the requirements of IFRS. IFRS 1 *First-time Adoption of International Financial Reporting Standards* requires that the recognized amount of goodwill, as of December 31, 2011, generated from business combinations should be presented in the initial balance sheets after the impairment test of goodwill and adjustments of intangible assets. According to IFRS 1 *First-time Adoption of International Financial Reporting Standards* the Group conducted the impairment test of goodwill at the date of transition. The Group did not recognize any impairment loss based on the result of the impairment test of goodwill performed at 1 January 2012.

**English Translation of Financial Statements Originally Issued in Chinese**

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

- (2) The revaluation of lands and buildings under the item of land and buildings based on former GAAP is regarded as deemed cost.
- (3) The fair value of investment properties at the date of transition is regarded as deemed cost.
- (4) According to regulation of IFRIC 1 Decommissioning, Restoration and Similar Liabilities, the specific change of decommissioning, restoration and similar liabilities increased or decreased the associated cost of assets. The depreciable amount of cost of such assets after the adjustments is allocated within the service life. The Group selected to adopt the exemption, therefore the change of such liabilities mentioned in IFRIC 1 before the date of transition is not required to follow the requirements mentioned above.
- (5) The Group recognized total accumulated actuarial profit or loss as retained earnings once at the date of transition.
- (6) The present value of defined benefits obligation, fair value of projected assets and projected profit and loss and adjusted information based on experience defined in IAS 19 Employee Benefits should be disclosed at the amount with deferred determination in each accounting period since the date of transition to IFRS.
- (7) The difference of accumulated translation of foreign operations was not returned to zero at the date of transition to IFRS.

**The impact of the transition to IFRS**

After the transition to IFRS, the impacts of consolidated balance sheets as of 1 January 2012 (the date of transition to IFRS), 31 March 2012 and 31 December 2012, and the consolidated comprehensive income statements for the three-month period ended 31 March 2012 and the year ended 31 December 2012, are as follows:

**English Translation of Financial Statements Originally Issued in Chinese**

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

**j** Reconciliation of consolidated balance sheet items as of 1 January 2012:

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(NT\$)	(NT\$)	(NT\$)	(NT\$)		
Cash and cash equivalents	\$726,749,401	\$-	\$(392,512,857)	\$334,236,544	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	87,406,822	-	12,694,719	100,101,541	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	84,697,424	(14,942)	-	84,682,482	Financial assets at fair value through profit or loss	A
Available-for-sale financial assets -net	1,336,579,892	10,092,131	-	1,346,672,023	Available-for-sale financial assets -net	B
-	-	-	5,411,507	5,411,507	Derivative financial assets for hedging - current	N
Securities purchased under agreements to resell and bonds investment	11,820,837	-	-	11,820,837	Securities purchased under agreements to resell and bonds investment	
Receivables -net	97,164,171	362,936	(5,519,459)	92,007,648	Receivables -net	C、N
-	-	-	7,217,243	7,217,243	Current income tax assets	N
Discounts and loans -net	1,492,075,402	-	1	1,492,075,403	Loans -net	N
-	-	-	14,366,255	14,366,255	Reinsurance contract assets	N
Held-to-maturity financial assets -net	21,955,565	-	-	21,955,565	Held-to-maturity financial assets -net	
Investments accounted for using the equity method -net	1,287,843	-	-	1,287,843	Investments accounted for using the equity method -net	
Other financial assets -net	32,586,387	(11,835,524)	1,237,979,853	1,258,730,716	Other financial assets -net	B、N
Investments in debt securities with no active market	528,978,714	-	(528,978,714)	-	-	N
Insurance commodity assets -separate account	294,051,012	-	(294,051,012)	-	-	N
Investments properties -net	146,173,482	61,339,031	3,178,706	210,691,219	Investments properties -net	D、N
Property and equipment -net	38,605,554	10,291,530	(1,466,555)	47,430,529	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	9,692,897	-	(355,390)	9,337,507	Intangible assets -net	N
-	-	(1,694,881)	17,049,634	15,354,753	Deferred income tax assets -net	L、N
Other assets -net	95,577,377	(105,284)	(70,577,754)	24,894,339	Other assets -net	I、H、N
<b>Total assets</b>	<b>\$5,005,402,780</b>			<b>\$5,078,273,954</b>	<b>Total assets</b>	



## English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Due to the Central Bank and call loans from banks	\$62,275,073	-	-	\$62,275,073	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	1,514,500	-	-	1,514,500	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	23,136,143	-	-	23,136,143	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	14,686,609	-	-	14,686,609	Securities sold under agreements to repurchase	
Commercial paper payable -net	8,720,000	-	-	8,720,000	Commercial paper payable -net	
Payables	48,074,475	(512,271)	(4,108,026)	43,454,178	Payables	L · N
-	-	-	4,333,825	4,333,825	Current income tax liabilities	N
Deposits and remittances	1,414,421,828	-	-	1,414,421,828	Deposits and remittances	
Bonds payables	76,023,825	-	-	76,023,825	Bonds payables	
Provisions	2,822,627,363	56,492,944	957,665	2,880,077,972	Provisions	F · G · H · I · J · N
Other financial liabilities -net	10,611,073	-	295,155,370	305,766,443	Other financial liabilities -net	N
Insurance commodity liabilities to repurchase of it	294,051,012	-	(294,051,012)	-	-	N
-	-	13,854,823	178,572	14,033,395	Deferred income tax liabilities	L · N
Other liabilities	11,549,306	1,105,371	(1,588,177)	11,066,500	Other liabilities	K · N
Total liabilities	<u>4,787,691,207</u>			<u>4,859,510,291</u>	Total liabilities	
Shareholders' equity – Parent Company					Shareholders' equity attributable to owners of parent	
Share capital					Share capital	
Common stock	103,575,096	-	-	103,575,096	Common stock	
Capital surplus	78,508,148	-	-	78,508,148	Capital surplus	
Retained earnings					Retained earnings	
Legal reserve	14,105,459	-	-	14,105,459	Legal reserve	
Special reserve	333,598	3,744,467	-	4,078,065	Special reserve	F · O
Undistributed earnings	14,303,983	(438,758)	-	13,865,225	Undistributed earnings	A~M
Adjusting items in shareholders' equity	-	-	7,760,904	7,760,904	Other equity	N
Unrealized revaluation increments	1,461	(1,461)	-	-	-	E · O
Cumulative translation adjustment	(378,126)	-	378,126	-	-	N · O
Unrealized gains (losses) from financial assets	11,816,355	(3,676,140)	(8,140,215)	-	-	A · L · N
Treasury shares	(7,179,872)	-	-	(7,179,872)	Treasury shares	
Net loss not recognized as pension cost.	(1,425,167)	1,425,167	-	-	-	I
Minority interest	4,050,638	-	-	4,050,638	Non-controlling interest	
Total shareholders' equity	<u>217,711,573</u>	-	-	<u>218,763,663</u>	Total equity	
Total liabilities and shareholders' equity	<u>\$5,005,402,780</u>			<u>\$5,078,273,954</u>	Total equity and liabilities	

**English Translation of Financial Statements Originally Issued in Chinese**

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(US\$)	(US\$)	(US\$)	(US\$)		
Cash and cash equivalents	\$24,008,900	\$-	\$(12,967,058)	\$11,041,842	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	2,887,573	-	419,382	3,306,955	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	2,798,065	(494)	-	2,797,571	Financial assets at fair value through profit or loss	A
Available-for-sale financial assets -net	44,155,265	333,404	-	44,488,669	Available-for-sale financial assets -net	B
-	-	-	178,775	178,775	Derivative financial assets for hedging - current	N
Securities purchased under agreements to resell and bonds investment	390,513	-	-	390,513	Securities purchased under agreements to resell and bonds investment	
Receivables -net	3,209,917	11,990	(182,342)	3,039,565	Receivables -net	C、N
-	-	-	238,429	238,429	Current income tax assets	N
Discounts and loans -net	49,292,217	-	-	49,292,217	Loans -net	N
-	-	-	474,604	474,604	Reinsurance contract assets	N
Held-to-maturity financial assets -net	725,324	-	-	725,324	Held-to-maturity financial assets -net	
Investments accounted for using the equity method -net	42,545	-	-	42,545	Investments accounted for using the equity method -net	
Other financial assets -net	1,076,524	(390,998)	40,897,914	41,583,440	Other financial assets -net	B、N
Investments in debt securities with no active market	17,475,346	-	(17,475,346)	-	-	N
Insurance commodity assets -separate account	9,714,272	-	(9,714,272)	-	-	N
Investments properties -net	4,828,988	2,026,397	105,012	6,960,397	Investments properties -net	D、N
Property and equipment -net	1,275,374	339,991	(48,450)	1,566,915	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	320,215	-	(11,741)	308,474	Intangible assets -net	N
-	-	(55,992)	563,252	507,260	Deferred income tax assets -net	L、N
Other assets -net	3,157,495	(3,478)	(2,331,607)	822,410	Other assets -net	I、H、N
<b>Total assets</b>	<b>\$165,358,533</b>	<b>.</b>	<b>(2,331,607)</b>	<b>\$167,765,905</b>	<b>Total assets</b>	

## English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP Items	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	
Due to the Central Bank and call loans from banks	\$2,057,320	-	-	\$2,057,320	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	50,033	-	-	50,033	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	764,326	-	-	764,326	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	485,187	-	-	485,187	Securities sold under agreements to repurchase	
Commercial paper payable -net	288,074	-	-	288,074	Commercial paper payable -net	
Payables	1,588,189	(16,923)	(135,713)	1,435,553	Payables	L · N
-	-	-	143,172	143,172	Current income tax liabilities	N
Deposits and remittances	46,726,853	-	-	46,726,853	Deposits and remittances	
Bonds payables	2,511,524	-	-	2,511,524	Bonds payables	
Provisions	93,248,343	1,866,302	31,637	95,146,282	Provisions	F · G · H · I · J · N
Other financial liabilities -net	350,547	-	9,750,756	10,101,303	Other financial liabilities -net	N
Insurance commodity liabilities tseparate account	9,714,272	-	(9,714,272)	-	-	N
-	-	457,708	5,899	463,607	Deferred income tax liabilities	L · N
Other liabilities	381,543	36,517	(52,467)	365,593	Other liabilities	K · N
<b>Total liabilities</b>	<b>158,166,211</b>			<b>160,538,827</b>	<b>Total liabilities</b>	
<b>Shareholders' equity – Parent Company</b>					<b>Shareholders' equity attributable to owners of parent</b>	
<b>Share capital</b>					<b>Share capital</b>	
Common stock	3,421,708	-	-	3,421,708	Common stock	
Capital surplus	2,593,596	-	-	2,593,596	Capital surplus	
<b>Retained earnings</b>					<b>Retained earnings</b>	
Legal reserve	465,988	-	-	465,988	Legal reserve	
Special reserve	11,021	123,702	-	134,723	Special reserve	F · O
Undistributed earnings	472,547	(14,495)	-	458,052	Undistributed earnings	A~M
Adjusting items in shareholders' equity	-	-	256,388	256,388	Other equity	N
Unrealized revaluation increments	48	(48)	-	-	-	E · O
Cumulative translation adjustment	(12,492)	-	12,492	-	-	N · O
Unrealized gains (losses) from financial assets	390,365	(121,445)	(268,920)	-	-	A · L · N
Treasury shares	(237,194)	-	-	(237,194)	Treasury shares	
Net loss not recognized as pension cost.	(47,082)	47,082	-	-	-	I
Minority interest	133,817	-	-	133,817	Non-controlling interest	
<b>Total shareholders' equity</b>	<b>7,192,322</b>			<b>7,227,078</b>	<b>Total equity</b>	
<b>Total liabilities and shareholders' equity</b>	<b>\$165,358,533</b>			<b>\$167,765,905</b>	<b>Total equity and liabilities</b>	

**English Translation of Financial Statements Originally Issued in Chinese**

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

**k Reconciliation of consolidated balance sheet items as of 31 March 2012**

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(NT\$)	(NT\$)	(NT\$)	(NT\$)		
Cash and cash equivalents	\$762,718,848	\$-	\$(391,802,240)	\$370,916,608	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	104,471,430	-	7,333,297	111,804,727	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	107,153,265	97,303	-	107,250,568	Financial assets at fair value through profit or loss	A、B
Available-for-sale financial assets -net	1,325,314,996	21,499,713	-	1,346,814,709	Available-for-sale financial assets -net	A、B
-	-	-	4,842,093	4,842,093	Derivative financial assets for hedging - current	N
Securities purchased under agreements to resell and bonds investment	19,980,344	-	-	19,980,344	Securities purchased under agreements to resell and bonds investment	
Receivables -net	133,592,728	2,690,666	(7,260,403)	129,022,991	Receivables -net	A、C、H、N
-	-	-	8,380,435	8,380,435	Current income tax assets	N
Discounts and loans -net	1,496,802,642	-	-	1,496,802,642	Loans -net	
-	-	-	13,982,501	13,982,501	Reinsurance contract assets	N
Held-to-maturity financial assets -net	23,320,474	362,026	-	23,682,500	Held-to-maturity financial assets -net	A
Investments accounted for using the equity method -net	1,384,812	-	-	1,384,812	Investments accounted for using the equity method -net	
Other financial assets -net	38,140,716	(11,057,471)	1,321,081,271	1,348,164,516	Other financial assets -net	B、N
Investments in debt securities with no active market	586,795,682	2,615,312	(589,410,994)	-		- A、N
Insurance commodity assets-separate account	300,144,570	-	(300,144,570)	-		- N
Investments properties -net	147,162,599	61,570,569	3,358,264	212,091,432	Investments properties -net	D、N
Property and equipment -net	38,809,491	9,940,087	(1,692,645)	47,056,933	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	9,619,150	-	(346,342)	9,272,808	Intangible assets -net	N
-	-	(931,888)	18,410,795	17,478,907	Deferred income tax assets -net	L、N
Other assets -net	107,969,846	(44,802)	(82,972,493)	24,952,551	Other assets -net	I、N
<b>Total assets</b>	<b>\$5,203,381,593</b>			<b>\$5,293,882,077</b>		

## English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Due to the Central Bank and call loans from banks	\$61,204,218	\$-	\$-	\$61,204,218	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	1,476,500	-	-	1,476,500	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	10,450,223	-	-	10,450,223	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	17,412,765	-	-	17,412,765	Securities sold under agreements to repurchase	
Commercial paper payable -net	9,500,000	-	-	9,500,000	Commercial paper payable -net	
Payables	93,098,955	15,998,550	(6,137,438)	102,960,067	Payables	A、K、N
-	-	-	5,237,778	5,237,778	Current income tax liabilities	N
Deposits and remittances	1,442,614,260	-	-	1,442,614,260	Deposits and remittances	
Bonds payables	75,646,552	-	-	75,646,552	Bonds payables	
Provisions	2,921,273,799	55,576,532	2,421,939	2,979,272,270	Provisions	F、G、H、I、J、N
Other financial liabilities -net	16,408,822	-	301,008,605	317,417,427	Other financial liabilities -net	N
Insurance commodity liabilities to separate account	-	15,346,553	4,383	15,350,936	Deferred income tax liabilities	L、N
-	300,144,570	-	(300,144,570)	-	-	N
Other liabilities	13,606,568	1,108,721	(1,005,792)	13,709,497	Other liabilities	K、N
Total liabilities	<u>4,962,837,232</u>			<u>5,052,252,493</u>	Total liabilities	
Shareholders' equity liabilities to equity					Shareholders' equity attributable to owners of parent	
Share capital					Share capital	
Common stock	103,575,097	-	(1)	103,575,096	Common stock	N
Capital surplus	78,508,148	-	-	78,508,148	Capital surplus	
Retained earnings					Retained earnings	
Legal reserve	14,105,459	-	-	14,105,459	Legal reserve	
Special reserve	333,598	3,744,467	-	4,078,065	Special reserve	F、O
Undistributed earnings	16,274,157	(112,931)	-	16,161,226	Undistributed earnings	A~M
Adjusting items in shareholders' equity	-	-	28,278,757	28,278,757	Other equity	N
Unrealized revaluation increments	1,461	(1,461)	-	-	-	E、O
Cumulative translation adjustment	(874,006)	-	874,006	-	-	N、O
Unrealized gains (losses) from financial assets	33,122,781	(3,967,894)	(29,154,887)	-	-	A、B、L、N
Treasury shares	(7,179,872)	-	-	(7,179,872)	Treasury shares	
Net loss not recognized as pension cost.	(1,425,167)	1,425,167	-	-	-	I
Minority interest	4,102,705	-	-	4,102,705	Non-controlling interest	
Total shareholders' equity	<u>240,544,361</u>			<u>241,629,584</u>	Total equity	
Total liabilities and shareholders' equity	<u>\$5,203,381,593</u>			<u>\$5,293,882,077</u>	Total equity and liabilities	

## English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(US\$)	(US\$)	(US\$)	(US\$)		
Cash and cash equivalents	\$25,854,876	\$-	\$(13,281,432)	\$12,573,444	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	3,541,404	-	248,587	3,789,991	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	3,632,314	3,298	-	3,635,612	Financial assets at fair value through profit or loss	A、B
Available-for-sale financial assets -net	44,925,932	728,804	-	45,654,736	Available-for-sale financial assets -net	A、B
-	-	-	164,139	164,139	Derivative financial assets for hedging - current	N
Securities purchased under agreements to resell and bonds investment	677,300	-	-	677,300	Securities purchased under agreements to resell and bonds investment	
Receivables -net	4,528,567	91,209	(246,115)	4,373,661	Receivables -net	A、C、H、N
-	-	-	284,083	284,083	Current income tax assets	N
Discounts and loans -net	50,739,073	-	-	50,739,073	Loans -net	
-	-	-	473,983	473,983	Reinsurance contract assets	N
Held-to-maturity financial assets -net	790,524	12,273	-	802,797	Held-to-maturity financial assets -net	A
Investments accounted for using the equity method -net	46,943	-	-	46,943	Investments accounted for using the equity method -net	
Other financial assets -net	1,292,906	(374,830)	44,782,416	45,700,492	Other financial assets -net	B、N
Investments in debt securities with no active market	19,891,379	88,655	(19,980,034)	-		- A、N
Insurance commodity assets -separate account	10,174,392	-	(10,174,392)	-		- N
Investments properties -net	4,988,563	2,087,138	113,839	7,189,540	Investments properties -net	D、N
Property and equipment -net	1,315,576	336,952	(57,378)	1,595,150	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	326,073	-	(11,741)	314,332	Intangible assets -net	N
-	-	(31,590)	624,095	592,505	Deferred income tax assets -net	L、N
Other assets -net	3,659,995	(1,519)	(2,812,627)	845,849	Other assets -net	I、N
<b>Total assets</b>	<b>\$176,385,817</b>			<b>\$179,453,630</b>		

## English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
Items	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	Notes
Due to the Central Bank and call loans from banks	\$2,074,719	\$-	\$-	\$2,074,719	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	50,051	-	-	50,051	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	354,245	-	-	354,245	Financial liabilities at fair value through profit or loss	
Securities sold under agreements to repurchase	590,263	-	-	590,263	Securities sold under agreements to repurchase	
Commercial paper payable -net	322,034	-	-	322,034	Commercial paper payable -net	
Payables	3,155,897	542,324	(208,049)	3,490,172	Payables	A · K · N
-	-	-	177,552	177,552	Current income tax liabilities	N
Deposits and remittances	48,902,178	-	-	48,902,178	Deposits and remittances	
Bonds payables	2,564,290	-	-	2,564,290	Bonds payables	
Provisions	99,026,230	1,883,950	82,100	100,992,280	Provisions	F · G · H · I · J · N
Other financial liabilities -net	556,231	-	10,203,682	10,759,913	Other financial liabilities -net	N
Insurance commodity liabilities to repurchase of it	-	520,222	149	520,371	Deferred income tax liabilities	L · N
-	10,174,392	-	(10,174,392)	-	-	N
Other liabilities	461,240	37,584	(34,095)	464,729	Other liabilities	K · N
<b>Total liabilities</b>	<b>168,231,770</b>			<b>171,262,797</b>	<b>Total liabilities</b>	
<b>Shareholders' equity – Parent Company</b>					<b>Shareholders' equity attributable to owners of parent</b>	
<b>Share capital</b>					<b>Share capital</b>	
Common stock	3,511,021	-	-	3,511,021	Common stock	N
Capital surplus	2,661,293	-	-	2,661,293	Capital surplus	
<b>Retained earnings</b>					<b>Retained earnings</b>	
Legal reserve	478,151	-	-	478,151	Legal reserve	
Special reserve	11,308	126,931	-	138,239	Special reserve	F · O
Undistributed earnings	551,666	(3,828)	-	547,838	Undistributed earnings	A~M
Adjusting items in shareholders' equity	-	-	958,601	958,601	Other equity	N
Unrealized revaluation increments	50	(50)	-	-	-	E · O
Cumulative translation adjustment	(29,627)	-	29,627	-	-	N · O
Unrealized gains (losses) from financial assets	1,122,806	(134,505)	(988,301)	-	-	A · B · L · N
Treasury shares	(243,385)	-	-	(243,385)	Treasury shares	
Net loss not recognized as pension cost.	(48,311)	48,311	-	-	-	I
Minority interest	139,075	-	-	139,075	Non-controlling interest	
<b>Total shareholders' equity</b>	<b>8,154,047</b>			<b>8,190,833</b>	<b>Total equity</b>	
<b>Total liabilities and shareholders' equity</b>	<b>\$176,385,817</b>			<b>\$179,453,630</b>	<b>Total equity and liabilities</b>	

**English Translation of Financial Statements Originally Issued in Chinese**

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

**I Reconciliation of consolidated balance sheet items as of 31 December 2012**

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(NT\$)	(NT\$)	(NT\$)	(NT\$)		
Cash and cash equivalents	\$702,403,376	\$-	\$(392,953,158)	\$309,450,218	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	104,175,647	-	4,828,115	109,003,762	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	147,145,050	14,838	-	147,159,888	Financial assets at fair value through profit or loss	A
Available-for-sale financial assets -net	1,284,920,865	16,646,201	-	1,301,567,066	Available-for-sale financial assets -net	A、B
-	-	-	3,521,595	3,521,595	Derivative financial assets for hedging - current	N
Securities purchased under agreements to resell and bonds investment	18,517,498	-	-	18,517,498	Securities purchased under agreements to resell and bonds investment	
Receivables -net	115,796,856	463,986	(11,301,061)	104,959,781	Receivables -net	A、C、H、N
-	-	-	11,911,165	11,911,165	Current income tax assets	N
Discounts and loans -net	1,520,005,053	-	-	1,520,005,053	Loans -net	
-	-	-	14,641,999	14,641,999	Reinsurance contract assets	N
Held-to-maturity financial assets -net	24,380,985	-	-	24,380,985	Held-to-maturity financial assets -net	
Investments accounted for using the equity method -net	1,146,326	-	-	1,146,326	Investments accounted for using the equity method -net	
Other financial assets -net	42,087,293	(15,410,931)	1,578,626,847	1,605,303,209	Other financial assets -net	B、N
Investments in debt securities with no active market	813,141,357	-	(813,141,357)	-		N
Insurance commodity assets -separate account	329,557,246	-	(329,557,246)	-		N
Investments properties -net	163,887,441	46,983,690	2,479,319	213,350,450	Investments properties -net	D、N
Property and equipment -net	48,821,416	24,291,750	(1,633,822)	71,479,344	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	9,734,376	-	(341,369)	9,393,007	Intangible assets -net	N
-	-	(404,320)	19,368,907	18,964,587	Deferred income tax assets -net	L、N
Other assets -net	109,582,019	(5,404)	(83,731,836)	25,844,779	Other assets -net	I、N
<b>Total assets</b>	<b>\$5,435,302,804</b>			<b>\$5,510,600,712</b>	<b>Total assets</b>	



**English Translation of Financial Statements Originally Issued in Chinese**

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(NT\$)	(NT\$)	(NT\$)	(NT\$)		
Due to the Central Bank and call loans from banks	\$56,934,246	\$-	\$-	\$56,934,246	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	1,456,800	-	-	1,456,800	Bankers acceptances and funds borrowed	
Commercial paper payable -net	5,540,000	-	-	5,540,000	Commercial paper payable -net	
Financial liabilities at fair value through profit or loss	8,718,702	-	367,644	9,086,346	Financial liabilities at fair value through profit or loss	N
Securities sold under agreements to repurchase	22,046,517	-	-	22,046,517	Securities sold under agreements to repurchase	
Payables	61,147,624	1,079,402	(1,967,706)	60,259,320	Payables	A、K、N
	-	-	733,262	733,262	Current income tax liabilities -net	N
Deposits and remittances	1,458,587,976	-	-	1,458,587,976	Deposits and remittances	
Bonds payables	89,831,007	-	-	89,831,007	Bonds payables	
						F、G、H、
Provisions	3,117,676,956	55,243,479	2,789,469	3,175,709,904	Provisions	I、J、N
Other financial liabilities -net	17,426,191	-	330,803,746	348,229,937	Other financial liabilities -net	N
-	-	16,259,343	48,538	16,307,881	Deferred income tax liabilities	L、N
Insurance commodity liabilities net repurchaseofit	329,557,246	-	(329,557,246)	-	-	N
Other liabilities	17,795,091	1,123,325	(1,334,737)	17,583,679	Other liabilities	K、N
Total liabilities	5,186,718,356			5,262,306,875	Total liabilities	
Shareholders' equity – Parent Company					Shareholders' equity attributable to owners of parent	
Share capital					Share capital	
Common stock	108,653,851	-	-	108,653,851	Common stock	
Capital surplus	78,596,121	-	(87,973)	78,508,148	Capital surplus	N
Retained earnings					Retained earnings	
Legal reserve	15,222,599	-	-	15,222,599	Legal reserve	
Special reserve	333,598	3,744,467	-	4,078,065	Special reserve	F、O
Undistributed earnings	20,031,074	(595,560)	-	19,435,514	Undistributed earnings	A~M
Adjusting items in shareholders' equity	-	-	25,823,918	25,823,918	Other equity	N
Unrealized revaluation increments	1,461	(1,461)	-	-	-	E、O
Cumulative translation adjustment	(1,082,092)	-	1,082,092	-	-	N、O
Unrealized gains (losses) from financial assets	31,349,676	(4,437,001)	(26,912,675)	-	-	A、B、L、N
Treasury shares	(7,179,872)	-	-	(7,179,872)	Treasury shares	
Net loss not recognized as pension cost.	(1,093,582)	1,093,582	-	-	-	I
Minority interest	3,751,614			3,751,614	Non-controlling interest	
Total shareholders' equity	248,584,448			248,293,837	Total equity	
Total liabilities and shareholders' equity	\$5,435,302,804			\$5,510,600,712	Total equity and liabilities	

**English Translation of Financial Statements Originally Issued in Chinese**

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount	Remeasurement	Presentation	Amount	Items	
Items	(US\$)	(US\$)	(US\$)	(US\$)		
Cash and cash equivalents	\$24,179,118	\$-	\$(13,526,787)	\$10,652,331	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	3,586,081	-	166,200	3,752,281	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	5,065,234	511	-	5,065,745	Financial assets at fair value through profit or loss	A
Available-for-sale financial assets -net	44,231,355	573,019	-	44,804,374	Available-for-sale financial assets -net	A、B
-	-	-	121,225	121,225	Derivative financial assets for hedging -current	N
Securities purchased under agreements to resell and bonds investment	637,435	-	-	637,435	Securities purchased under agreements to resell and bonds investment	
Receivables -net	3,986,122	15,972	(389,021)	3,613,073	Receivables -net	A、C、H、N
-	-	-	410,023	410,023	Current income tax assets	N
Discounts and loans -net	52,323,754	-	-	52,323,754	Loans -net	
-	-	-	504,028	504,028	Reinsurance contract assets	N
Held-to-maturity financial assets -net	839,277	-	-	839,277	Held-to-maturity financial assets -net	
Investments accounted for using the equity method -net	39,460	-	-	39,460	Investments accounted for using the equity method -net	
Other financial assets -net	1,448,788	(530,497)	54,341,716	55,260,007	Other financial assets -net	B、N
Investments in debt securities with no active market	27,991,097	-	(27,991,097)	-		N
Insurance commodity assets -separate account	11,344,484	-	(11,344,484)	-		N
Investments properties -net	5,641,564	1,617,339	85,347	7,344,250	Investments properties -net	D、N
Property and equipment -net	1,680,600	836,205	(56,242)	2,460,563	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	335,090	-	(11,751)	323,339	Intangible assets -net	N
-	-	(13,918)	666,744	652,826	Deferred income tax assets -net	L、N
Other assets -net	3,772,187	(186)	(2,882,336)	889,665	Other assets -net	I、N
<b>Total assets</b>	<b>\$187,101,646</b>			<b>\$189,693,656</b>	<b>Total assets</b>	

## English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
Items	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	Notes
Due to the Central Bank and call loans from banks	\$1,959,871	\$-	\$-	\$1,959,871	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	50,148	-	-	50,148	Bankers acceptances and funds borrowed	
Commercial paper payable -net	190,706	-	-	190,706	Commercial paper payable -net	
Financial liabilities at fair value through profit or loss	300,127	-	12,656	312,783	Financial liabilities at fair value through profit or loss	N
Securities sold under agreements to repurchase	758,916	-	-	758,916	Securities sold under agreements to repurchase	
Payables	2,104,910	37,156	(67,735)	2,074,331	Payables	A · K · N
	-	-	25,241	25,241	Current income tax liabilities -net	N
Deposits and remittances	50,209,569	-	-	50,209,569	Deposits and remittances	
Bonds payables	3,092,289	-	-	3,092,289	Bonds payables	F · G · H ·
Provisions	107,321,066	1,901,669	96,023	109,318,758	Provisions	I · J · N
Other financial liabilities -net	599,869	-	11,387,392	11,987,261	Other financial liabilities -net	N
-	-	559,702	1,671	561,373	Deferred income tax liabilities	L · N
Insurance commodity liabilities net repurchase of it	11,344,483	-	(11,344,483)	-		N
Other liabilities	612,568	38,668	(45,946)	605,290	Other liabilities	K · N
<b>Total liabilities</b>	<b>178,544,522</b>			<b>181,146,536</b>	<b>Total liabilities</b>	
<b>Shareholders' equity – Parent Company</b>					<b>Shareholders' equity attributable to owners of parent</b>	
<b>Share capital</b>					<b>Share capital</b>	
Common stock	3,740,236	-	-	3,740,236	Common stock	
Capital surplus	2,705,546	-	(3,028)	2,702,518	Capital surplus	N
<b>Retained earnings</b>					<b>Retained earnings</b>	
Legal reserve	524,014	-	-	524,014	Legal reserve	
Special reserve	11,484	128,897	-	140,381	Special reserve	F · O
Undistributed earnings	689,537	(20,501)	-	669,036	Undistributed earnings	A~M
Adjusting items in shareholders' equity	-	-	888,947	888,947	Other equity	N
Unrealized revaluation increments	50	(50)	-	-		E · O
Cumulative translation adjustment	(37,249)	-	37,249	-		N · O
Unrealized gains (losses) from financial assets	1,079,163	(152,737)	(926,426)	-		A · B · L · N
Treasury shares	(247,156)	-	-	(247,156)	Treasury shares	
Net loss not recognized as pension cost.	(37,645)	37,645	-	-		I
Minority interest	129,144			129,144	Non-controlling interest	
<b>Total shareholders' equity</b>	<b>8,557,124</b>			<b>8,547,120</b>	<b>Total equity</b>	
<b>Total liabilities and shareholders' equity</b>	<b>\$187,101,646</b>			<b>\$189,693,656</b>	<b>Total equity and liabilities</b>	

**English Translation of Financial Statements Originally Issued in Chinese**

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**m Reconciliation of statement of comprehensive income items for the three-month period ended 31 March 2012**

R.O.C GAAP		Impact of transitioning to TIFRS			TIFRS	
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Interest income	\$31,355,769	\$-	\$(27,933)	\$31,327,836	Interest income	N
Less: Interest expenses	(3,580,950)	27,244	47,846	(3,505,860)	Less: Interest expenses	J · N
Net interest income	27,774,819			27,821,976	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	3,752,281	(3,349)	(3,543,218)	205,714	Net commission and handling fee	K · N
Net premiums from insurance business	79,938,118	-	3,543,218	83,481,336	Net premiums from insurance business	N
Gains on financial assets and liabilities at fair value through profit or loss	19,576,774	80,535	32,426	19,689,735	Gains on financial assets and liabilities at fair value through profit and loss	A · B · N
Realized gains on available-for-sale financial assets	4,580,760	-	567,688	5,148,448	Realized gains on available-for-sale financial assets	N
Realized gains (losses) on held-to-maturity financial assets	567,521	-	(567,688)	(167)	Realized gains (losses) on held-to-maturity financial assets	N
Investment income recognized under the equity method	22,702	-	1	22,703	Share of profit of associates and joint ventures accounted for using equity method	N
Gains from investment properties	1,727,004	51,221	(40,100)	1,738,125	Gains from investment properties	C · N
Foreign exchange losses	(21,445,954)	-	-	(21,445,954)	Foreign exchange losses	
Net other non-interest gains	986,416	-	(281,767)	704,649	Net other non-interest gains	N
Total income	117,480,441			117,366,565	Total income	
Bad debt expenses	(357,988)		317,373	(40,615)	Bad debt expenses and provision reserve guarantee	N
Provision for premiums reserve	(103,205,002)	(22,641)	17,374	(103,210,269)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Employee benefits expenses	(7,747,287)	(14,527)	73,027	(7,688,787)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(956,547)	(119,905)	120,035	(956,417)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(3,022,684)	(2,769)	(193,580)	(3,219,033)	Other general and administration expenses	K · N
Profit before income tax from continuing operations	2,190,933			2,251,444	Profit before income tax from continuing operations	
Income tax (expense) benefits	(105,312)	282,690	-	177,378	Income tax (expense) benefits	C · D · E · F · H · I
Net income	\$2,085,621			2,428,822	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(681,493)	(681,493)	Unrealized (losses) gains from available-for-sale financial assets	N
			22,159,760	22,159,760	Losses on cash flow hedges	N
			(311,197)	(311,197)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(1,180)	(1,180)	Income tax relating to components of other comprehensive income	N
			(734,484)	(734,484)	Other comprehensive income, net of tax	
				20,431,406	Total comprehensive income	
				\$22,860,228		

## English Translation of Financial Statements Originally Issued in Chinese

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R.O.C GAAP		Impact of transitioning to TIFRS			TIFRS	
Items	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	Notes
Interest income	\$1,062,908	\$-	\$(947)	\$1,061,961	Interest income	N
Less: Interest expenses	(121,388)	923	1,622	(118,843)	Less: Interest expenses	J · N
Net interest income	941,520			943,118	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	127,196	(114)	(120,109)	6,973	Net commission and handling fee	K · N
Net premiums from insurance business	2,709,767	-	120,109	2,829,876	Net premiums from insurance business	N
Gains on financial assets and liabilities at fair value through profit or loss	663,620	2,730	1,099	667,449	Gains on financial assets and liabilities at fair value through profit and loss	A · B · N
Realized gains on available-for-sale financial assets	155,280	-	19,244	174,524	Realized gains on available-for-sale financial assets	N
Realized gains (losses) on held-to-maturity financial assets	19,238	-	(19,244)	(6)	Realized gains (losses) on held-to-maturity financial assets	N
Investment income recognized under the equity method	770	-	1	770	Share of profit of associates and joint ventures accounted for using equity method	N
Gains from investment properties	58,542	1,736	(1,359)	58,919	Gains from investment properties	C · N
Foreign exchange losses	(726,981)	-	-	(726,981)	Foreign exchange losses	
Net other non-interest gains	33,438	-	(9,552)	23,886	Net other non-interest gains	N
Total income	3,982,390			3,978,528	Total income	
Bad debt expenses	(12,135)		10,758	(1,377)	Bad debt expenses and provision reserve guarantee	N
Provision for premiums reserve	(3,498,475)	(767)	589	(3,498,653)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Employee benefits expenses	(262,620)	(492)	2,475	(260,637)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(32,425)	(4,065)	4,069	(32,421)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(102,464)	(94)	(6,562)	(109,120)	Other general and administration expenses	K · N
Profit before income tax from continuing operations	74,271			76,320	Profit before income tax from continuing operations	
Income tax (expense) benefits	(3,570)	9,583	-	6,013	Income tax (expense) benefits	C · D · E · F · H · I
Net income	\$70,701			82,333	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(23,101)	(23,101)		
			751,178	751,178	Unrealized (losses) gains from available-for-sale financial assets	N
			(10,549)	(10,549)	Losses on cash flow hedges	N
					Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(40)	(40)		
			(24,898)	(24,898)	Income tax relating to components of other comprehensive income	N
				692,590	Other comprehensive income, net of tax	
				\$774,923	Total comprehensive income	

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**n Reconciliation of statement of comprehensive income items for the year ended 31 December 2012.**

R.O.C GAAP		Impact of transitioning to TIFRS			TIFRS	
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Interest income	\$126,595,497	\$-	\$(143,478)	\$126,452,019	Interest income	N
Less: Interest expenses	(13,779,256)	88,329	186,449	(13,504,478)	Less: Interest expenses	J · N
Net interest income	112,816,241			112,947,541	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	2,225,172	(17,954)	-	2,207,218	Net commission and handling fee	K · N
Net premiums from insurance business	228,355,016	-	-	228,355,016	Net premiums from insurance business	
Gains on financial assets and liabilities at fair value through profit or loss	26,540,425	29,777	(165,974)	26,404,228	Gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Realized gains on available-for-sale financial assets	27,512,408	9	155,047	27,667,464	Realized gains on available-for-sale financial assets	A · N
Realized losses on held-to-maturity financial assets	(805)	-	-	(805)	Realized losses on held-to-maturity financial assets	
Investment loss recognized under the equity method	(49,589)	-	-	(49,589)	Investment loss recognized under the equity method	
Gains from investment properties	6,127,915	(88,688)	205,864	6,245,091	Gains from investment properties	C · N
Foreign exchange losses	(34,483,637)	-	-	(34,483,637)	Foreign exchange losses	
Losses from impairment of assets	(225,360)	-	-	(225,360)	Losses from impairment of assets	
Net other non-interest gains	9,944,622	-	(218,289)	9,726,333	Net other non-interest gains	N
Total income	378,762,408			378,793,500	Total income	
Bad debt expenses	(3,172,002)	-	-	(3,172,002)	Bad debt expenses and provision reserve guarantee	
Provision for premiums reserve	(307,361,510)	(133,523)	-	(307,495,033)	Changes in insurance liabilities and provisions	F
Operating expenses					Operating expenses	
Employee benefits expenses	(32,904,098)	(160,489)	267,134	(32,797,453)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(4,044,630)	(355,120)	487	(4,399,263)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(14,259,794)	6,223	(273,969)	(14,527,540)	Other general and administration expenses	K · N
Profit before income tax from continuing operations	17,020,374			16,402,209	Profit before income tax from continuing operations	
Income tax (expense) benefits	37,663	302,840	-	340,503	Income tax (expense) benefits	C · D · E · F · H · I
Net income	\$17,058,037			16,742,712	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(959,567)	(959,567)	Unrealized (losses) gains from available-for-sale financial assets	N
			21,003,117	21,003,117	Losses on cash flow hedges	N
			(852,519)	(852,519)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(24,186)	(24,186)	Income tax relating to components of other comprehensive income	N
			(1,197,286)	(1,197,286)	Other comprehensive income, net of tax	
				17,969,559	Total comprehensive income	
				\$34,712,271		

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R.O.C GAAP		Impact of transitioning to TIFRS			TIFRS	
Items	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	Notes
Interest income	\$4,357,848	\$-	\$(4,939)	\$4,352,909	Interest income	N
Less: Interest expenses	(474,329)	3,041	6,418	(464,870)	Less: Interest expenses	J · N
Net interest income	<u>3,883,519</u>			<u>3,888,039</u>	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	76,598	(618)	-	75,980	Net commission and handling fee	K · N
Net premiums from insurance business	7,860,758	-	-	7,860,758	Net premiums from insurance business	
Gains on financial assets and liabilities at fair value through profit or loss	913,612	1,025	(5,713)	908,924	Gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Realized gains on available-for-sale financial assets	947,071	-	5,337	952,408	Realized gains on available-for-sale financial assets	A · N
Realized losses on held-to-maturity financial assets	(28)	-	-	(28)	Realized losses on held-to-maturity financial assets	
Investment loss recognized under the equity method	(1,707)	-	-	(1,707)	Investment loss recognized under the equity method	
Gains from investment properties	210,944	(3,053)	7,086	214,977	Gains from investment properties	C · N
Foreign exchange losses	(1,187,044)	-	-	(1,187,044)	Foreign exchange losses	
Losses from impairment of assets	(7,758)	-	-	(7,758)	Losses from impairment of assets	
Net other non-interest gains	<u>342,328</u>	-	(7,514)	<u>334,814</u>	Net other non-interest gains	N
Total income	<u>13,038,293</u>			<u>13,039,363</u>	Total income	
Bad debt expenses	(109,191)	-	-	(109,191)	Bad debt expenses and provision reserve guarantee	
Provision for premiums reserve	(10,580,431)	(4,596)	-	(10,585,027)	Changes in insurance liabilities and provisions	F
Operating expenses					Operating expenses	
Employee benefits expenses	(1,132,671)	(5,525)	9,196	(1,129,000)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(139,230)	(12,224)	17	(151,437)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(490,871)	214	(9,431)	(500,088)	Other general and administration expenses	K · N
Profit before income tax from continuing operations	<u>585,899</u>			<u>564,620</u>	Profit before income tax from continuing operations	
Income tax (expense) benefits	1,297	10,424	-	11,721	Income tax (expense) benefits	C · D · E · F · H · I
Net income	<u>\$587,196</u>			<u>576,341</u>	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(33,032)	(33,032)	Unrealized (losses) gains from available-for-sale financial assets	N
			722,999	722,999	Losses on cash flow hedges	N
			(29,347)	(29,347)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(832)	(832)	Income tax relating to components of other comprehensive income	N
			(41,215)	(41,215)	Other comprehensive income, net of tax	
				<u>618,573</u>	Total comprehensive income	
				<u>\$1,194,914</u>		

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The instruction of significant adjustments for the statements of cash flows for the three-month periods ended 31 March 2012 and for the year ended 31 December 2012

The transition from R.O.C GAAP to IFRS has no significant impact on the statements of cash flows. The Group used indirect method to prepare the statement of cash flow under R.O.C GAAP and cash flows from interest received, dividends received and interest paid were classified as cash flows from operating activities and were not disclosed separately. However, in accordance with the requirements under IAS 7 *Statement of Cash Flows*, the interest received and dividends received for the three-month periods ended 31 March 2012 are separately disclosed in the statement of cash flow in the amount of NT\$30,219,890 (US\$1,024,403), NT\$3,070,170 (US\$104,074) and NT\$492,106 (US\$16,682) thousands, respectively. Interest received and dividends received are classified as cash flow from operating activities.

Except for the difference mentioned above, there is no significant difference between statements of cash flows in accordance with R.O.C GAAP and with IFRS.

A. According to IAS 39, the Group recorded the transaction of bonds at the date of transaction occurred instead of the date of settlement. As of 31 March 2012, financial assets at fair value through profit or loss were increased by NT\$31,305 (US\$1,061) thousands, financial assets available for sale were increased by NT\$11,428,207 (US\$387,397) thousands, held-to-maturity financial assets were increased by NT\$362,026 (US\$12,272) thousands, debt investments without active market were increased by NT\$2,615,312 (US\$88,655) thousands, receivables were increased by NT\$2,075,801 (US\$70,366) thousands, payables were increased by NT\$16,507,524 (US\$559,577) thousands, exchange differences resulting from translating the financial statements of a foreign operation were increased by NT\$1 (US\$0) thousands and unrealized gains from available-for-sale financial assets were increased by NT\$5,532 (US\$188) thousands. The consolidated comprehensive income for the three-month period ended 31 March 2012 was decreased NT\$405 (US\$14) thousands by adjusting financial assets and liabilities at fair value through profit and loss. As of 31 March 2012, the accumulated effect of retained earnings had resulted in the decrease of retained earnings of NT\$405 (US\$14) thousands.



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As of 31 December 2012, financial assets available-for-sale were increased by NT\$1,601,956 (US\$55,145) thousands, receivables were increased by NT\$1,746 (US\$60) thousands, payables were increased by NT\$1,597,896 (US\$55,005) thousands, unrealized gains from available-for-sale financial assets were increased by NT\$5,806 (US\$200) thousands and exchange differences resulting from translating the financial statements of a foreign operation were decreased by NT\$6 (US\$0) thousands. The consolidated comprehensive income for the years ended 31 December 2012 was increased by NT\$3 (US\$0) thousands due to increased loss from financial assets and liabilities at fair value through profit and loss amounted to NT\$3 (US\$0) thousands and realized gains from available for sale amounted to NT\$9 (US\$0) thousands. As of 31 December 2012, the accumulated effect of retained earnings had resulted in the increase of retained earnings of NT\$6 (US\$0) thousands.

B. According to IAS 39, the Group reclassified financial assets at cost to financial assets at fair value through profit or loss and available-for-sale financial assets and measured at fair value. As of 1 January 2012, financial assets available-for-sale were increased by NT\$10,092,131 (US\$333,404) thousands, financial assets at fair value through profit and loss were decreased by NT\$14,942 (US\$494) thousands, other financial assets were decreased by NT\$11,835,524 (US\$390,998) thousands and unrealized gains from financial instruments were increased by NT\$253,240 (US\$8,366) thousands.

As of 31 March 2012, financial assets available-for-sale were increased by NT\$10,071,506 (US\$341,407) thousands, financial assets at fair value through profit and loss were increased by NT\$65,998 (US\$2,237) thousands, other financial assets were decreased by NT\$11,057,471 (US\$374,830) thousands and unrealized gains from financial instruments were increased by NT\$791,442 (US\$26,829) thousands. In addition, the consolidated comprehensive income for the three-month periods ended 31 March 2012, was increased by NT\$80,940 (US\$2,744) by adjusting net gains from at fair value through profit and loss.

As of 31 December 2012, the increase of financial assets available-for-sale amounted to NT\$15,044,245 (US\$517,874) thousands, the increase of financial assets at fair value through profit and loss amounted to NT\$14,838 (US\$511) thousands, the decrease of other financial assets amounted to NT\$15,044,245 (US\$517,874) thousands and the increase of unrealized gains from financial instruments amounted to NT\$811,712 (US\$27,942). In addition, the consolidated comprehensive income was increased by NT\$29,780 (US\$1,025) thousands by adjusting net gains from at fair value through profit and loss.

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C. According to IAS 17, the Group recognized rental income by the straight-line method during contract term. As of 1 January 2012, other receivables and retained earnings were increased by NT\$362,936 (US\$11,990) and NT\$301,236 (US\$9,952) thousands, respectively.

As of 31 March 2012, other receivables were increased by NT\$414,156 (US\$14,039) thousands and retained earnings were increased by NT\$301,236 (US\$9,952) thousands. Rent revenue was increased by NT\$51,221 (US\$1,692) thousands and income tax benefits were decreased by NT\$8,708 (US\$288).

As of 31 December 2012, other receivables were increased by NT\$274,247 (US\$9,441) thousands and retained earnings were increased by NT\$301,236 (US\$10,370) thousands. Rent revenue was decreased by NT\$88,688 (US\$2,930) thousands and tax benefits was increased by NT\$15,077 (US\$498) thousands.

D. The Group selected to recognize cost exemptions for some of the real estate that conformed to the definition of investments properties stated in IFRS 1 First-time Adoption of International Financial Reporting Standards and adopted IAS 40 retrospectively for the others. The revaluation of investment properties resulted in an increment of fair value amounted to NT\$75,820,050 (US\$2,544,297) thousands, accumulated depreciation of significant components amounted to NT\$2,058,259 (US\$67,997) thousands and retained earnings amounted to NT\$73,761,791 (US\$2,436,795) thousands. In addition, the Group reclassified investments properties amounted to NT\$12,422,760 (US\$410,398) thousands into property and equipment.

As of 31 March 2012, the increase of fair value of investment properties amounted to NT\$75,820,050 (US\$2,570,171) thousands and the identification of significant components resulted on recognizing accumulated depreciation amounted to NT\$2,146,214 (US\$72,753) thousands, increasing retained earnings by NT\$73,761,791 (US\$2,500,340) thousands, increasing depreciation expense by NT\$87,955 (US\$2,982) thousands and income tax benefits by NT\$14,952 (US\$507) thousands. In addition, the Group reclassified investments properties amounted to NT\$12,103,267 (US\$410,280) thousands into property and equipment.

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As of 31 December 2012, the increase of fair value of investment properties amounted to NT\$75,820,050 (US\$2,609,985) thousands and the identification of significant components resulted in recognizing accumulated depreciation amounted to NT\$177,139 (US\$6,098) thousands, increasing retained earnings by NT\$73,761,791 (US\$253,913) thousands, decreasing depreciation expense by NT\$1,881,120 (US\$64,755) thousands and decreasing income tax benefits by NT\$319,790 (US\$11,008) thousands. In addition, the Group reclassified investments properties amounted to NT\$28,659,221 (US\$986,548) thousands into property and equipment.

E. The Group selected to use current value as cost for some real estate and also adopted IAS 16 retrospectively. After revaluating significant components of equipments and real estates as of 1 January 2012, the Group retrospectively recognized accumulated depreciation by NT\$2,131,230 (US\$70,407) thousands, decreased retained earnings by NT\$2,131,229 (US\$70,407) thousands and and decreased increment of unrealized gains from revaluation of lands amounted by NT\$1,461 (US\$48) thousands.

As of 31 March 2012, the significant components of real estates and equipments resulted in retrospective recognition of accumulated depreciation of NT\$2,163,180 (US\$73,328) thousands, the decrease of retained earnings of NT\$2,131,229 (US\$72,245) thousands, the decrease of unrealized gains from revaluation of lands of NT \$1,461 (US\$50) thousands, the increase of depreciation expense of NT\$31,950 (US\$1,083) thousands and the increase of income tax benefits NT\$5,432 (US\$184) thousands.

As of 31 December 2012, the significant components of real estates and equipments resulted in retrospective recognition of accumulated depreciation of NT\$4,367,470 (US\$150,343) thousands, the decrease of retained earnings of NT\$2,131,229 (US\$73,364) thousands, the decrease of unrealized gains from revaluation of lands of NT \$1,461 (US\$50) thousands, the increase of depreciation expense of NT\$2,236,240 (US\$76,979) thousands and the increase of income tax benefits of NT\$380,161 (US\$13,086) thousands.

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F. According to IFRS 4, the probable future settlements of claims stemmed from insurance contracts which do not exist at the balance sheet date shall not be recognized as liabilities. The special reserves made in conformity with the Regulations Governing the Preparation of Covered Reserve by Insurance Enterprises as liabilities prior to 31 December 2012 should be reclassified to special reserves under retained earnings by the after-tax amounts on 1 January 2013 after adopting IFRS 12. To maintain the consistency and continuity of comparative financial statements, the Group should make retrospective adjustments back to 1 January 2012. As of 1 January 2012, special reserves for catastrophic events and potential hazards recorded as insurance liabilities amounted to NT\$9,022,812 (US\$298,078) thousands, except for half of the beginning amount transferred to reserves for the change of foreign exchange price as of 1 March 2012. Such special reserves amounted to NT\$4,511,405 (US\$149,039) thousands were reclassified to special reserves under items of retained earnings amounted to NT\$3,744,467 (US\$123,702) thousands after deduction of the income tax effects.

As of 31 March 2012, the Group decreased special reserves for catastrophic events and potential hazards recorded as insurance liabilities by NT\$4,488,765 (US\$152,162) thousands, decreased the net change of special reserves by NT\$22,641 (US\$767) thousands, increased tax benefits by NT\$3,849 (US\$130) thousands and transferred NT\$3,744,467 (US\$126,931) thousands to special surplus reserves below items of retained earnings.

As of 31 December 2012, the Group decreased special reserves for catastrophic events and potential hazards recorded as insurance liabilities by NT\$4,377,884 (US\$150,702) thousands, decreased the net change of special reserves by NT\$133,523 (US\$4,596) thousands, increased tax benefits by NT\$22,699 (US\$781) thousands and transferred NT\$3,744,467 (US\$128,897) thousands to special surplus reserves below items of retained earnings.

G. According the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, in addition to compensating the negative effects from other accounting items due to IFRS first-time adoption, the increment of real estate fair value revaluation should be fully reclassified to special reserves under insurance liabilities at the date of transition. As a result, special reserves were appropriated by NT\$55,416,619 (US\$1,830,744) thousands and retained earnings were decreased by NT\$55,416,619 (US\$1,830,744) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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

H. According to IAS 37, the Group assessed the liability provisions resulting from administrative remedy. As of 1 1 January 2012, liability provisions were increased by NT\$1,330,157 (US\$43,943) thousands and other assets decreased by NT\$60,482 (US\$1,998) thousands resulting in the decrease of retained earnings of NT\$1,390,639 (US\$45,941) thousands.

As of 31 March 2012, the Group increased the liability provisions by NT\$1,330,157 (US\$45,090) thousands and decreased retained earnings by NT\$1,390,639 (US\$47,140) thousands. In addition, the reverse recognition resulted in the increase of tax receivables and tax benefits amounts of NT\$200,709 (US\$6,804) and NT\$261,192 (US\$8,854) thousands, respectively.

As of 31 December 2012, the Group increased the liability provisions by NT\$1,158,683 (US\$39,886) thousands and decreased retained earnings by NT\$1,231,881 (US\$42,406) thousands. In addition, the reverse recognition resulted in the increase of tax receivables and tax benefits amounts of NT\$187,993 (US\$6,471) and NT\$261,192 (US\$8,991) thousands, respectively.

I. According to requirements of previous GAAP, the Group conducted actuarial valuation on defined benefit obligation and recognized pension cost and accrued pension liabilities. After adopting IFRS, the actuarial valuation was performed in accordance with IAS 19 *Employee Benefits*. The Group reperformed actuarial valuation on defined benefit obligation, zeroed accumulated actuarial profit or loss at the date of transition according to the adoption of exemptions stated in IFRS 1 *First-time Adoption of International Financial Reporting Standards* and recognized unrecognized transitional net benefit obligation at one time. As of 1 January 2012, liability provisions were increased by NT\$3,642,458 (UDS\$120,332) thousands and the deferred pension cost were decreased by NT\$44,802 (US\$1,480) thousands. Unrecognized net losses from pension cost amounted to NT\$1,425,167 (US\$47,082) thousands were added-back and beginning retained earnings were decreased by NT\$3,280,152 (US\$108,363) thousands.

As of 31 March 2012, liability provisions were increased by NT\$2,730,650 (US\$92,564) thousands and the deferred pension cost were decreased by NT\$44,802 (US\$1,519) thousands. Unrecognized net losses from pension cost amounted to NT\$1,425,167 (US\$48,311) thousands were added-back and beginning retained earnings were decreased by NT\$3,279,797 (US\$111,180) thousands. Consequently, the consolidated comprehensive income for the three-month ended 31 March 2012, was adjusted by decreasing employee benefits expense by NT\$33,319 (US\$1,129) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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

As of 31 December 2012, liability provisions were increased by NT\$3,046,061 (US\$104,856) thousands and the deferred pension cost was decreased by NT\$5,404 (US\$186) thousands. Unrecognized net losses from pension cost amounted to NT\$1,093,582 (US\$37,645) thousands were added-back and beginning retained earnings were decreased by NT\$3,281,248 (US\$112,952) thousands. Consequently, the consolidated comprehensive income for the three-month ended 31 March 2012, was adjusted by decreasing employee benefits expense by NT\$129,467 (US\$4,457) thousands.

- J. The Group recognized preferential interest retiring deposit according to IAS19. As of 1 January 2012, liability provisions were increased by NT\$615,115 (US\$20,321) thousands and beginning retained earnings were decreased by NT\$615,115 (US\$20,321) thousands.

As of 31 March 2012, liability provisions were increased by NT\$587,871 (US\$19,928) thousands and beginning retained earnings were decreased by NT\$615,115 (US\$20,851) thousands. The interest expenses were decreased by NT\$27,244 (US\$924) in the consolidated statements of comprehensive income for the three-month periods ended 31 March 2012. As for the preferential deposits for current employees, the interest expenses were reclassified to employee benefits by NT\$47,846 (US\$1,622) thousands.

As of 31 December 2012, liability provisions were increased by NT\$630,292 (US\$21,697) thousands and beginning retained earnings were decreased by NT\$615,115 (US\$21,174) thousands. Additionally, the interest expenses were decreased by NT\$88,329 (US\$3,041), and employee benefits were increased by NT\$103,506 (US\$3,563) thousands in the consolidated statements of comprehensive income. As for the preferential deposits for current employees, the interest expenses were reclassified to employee benefits by NT\$186,450 (US\$6,418) thousands.

- K. The Group adopted IFRIC 13 *Customer Loyalty Programmes* retrospectively, adjusted the revenue recognition method of credit card reward points of credit cards. As of 1 January 2012, payables were decreased by NT\$512,271 (US\$16,923) thousands, other liabilities were increased by NT\$1,105,371 (US\$36,517) thousands, and retained earnings were decreased by NT\$593,100 (US\$19,594) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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As of 31 March 2012, payables were decreased by NT\$509,502 (US\$17,271) thousands, the other liabilities were increased by NT\$1,108,721 (US\$37,584) thousands, and beginning retained earnings were decreased by NT\$593,100 (US\$20,105) thousands. In addition, commission and handling fees were decreased by NT\$3,349 (US\$114) thousands and other general and administration expenses were increased by NT\$2,769 (US\$94) thousands in the consolidated statement of comprehensive income for the three-month periods ended 31 March 2012.

As of 31 December 2012, payables were decreased by NT\$518,494 (US\$17,848) thousands, other liabilities were increased by NT\$1,123,325 (US\$38,669) thousands, beginning retained earnings were decreased by NT\$593,100 (US\$20,417) thousands. In addition, commission and handling fees were decreased by NT\$17,954 (US\$618) thousands and other general and administration expenses were decreased by NT\$6,223 (US\$214) thousands in the consolidated statement of comprehensive income for the year ended 31 December 2012.

L. According to IFRS 12, the Group identified income tax effects resulted from the aforementioned adjustments and revaluated the deferred tax liabilities generated from effect of income tax from other comprehensive income and deferred tax assets related to not probable unused tax losses. The aforementioned deferred tax assets and liabilities are presented in their gross amounts. As of 1 January 2012, deferred tax assets were decreased by NT\$1,694,881 (US\$55,992) thousands and deferred tax liabilities were increased by NT\$13,854,823 (US\$457,708) thousands. As of 31 March 2012, deferred tax assets were reduced by NT\$931,888 (US\$31,589) thousands and deferred tax liabilities were increased by NT\$15,346,553 (US\$520,222) thousands. As of 31 December 2012 deferred tax assets were decreased by NT\$404,320 (US\$13,918) thousands and deferred tax liabilities were increased by NT\$16,259,343 (US\$559,702) thousands.

Moreover, according to IFRS 12, the Group identified income tax effects resulted from aforementioned adjustments. As of 31 March 2012, income tax benefits were increased by NT\$276,717 (US\$9,380) thousands. In addition, as the unused tax losses might not be realized, income tax benefits were increased by NT\$14,028 (US\$476) thousands. Others were decreased by NT\$8,055 (US\$273) thousands. As a result, income tax benefits were totally increased by NT\$282,690 (US\$9,583) thousands.

**English Translation of Financial Statements Originally Issued in Chinese**

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After reviewing the effect of income tax resulted from the aforementioned adjustment items, as of 31 December 2012, income tax benefits were increased by NT\$359,339 (US\$12,370) thousands. In addition, as the unused tax losses might not be realized, income tax benefits were increased by NT\$72,972 (US\$2,512) thousands. Others were decreased by NT\$129,471 (US\$4,457) thousands. As a result, income tax benefits were totally increased by NT\$302,840 (US\$10,425) thousands.

M. The following adjustments and description already included related income tax effect.

As of 1 January 2012, the Group's retained earnings were increased due to aforementioned adjustments by NT\$10,636,173 (US\$351,377) thousands, decreased as the unused tax losses might not be realized by NT\$4,238,597 (US\$140,026) thousands, decreased due to other adjustments by NT\$6,836,334 (US\$225,845) thousands, and were totally decreased by NT\$438,758 (US\$14,495) thousands.

As of 31 March 2012, the Group's retained earnings were increased due to aforementioned adjustments by NT\$10,636,123 (US\$360,547) thousands, decreased as the unused tax losses might not be realized by NT\$4,238,597 (US\$143,681) thousands, decreased due to other adjustments by NT\$6,836,658 (US\$231,751) thousands, and increased due to net income adjustment by NT\$343,201 (US\$11,634) thousands, and were totally decreased by NT\$112,931 (US\$3,828) thousands.

As of 31 December 2012, the Group's retained earnings were increased due to aforementioned adjustments by NT\$10,793,841 (US\$371,561) thousands, decreased as the unused tax losses might not be realized by NT\$4,238,597 (US\$145,907) thousands, decreased due to other adjustments by NT\$6,835,479 (US\$235,300) thousands, and increased due to net income adjustment by NT\$315,325 (US\$10,855) thousands, and were totally decreased by NT\$595,560 (US\$20,501) thousands.

N. The instruction related to the presentation difference of consolidated balance sheets and consolidated statements of comprehensive income

The Group compiled consolidated balance sheets as of 1 January 2012 (the date of transition), 31 March 2012 and 31 December 2012, and consolidated statements of comprehensive income for the three-month period ended 31 March 2012 and for the year ended 31 December 2012 according to Regulations Governing the Preparation of Financial Reports by Financial Holding Companies before amendments. After the transition to IFRS, certain accounts had been reclassified properly in order to meet the presentation of IFRS and amended Regulations Governing the Preparation of Financial Reports by Financial Holding Companies. The other adjustments related to the transition to IFRS are mentioned above.



**English Translation of Financial Statements Originally Issued in Chinese**

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

O. The explanation related to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

According to the letter No.1010012865 issued by Financial Supervisory Committee on 6 April 2012, as first-time adoption of international financial reporting standards, entities should appropriate certain amount of special reserve in the same amount as the gains on unrealized revaluation increments and accumulated translation adjustments recorded under the items of shareholders' equity and reclassified into retained earnings when adopting optional exemptions stated in IFRS 1 "*First-time Adoption of International Financial Reporting Standards*". To comply with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and as the Group did not elect to recognize accumulated translation adjustments as zero at the date of transition to IFRS, the Group was not required to appropriate special reserve for unrealized revaluation increments.

**English Translation of Financial Statements Originally Issued in Chinese**  
**Cathay Financial Holding Co., Ltd.**  
**Unaudited Balance Sheets**  
**As at 31 March 2013, 31 December 2012, 31 March 2012 and 1 January 2012**  
**(Expressed in thousands of dollars)**

	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$2,493,721	\$83,654	\$3,714,719	\$127,873	\$2,419,458	\$82,016	\$2,721,910	\$89,921
Available-for-sale financial assets -net	545,206	18,289	529,796	18,237	539,279	18,280	539,279	17,816
Securities purchased under agreements to resell	4,527,840	151,890	3,426,879	117,965	1,597,339	54,147	1,399,616	46,238
Receivables -net	3,353,002	112,479	2,858,180	98,388	2,223,619	75,377	1,750,250	57,821
Current income tax assets	3,610,404	121,114	3,596,184	123,793	3,456,782	117,179	3,456,783	114,198
Held-to-maturity financial assets -net	31,000,000	1,039,920	31,000,000	1,067,126	31,000,000	1,050,847	31,000,000	1,024,116
Investments accounted for using the equity method -net	260,961,346	8,754,155	252,988,167	8,708,715	248,378,519	8,419,611	225,287,086	7,442,586
Property and equipment -net	4,536	152	4,739	163	3,625	123	3,645	120
Intangible assets -net	-	-	-	-	46	2	62	2
Deferred tax assets -net	1,103,667	37,023	967,668	33,310	1,947,210	66,007	1,947,099	64,325
Other assets -net	162,168	5,440	161,978	5,576	163,140	5,530	163,329	5,396
<b>Total assets</b>	<b>\$307,761,890</b>	<b>\$10,324,116</b>	<b>\$299,248,310</b>	<b>\$10,301,146</b>	<b>\$291,729,017</b>	<b>\$9,889,119</b>	<b>\$268,269,059</b>	<b>\$8,862,539</b>
<b>Liabilities &amp; equity</b>								
<b>Liabilities</b>								
Financial liabilities at fair value through profit or loss	\$1,388,318	\$46,572	\$549,745	\$18,924	\$-	\$-	\$-	\$-
Commercial paper payable -net	-	-	-	-	6,490,000	220,000	6,430,000	212,422
Payables	6,417,361	215,276	5,940,873	204,505	3,926,313	133,095	4,074,477	134,605
Current income tax liabilities	96,716	3,244	-	-	2,761,856	93,622	2,029,249	67,038
Bonds payable	47,513,541	1,593,879	47,312,376	1,628,653	40,000,000	1,355,932	40,000,000	1,321,440
Provisions	864,824	29,011	864,469	29,758	1,020,544	34,595	1,019,146	33,669
Deferred tax liabilities	3,779	127	35,202	1,212	487	17	488	16
Other liabilities	4,245	143	3,422	118	2,938	100	2,674	88
<b>Total liabilities</b>	<b>56,288,784</b>	<b>1,888,252</b>	<b>54,706,087</b>	<b>1,883,170</b>	<b>54,202,138</b>	<b>1,837,361</b>	<b>53,556,034</b>	<b>1,769,278</b>
<b>Equity</b>								
Capital stock								
Common stock	108,653,851	3,644,879	108,653,851	3,740,236	103,575,096	3,511,021	103,575,096	3,421,708
Capital surplus	78,508,148	2,633,618	78,508,148	2,702,518	78,508,148	2,661,293	78,508,148	2,593,596
Retained earnings								
Legal reserve	15,222,599	510,654	15,222,599	524,014	14,105,459	478,151	14,105,459	465,988
Special reserve	4,078,065	136,802	4,078,065	140,381	4,078,065	138,239	4,078,065	134,723
Undistributed earnings	26,364,683	884,424	19,435,514	669,036	16,161,226	547,838	13,865,225	458,052
Other equity								
Exchange differences resulting from translating the financial statements of a foreign operation	(698,228)	(23,423)	(1,082,097)	(37,249)	(874,005)	(29,628)	(378,126)	(12,492)
Unrealized gains from available-for-sale financial assets	25,714,484	862,613	25,930,564	892,618	27,726,460	939,880	6,454,007	213,214
Gains on cash flow hedges	810,606	27,192	976,681	33,620	1,427,487	48,389	1,686,208	55,705
Others	(1,230)	(41)	(1,230)	(42)	(1,185)	(40)	(1,185)	(39)
Treasury stock	(7,179,872)	(240,854)	(7,179,872)	(247,156)	(7,179,872)	(243,385)	(7,179,872)	(237,194)
<b>Total equity</b>	<b>251,473,106</b>	<b>8,435,864</b>	<b>244,542,223</b>	<b>8,417,976</b>	<b>237,526,879</b>	<b>8,051,758</b>	<b>214,713,025</b>	<b>7,093,261</b>
<b>Total liabilities and equity</b>	<b>\$307,761,890</b>	<b>\$10,324,116</b>	<b>\$299,248,310</b>	<b>\$10,301,146</b>	<b>\$291,729,017</b>	<b>\$9,889,119</b>	<b>\$268,269,059</b>	<b>\$8,862,539</b>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd.**

**Unaudited Statements of Comprehensive Income**

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

**(Expressed in thousands of dollars, except earning per share)**

	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT \$	US \$	NT \$	US \$
<b>Income</b>				
Gains on investment-equity method	\$7,972,992	\$267,460	\$2,514,459	\$85,236
Other operating income	279,067	9,362	240,918	8,167
	<u>8,252,059</u>	<u>276,822</u>	<u>2,755,377</u>	<u>93,403</u>
<b>Expenses and loss</b>				
Operating expenses	(123,169)	(4,132)	(70,475)	(2,389)
Other expenses and losses	(1,321,655)	(44,336)	(312,427)	(10,591)
	<u>(1,444,824)</u>	<u>(48,468)</u>	<u>(382,902)</u>	<u>(12,980)</u>
<b>Profit before income tax from continuing operations</b>	<u>6,807,235</u>	<u>228,354</u>	<u>2,372,475</u>	<u>80,423</u>
<b>Income tax benefit (expense)</b>	<u>121,934</u>	<u>4,090</u>	<u>(76,474)</u>	<u>(2,592)</u>
<b>Net Income</b>	<u>\$6,929,169</u>	<u>\$232,444</u>	<u>\$2,296,001</u>	<u>\$77,831</u>
<b>Other comprehensive income</b>				
Unrealized gains from available-for-sale financial assets	\$36,846	\$1,236	\$-	\$-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(28,823)	(967)	20,517,853	695,520
Income tax relating to the components of other comprehensive income	(6,309)	(211)	-	-
<b>Other comprehensive income, net of tax</b>	<u>1,714</u>	<u>58</u>	<u>20,517,853</u>	<u>695,520</u>
<b>Total comprehensive income</b>	<u>\$6,930,883</u>	<u>\$232,502</u>	<u>\$22,813,854</u>	<u>\$773,351</u>
<b>Earnings per share (expressed in dollars)</b>				
Basic earnings per share:				
Net income	<u>\$0.65</u>	<u>\$0.02</u>	<u>\$0.23</u>	<u>\$0.01</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Equity

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

(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																						
	Capital stock		Retained earnings								Other equity												Total equity
	Common stock	Capital surplus	Legal reserve		Special reserve		Undistributed earnings		Exchange differences resulting from translating the financial statements of a foreign operation		Unrealized gains from available-for-sale financial assets		Gains on cash flow hedges		Others		Treasury stock						
NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$		
Balance on 1 January 2012	\$103,575,096	\$3,511,021	\$78,508,148	\$2,661,293	\$14,105,459	\$478,151	\$4,078,065	\$138,239	\$13,865,225	\$470,007	\$(378,126)	\$(12,819)	\$6,454,007	\$218,780	\$1,686,208	\$57,160	\$(1,185)	\$(40)	\$(7,179,872)	\$(243,385)	\$214,713,025	\$7,278,407	
Net income for the three months ended 31 March 2012	-	-	-	-	-	-	-	-	2,296,001	77,831	-	-	-	-	-	-	-	-	-	-	2,296,001	77,831	
Other comprehensive income for the three months ended 31 March 2012	-	-	-	-	-	-	-	-	-	-	(495,879)	(16,809)	21,272,453	721,100	(258,721)	(8,771)	-	-	-	-	20,517,853	695,520	
Balance on 31 March 2012	\$103,575,096	\$3,511,021	\$78,508,148	\$2,661,293	\$14,105,459	\$478,151	\$4,078,065	\$138,239	\$16,161,226	\$547,838	\$(874,005)	\$(29,628)	\$27,726,460	\$939,880	\$1,427,487	\$48,389	\$(1,185)	\$(40)	\$(7,179,872)	\$(243,385)	\$237,526,879	\$8,051,758	
Balance on 1 January 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$4,078,065	\$136,802	\$19,435,514	\$651,980	\$(1,082,097)	\$(36,300)	\$25,930,564	\$869,861	\$976,681	\$32,763	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$244,542,223	\$8,203,362	
Net income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	6,929,169	232,444	-	-	-	-	-	-	-	-	-	-	6,929,169	232,444	
Other comprehensive income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	-	-	383,869	12,877	(216,080)	(7,248)	(166,075)	(5,571)	-	-	-	-	1,714	58	
Balance on 31 March 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$4,078,065	\$136,802	\$26,364,683	\$884,424	\$(698,228)	\$(23,423)	\$25,714,484	\$862,613	\$810,606	\$27,192	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$251,473,106	\$8,435,864	

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd.**

**Unaudited statements of cash flows**

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

**(Expressed in thousands of dollars)**

Items	2013		2012	
	NT\$	US\$	NT\$	US\$
<b>Cash flows from operating activities</b>				
Profit before income tax from continuing operations	\$6,807,235	\$228,354	\$2,372,475	\$80,423
Adjustments :				
Income and other adjustments with no cash flow effects				
Amortizations	-	-	15	-
Depreciation	311	10	264	9
Interest expense	299,086	10,033	311,599	10,563
Interest income	(257,616)	(8,642)	(239,130)	(8,106)
Loss on disposal of property and equipment	133	4	-	-
Share of loss of associates and joint ventures accounted for using the equity method	(7,972,992)	(267,460)	(2,514,459)	(85,236)
Unrealized foreign exchange loss on bonds payable	185,641	6,228	-	-
Amortization of discounts on bonds payable	15,525	521	-	-
Effects of exchange rate changes	(2,634)	(88)	536	18
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable	1,717,633	57,619	(241,669)	(8,192)
Increase in securities purchased under agreements to resell	(1,100,961)	(36,933)	(197,723)	(6,702)
Decrease in available-for-sale financial assets	21,436	719	-	-
Decrease in other assets	320	11	190	6
Decrease in payables	(1,790,621)	(60,068)	(445,605)	(15,105)
Increase in financial liabilities at fair value through profit or loss	838,574	28,131	-	-
Increase in provision	355	12	1,399	47
(Decrease) increase in other liabilities	(26)	(1)	4	-
Cash generated from operations				
Interest received	29,557	992	7,429	252
Interest paid	(15,525)	(521)	(13,898)	(471)
Income taxes received	30,698	1,030	656,021	22,238
<b>Net cash used in operating activities</b>	<b>(1,193,871)</b>	<b>(40,049)</b>	<b>(302,552)</b>	<b>(10,256)</b>
<b>Cash flows from investing activities</b>				
Acquisition of long-term investments	(29,010)	(973)	(59,120)	(2,004)
Acquisition of property and equipment	(240)	(8)	(244)	(8)
Increase in other assets	(511)	(17)	-	-
<b>Net cash used in investing activities</b>	<b>(29,761)</b>	<b>(998)</b>	<b>(59,364)</b>	<b>(2,012)</b>
<b>Cash flows from financing activities</b>				
Increase in short-term notes and bills payable	-	-	60,000	2,034
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>2,034</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>2,634</b>	<b>88</b>	<b>(536)</b>	<b>(18)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,220,998)</b>	<b>(40,959)</b>	<b>(302,452)</b>	<b>(10,252)</b>
<b>Cash and cash equivalents at the beginning of periods</b>	<b>3,714,719</b>	<b>124,613</b>	<b>2,721,910</b>	<b>92,268</b>
<b>Cash and cash equivalents at the end of periods</b>	<b>\$2,493,721</b>	<b>\$83,654</b>	<b>\$2,419,458</b>	<b>\$82,016</b>

**36. The major subsidiaries' condensed balance sheets and statements of income**

**Cathay Life Insurance Co., Ltd.**

**Condensed Balance Sheets**

**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**

**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$303,068,872	\$10,166,685	\$362,775,487	\$12,487,969	\$406,247,116	\$13,771,089	\$372,053,961	\$12,291,178
Receivables	65,641,351	2,201,991	60,572,878	2,085,125	86,934,735	2,946,940	46,041,967	1,521,043
Financial asset at fair value through profit or loss	65,304,456	2,190,690	72,429,213	2,493,260	83,305,370	2,823,911	59,720,607	1,972,931
Available-for-sale financial assets	1,290,642,257	43,295,614	1,221,734,264	42,056,257	1,269,230,987	43,024,779	1,285,475,291	42,466,974
Derivative financial assets for hedging	947,259	31,777	1,142,094	39,315	1,656,849	56,164	1,957,846	64,679
Investments accounted for using the equity method	8,849,833	296,875	7,144,025	245,922	4,074,432	138,116	4,016,883	132,702
Investment in debt securities with no active market	870,461,967	29,200,334	814,453,830	28,036,276	579,716,275	19,651,399	511,804,264	16,907,970
Investment property	200,798,354	6,735,939	201,293,052	6,929,193	201,423,289	6,827,908	201,945,170	6,671,463
Other financial assets	25,900,000	868,836	23,500,000	808,950	20,000,000	677,966	13,300,000	439,379
Investment property under construction	8,711,676	292,240	7,519,477	258,846	6,114,022	207,255	5,459,223	180,351
Advance real estate receipts- investment	1,587,676	53,260	1,581,767	54,450	1,108,341	37,571	20,469	676
Loans	545,874,619	18,311,795	516,462,223	17,778,390	487,683,959	16,531,660	489,777,747	16,180,302
Reinsurance contract assets	6,828,878	229,080	9,162,513	315,405	8,628,336	292,486	9,165,603	302,795
Property and equipment	44,693,250	1,499,270	44,800,678	1,542,192	23,225,324	787,299	23,321,302	770,443
Intangible assets	138,362	4,642	147,816	5,088	249,919	8,472	267,387	8,833
Deferred income tax assets	13,896,261	466,161	16,106,670	554,447	14,097,935	477,896	11,989,836	396,096
Other assets	15,333,775	514,384	15,417,746	530,731	17,235,527	584,255	16,816,919	555,564
Separate account product assets	358,990,068	12,042,605	329,200,798	11,332,213	299,709,401	10,159,641	293,555,522	9,697,903
<b>Total assets</b>	<b>\$3,827,668,914</b>	<b>\$128,402,178</b>	<b>\$3,705,444,531</b>	<b>\$127,554,029</b>	<b>\$3,510,641,817</b>	<b>\$119,004,807</b>	<b>\$3,346,689,997</b>	<b>\$110,561,282</b>
<b>Liabilities</b>								
Payables	\$42,240,511	\$1,416,991	\$37,262,033	\$1,282,686	\$69,139,134	\$2,343,699	\$22,003,803	\$726,918
Financial liability at fair value through profit or loss	16,375,898	549,343	2,079,457	71,582	5,925,636	200,869	17,468,901	577,103
Preferred stock liability	30,000,000	1,006,374	30,000,000	1,032,702	30,000,000	1,016,949	30,000,000	991,080
Reserve for insurance contract								
with feature of financial instruments	55,491,664	1,861,512	56,461,371	1,943,593	60,028,409	2,034,861	60,624,750	2,002,800
Foreign exchange volatility reserve	7,478,930	250,887	4,270,856	147,017	4,663,734	158,093	-	-
Insurance liability	3,147,850,517	105,597,132	3,078,719,365	105,980,013	2,879,079,082	97,595,901	2,784,180,590	91,978,216
Liability reserve	3,847,392	129,064	3,812,483	131,239	3,693,606	125,207	3,645,727	120,440
Deferred income tax liability	13,806,514	463,150	15,390,603	529,797	14,683,596	497,749	12,913,792	426,620
Other liability	10,873,139	364,748	11,301,227	389,027	7,976,626	270,394	6,127,871	202,440
Separate account product liabilities	358,990,068	12,042,605	329,200,798	11,332,213	299,709,401	10,159,641	293,555,522	9,697,903
<b>Total liabilities</b>	<b>3,686,954,633</b>	<b>123,681,806</b>	<b>3,568,498,193</b>	<b>122,839,869</b>	<b>3,374,899,224</b>	<b>114,403,363</b>	<b>3,230,520,956</b>	<b>106,723,520</b>
<b>Stockholders' equity</b>								
Capital stock	53,065,274	1,780,117	53,065,274	1,826,688	53,065,274	1,798,823	53,065,274	1,753,065
Capital surplus	13,009,649	436,419	13,009,649	447,836	13,009,649	441,005	13,009,649	429,787
Retained earnings	50,399,173	1,690,680	46,401,655	1,597,303	41,730,722	1,414,601	43,227,987	1,428,080
Others	24,240,185	813,156	24,469,760	842,333	27,936,948	947,015	6,866,131	226,830
<b>Total stockholders' equity</b>	<b>140,714,281</b>	<b>4,720,372</b>	<b>136,946,338</b>	<b>4,714,160</b>	<b>135,742,593</b>	<b>4,601,444</b>	<b>116,169,041</b>	<b>3,837,762</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,827,668,914</b>	<b>\$128,402,178</b>	<b>\$3,705,444,531</b>	<b>\$127,554,029</b>	<b>\$3,510,641,817</b>	<b>\$119,004,807</b>	<b>\$3,346,689,997</b>	<b>\$110,561,282</b>

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

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$161,833,088	\$5,428,819	\$186,976,124	\$6,338,174
Operating costs	(154,043,405)	(5,167,508)	(186,037,202)	(6,306,346)
Operating expenses	(3,725,470)	(124,974)	(3,546,191)	(120,210)
Operating profit (loss)	4,064,213	136,337	(2,607,269)	(88,382)
Non-operating income and expenses	158,681	5,323	224,637	7,615
Profit (loss) from continuing operations before income tax	4,222,894	141,660	(2,382,632)	(80,767)
Income tax (expense) benefit	(225,376)	(7,560)	885,367	30,012
Net income (loss)	3,997,518	134,100	(1,497,265)	(50,755)
Other comprehensive (loss) income	(229,575)	(7,701)	21,070,817	714,265
<b>Total comprehensive income</b>	<b>\$3,767,943</b>	<b>\$126,399</b>	<b>\$19,573,552</b>	<b>\$663,510</b>
<b>Primary earnings per share</b>	<b>\$0.75</b>	<b>\$0.03</b>	<b>\$(0.28)</b>	<b>\$(0.01)</b>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Century Insurance Co., Ltd.**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$5,125,142	\$171,927	\$5,025,506	\$172,995	\$6,033,173	\$204,514	\$6,159,377	\$203,481
Receivables	2,796,936	93,825	3,160,638	108,800	2,677,979	90,779	2,794,727	92,327
Financial asset at fair value through profit or loss	377,807	12,674	385,460	13,269	149,013	5,051	454,960	15,030
Available-for-sale financial assets	7,879,042	264,309	7,750,552	266,800	5,651,438	191,574	5,281,500	174,480
Derivative financial assets for hedging	16,284	546	17,134	590	26,011	882	28,521	942
Investment in debt securities with no active market	1,799,559	60,368	1,172,459	40,360	1,477,115	50,072	1,120,809	37,027
Hold-to-maturity financial assets	2,265,404	75,995	2,512,011	86,472	2,450,987	83,084	2,408,714	79,574
Investments accounted for using the equity method	643,686	21,593	679,562	23,393	989,375	33,538	1,055,058	34,855
Loans	523,297	17,554	522,080	17,972	524,186	17,769	551,965	18,235
Reinsurance contract assets	4,910,275	164,719	5,118,300	176,189	5,072,740	171,957	4,926,962	162,767
Property and equipment	91,287	3,062	101,738	3,502	125,773	4,264	136,795	4,519
Intangible assets	17,762	596	21,323	734	24,152	819	25,292	835
Deferred income tax assets	87,957	2,951	80,750	2,780	80,668	2,735	105,494	3,485
Other assets	643,672	21,592	780,458	26,866	589,836	19,994	574,030	18,964
<b>Total assets</b>	<b>\$27,178,110</b>	<b>\$911,711</b>	<b>\$27,327,971</b>	<b>\$940,722</b>	<b>\$25,872,446</b>	<b>\$877,032</b>	<b>\$25,624,204</b>	<b>\$846,521</b>
<b>Liabilities</b>								
Payables	\$2,007,858	\$67,355	\$2,098,220	\$72,228	\$1,792,474	\$60,762	\$1,946,257	\$64,297
Financial liability at fair value through profit or loss	94,825	3,181	-	-	-	-	45,000	1,487
Preferred stock liability	1,000,000	33,546	1,000,000	34,423	1,000,000	33,898	1,000,000	33,036
Insurance liability	18,913,113	634,455	19,080,300	656,809	18,606,039	630,713	18,445,489	609,365
Liability reserve	248,378	8,332	247,950	8,535	256,153	8,683	259,488	8,572
Deferred income tax liability	26,145	877	17,949	618	8,371	284	20,118	665
Other liability	148,508	4,982	366,509	12,617	231,165	7,836	198,454	6,556
<b>Total liabilities</b>	<b>22,438,827</b>	<b>752,728</b>	<b>22,810,928</b>	<b>785,230</b>	<b>21,894,202</b>	<b>742,176</b>	<b>21,914,806</b>	<b>723,978</b>
<b>Stockholders' equity</b>								
Capital stock	2,522,950	84,634	2,522,950	86,849	2,317,006	78,543	2,317,006	76,545
Capital surplus	1,929	65	1,929	66	1,929	65	1,929	64
Retained earnings	2,158,549	72,410	1,956,035	67,333	1,739,309	58,960	1,466,759	48,456
Others	55,855	1,874	36,129	1,244	(80,000)	(2,712)	(76,296)	(2,522)
<b>Total stockholders' equity</b>	<b>4,739,283</b>	<b>158,983</b>	<b>4,517,043</b>	<b>155,492</b>	<b>3,978,244</b>	<b>134,856</b>	<b>3,709,398</b>	<b>122,543</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$27,178,110</b>	<b>\$911,711</b>	<b>\$27,327,971</b>	<b>\$940,722</b>	<b>\$25,872,446</b>	<b>\$877,032</b>	<b>\$25,624,204</b>	<b>\$846,521</b>

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

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$2,993,281	\$100,412	\$2,719,554	\$92,188
Operating costs	(1,750,750)	(58,730)	(1,562,599)	(52,969)
Operating expenses	(992,163)	(33,283)	(839,154)	(28,446)
Operating profit	250,368	8,399	317,801	10,773
Non-operating income and expenses	(4,318)	(145)	(98)	(3)
Profit from continuing operations before income tax	246,050	8,254	317,703	10,770
Income tax expense	(43,536)	(1,461)	(45,153)	(1,531)
Net income	202,514	6,793	272,550	9,239
Other comprehensive income	19,726	662	(3,704)	(126)
<b>Total comprehensive income</b>	<b>\$222,240</b>	<b>\$7,455</b>	<b>\$268,846</b>	<b>\$9,113</b>
Primary earnings per share	\$0.80	\$0.03	\$1.08	\$0.04

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Life Insurance Company (China)**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$1,694,868	\$56,856	\$1,792,193	\$61,693	\$429,813	\$14,570	\$947,369	\$31,297
Receivables	473,247	15,875	399,447	13,750	404,463	13,711	404,156	13,352
Financial asset at fair value through profit or loss	652,949	21,904	370,475	12,753	766,991	26,000	272,778	9,011
Available-for-sale financial assets	3,925,841	131,695	4,652,993	160,172	4,998,519	169,441	5,606,267	185,209
Investment in debt securities with no active market	2,527,119	84,774	2,450,786	84,364	3,282,160	111,260	3,224,375	106,520
Loans	25,108	842	32,347	1,114	22,558	765	19,403	641
Reinsurance contract assets	8,865	297	7,683	265	7,707	261	8,525	282
Property and equipment	124,995	4,193	128,242	4,415	142,114	4,817	154,889	5,117
Intangible assets	92,579	3,106	94,237	3,244	106,559	3,612	113,833	3,761
Other assets	1,385,646	46,483	1,195,782	41,163	1,204,817	40,841	1,223,657	40,425
Separate account product assets	385,224	12,923	356,448	12,270	435,169	14,751	495,490	16,369
<b>Total assets</b>	<b>\$11,296,441</b>	<b>\$378,948</b>	<b>\$11,480,633</b>	<b>\$395,203</b>	<b>\$11,800,870</b>	<b>\$400,029</b>	<b>\$12,470,742</b>	<b>\$411,984</b>
<b>Liabilities</b>								
Short-term debt	\$125,063	\$4,195	\$297,268	\$10,233	\$62,829	\$2,130	\$201,158	\$6,645
Payables	586,480	19,674	714,954	24,611	409,282	13,874	491,420	16,235
Reserve for insurance contract								
with feature of financial instruments	4,535,072	152,133	4,889,501	168,314	5,786,382	196,149	6,259,961	206,804
Insurance liability	3,875,772	130,016	3,634,056	125,097	3,068,609	104,021	3,140,782	103,759
Other liability	25,468	854	19,354	666	121,687	4,125	79,143	2,615
Separate account product liabilities	385,224	12,923	356,448	12,270	435,169	14,750	495,490	16,369
<b>Total liabilities</b>	<b>9,533,079</b>	<b>319,795</b>	<b>9,911,581</b>	<b>341,191</b>	<b>9,883,958</b>	<b>335,049</b>	<b>10,667,954</b>	<b>352,427</b>
<b>Stockholders' equity</b>								
Capital stock	5,134,155	172,229	5,134,155	176,735	5,134,155	174,039	5,134,155	169,612
Retained earnings	(3,781,570)	(126,856)	(3,916,879)	(134,832)	(3,547,870)	(120,267)	(3,629,795)	(119,914)
Others	410,777	13,780	351,776	12,109	330,627	11,208	298,428	9,859
<b>Total stockholders' equity</b>	<b>1,763,362</b>	<b>59,153</b>	<b>1,569,052</b>	<b>54,012</b>	<b>1,916,912</b>	<b>64,980</b>	<b>1,802,788</b>	<b>59,557</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$11,296,441</b>	<b>\$378,948</b>	<b>\$11,480,633</b>	<b>\$395,203</b>	<b>\$11,800,870</b>	<b>\$400,029</b>	<b>\$12,470,742</b>	<b>\$411,984</b>

**Cathay Life Insurance Company (China)**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$790,712	\$26,525	\$774,206	\$26,244
Operating costs	(506,707)	(16,998)	(401,586)	(13,613)
Operating expenses	(148,638)	(4,986)	(250,732)	(8,499)
Operating profit	135,367	4,541	121,888	4,132
Non-operating income and expenses	(58)	(2)	327	11
Profit from continuing operations before income tax	135,309	4,539	122,215	4,143
Income tax expenses	-	-	(40,290)	(1,366)
Net income	135,309	4,539	81,925	2,777
Other comprehensive income	59,001	1,979	32,199	1,092
<b>Total comprehensive income</b>	<b>\$194,310</b>	<b>\$6,518</b>	<b>\$114,124</b>	<b>\$3,869</b>
Primary earnings per share	Note	Note	Note	Note

Note: Cathay Life Insurance Company (China) is a limited company, there is no information about earning per share.



**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Life Insurance Company (Vietnam)**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
<b>Assets</b>								
Cash and cash equivalents	\$1,715,113	\$57,535	\$615,771	\$21,197	\$449,727	\$15,245	\$467,388	\$15,441
Receivables	104,341	3,500	79,948	2,752	89,523	3,035	76,916	2,541
Available-for-sale financial assets	1,344,278	45,095	932,943	32,115	980,970	33,253	947,621	31,305
Loans	10,686	359	9,305	320	6,374	216	4,590	152
Property and equipment	16,117	541	18,322	631	30,714	1,041	32,810	1,084
Intangible assets	3,823	128	5,742	198	11,216	380	13,413	443
Other assets	44,126	1,480	43,714	1,505	54,948	1,863	65,103	2,151
<b>Total assets</b>	<b>\$3,238,484</b>	<b>\$108,638</b>	<b>\$1,705,745</b>	<b>\$58,718</b>	<b>\$1,623,472</b>	<b>\$55,033</b>	<b>\$1,607,841</b>	<b>\$53,117</b>
<b>Liabilities</b>								
Payables	\$12,729	\$427	\$14,374	\$495	\$22,701	\$770	\$27,231	\$900
Long-term liability	207	7	208	7	338	11	370	12
Insurance liability	316,847	10,629	305,830	10,528	240,920	8,167	238,075	7,865
Other liability	-	-	-	-	2,222	75	-	-
<b>Total liabilities</b>	<b>329,783</b>	<b>11,063</b>	<b>320,412</b>	<b>11,030</b>	<b>266,181</b>	<b>9,023</b>	<b>265,676</b>	<b>8,777</b>
<b>Stockholders' equity</b>								
Capital stock	3,424,930	114,892	1,940,080	66,784	1,940,080	65,765	1,940,080	64,093
Retained earnings	(67,972)	(2,280)	(81,405)	(2,802)	(83,154)	(2,819)	(75,371)	(2,490)
Others	(448,257)	(15,037)	(473,342)	(16,294)	(499,635)	(16,936)	(522,544)	(17,263)
<b>Total stockholders' equity</b>	<b>2,908,701</b>	<b>97,575</b>	<b>1,385,333</b>	<b>47,688</b>	<b>1,357,291</b>	<b>46,010</b>	<b>1,342,165</b>	<b>44,340</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,238,484</b>	<b>\$108,638</b>	<b>\$1,705,745</b>	<b>\$58,718</b>	<b>\$1,623,472</b>	<b>\$55,033</b>	<b>\$1,607,841</b>	<b>\$53,117</b>

**Cathay Life Insurance Company (Vietnam)**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NTS	US\$	NTS	US\$
Operating income	\$68,030	\$2,282	\$80,575	\$2,731
Operating costs	(11,796)	(396)	(25,928)	(879)
Operating expenses	(42,761)	(1,434)	(63,055)	(2,137)
Operating profit (loss)	13,473	452	(8,408)	(285)
Non-operating income and expenses	(40)	(1)	625	21
Profit (loss) from continuing operations before income tax	13,433	451	(7,783)	(264)
Income tax (expense) benefit	-	-	-	-
Net income (loss)	13,433	451	(7,783)	(264)
Other comprehensive income	25,085	841	22,909	777
<b>Total comprehensive income</b>	<b>\$38,518</b>	<b>\$1,292</b>	<b>\$15,126</b>	<b>\$513</b>
Primary earnings per share	Note	Note	Note	Note

Note: Cathay Life Insurance Company (Vietnam) is a limited company, there is no information about earning per share.

**English Translation of Financial Statements Originally Issued in Chinese**

**Lin Yuan (Shanghai) Real Estate Co., Ltd.  
Condensed Balance Sheets  
As of 31 March 2013 and 31 December 2012  
(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$420,036	\$14,091	\$411,418	\$14,162
Property and equipment	3,348,149	112,316	3,276,008	112,771
<b>Total assets</b>	<b>\$3,768,185</b>	<b>\$126,407</b>	<b>\$3,687,426</b>	<b>\$126,933</b>
<b>Liabilities</b>				
Current liability	\$6,775	\$227	\$5,377	\$185
<b>Total liabilities</b>	<b>6,775</b>	<b>227</b>	<b>5,377</b>	<b>185</b>
<b>Stockholders' equity</b>				
Capital stock	3,773,774	126,595	3,773,774	129,906
Retained earnings	(84,897)	(2,848)	(57,489)	(1,979)
Others	72,533	2,433	(34,236)	(1,179)
<b>Total stockholders' equity</b>	<b>3,761,410</b>	<b>126,180</b>	<b>3,682,049</b>	<b>126,748</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,768,185</b>	<b>\$126,407</b>	<b>\$3,687,426</b>	<b>\$126,933</b>

**Lin Yuan (Shanghai) Real Estate Co., Ltd.  
Condensed statements of comprehensive income  
For the three-month periods ended 31 March 2013 and 2012  
(Expressed in thousands of dollars, except earnings per share)**

Items	1 January~ 31 March 2013	
	NT\$	US\$
Non-operating profit and loss	\$(747)	\$(25)
Operating expenses	(26,660)	(894)
Loss from continuing operations before income tax	(27,407)	(919)
Income tax (expense) benefit	-	-
Net loss	(27,407)	(919)
Other comprehensive income	(106,769)	(3,582)
<b>Total comprehensive income</b>	<b>\$(134,176)</b>	<b>\$(4,501)</b>
Primary earnings per share	<u>Note 1</u>	<u>Note 1</u>

Note 1 : Lin Yuan (Shanghai) Real Estate Co., Ltd. is a limited company, there is no information about earnings per share.

Note 2 : Lin Yuan (Shanghai) Real Estate Co., Ltd. was incorporated on 15 August 2012, thus there was no information about last per

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Insurance Co., Ltd (China)**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
<b>Assets</b>								
Cash and cash equivalents	\$378,587	\$12,700	\$405,943	\$13,974	\$334,303	\$11,332	\$430,906	\$14,236
Receivables	140,323	4,707	141,039	4,855	105,999	3,593	122,736	4,055
Financial asset at fair value through profit or loss	111,654	3,746	51,813	1,784	138,730	4,703	164,496	5,434
Available-for-sale financial asseets	715,928	24,016	653,940	22,511	702,717	23,821	616,117	20,354
Investment in debt securities with no active market	72,153	2,420	70,112	2,413	70,332	2,384	72,187	2,385
Reinsurance contract assets	314,779	10,559	308,462	10,618	269,863	9,148	223,672	7,389
Property and equipment	44,508	1,493	44,380	1,528	35,052	1,188	38,511	1,272
Intangible assets	2,856	96	6,998	241	692	24	393	13
Other assets	423,705	14,214	403,365	13,885	407,497	13,813	415,795	13,736
<b>Total assets</b>	<b>\$2,204,493</b>	<b>\$73,951</b>	<b>\$2,086,052</b>	<b>\$71,809</b>	<b>\$2,065,185</b>	<b>\$70,006</b>	<b>\$2,084,813</b>	<b>\$68,874</b>
<b>Liabilities</b>								
Payables	\$118,450	\$3,973	\$119,446	\$4,112	\$133,312	\$4,519	\$153,395	\$5,068
Liability reserve	1,459,346	48,955	1,292,161	44,480	727,482	24,660	611,915	20,215
Other liability	99,886	3,351	73,865	2,543	52,768	1,789	61,363	2,027
<b>Total liabilities</b>	<b>1,677,682</b>	<b>56,279</b>	<b>1,485,472</b>	<b>51,135</b>	<b>913,562</b>	<b>30,968</b>	<b>826,673</b>	<b>27,310</b>
<b>Stockholders' equity</b>								
Capital stock	1,745,942	58,569	1,745,942	60,101	1,745,942	59,185	1,745,942	57,679
Retained earnings	(1,358,852)	(45,584)	(1,265,328)	(43,557)	(698,963)	(23,694)	(616,335)	(20,361)
Others	139,721	4,687	119,966	4,130	104,644	3,547	128,533	4,246
<b>Total stockholders' equity</b>	<b>526,811</b>	<b>17,672</b>	<b>600,580</b>	<b>20,674</b>	<b>1,151,623</b>	<b>39,038</b>	<b>1,258,140</b>	<b>41,564</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,204,493</b>	<b>\$73,951</b>	<b>\$2,086,052</b>	<b>\$71,809</b>	<b>\$2,065,185</b>	<b>\$70,006</b>	<b>\$2,084,813</b>	<b>\$68,874</b>

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

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NTS	US\$	NTS	US\$
Operating income	\$299,373	\$10,043	\$164,149	\$5,564
Operating costs	(233,373)	(7,829)	(133,997)	(4,542)
Operating expenses	(172,607)	(5,790)	(113,203)	(3,837)
Operating loss	(106,607)	(3,576)	(83,051)	(2,815)
Non-operating income and loss	13,082	439	423	14
Loss from continuing operations before income tax	(93,525)	(3,137)	(82,628)	(2,801)
Income tax (expenses) benefit	-	-	-	-
Net loss	(93,525)	(3,137)	(82,628)	(2,801)
Other comprehensive income	19,755	663	(23,889)	(810)
<b>Total comprehensive income</b>	<b>\$(73,770)</b>	<b>\$(2,474)</b>	<b>\$(106,517)</b>	<b>\$(3,611)</b>
Primary earnings per share	Note	Note	Note	Note

Note : Cathay Insurance Co., Ltd (China) is a limited company, there is no information about earnings per share.

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Insurance Co., Ltd (Vietnam)  
Condensed Balance Sheets  
As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012  
(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$331,952	\$11,136	\$245,601	\$8,454	\$333,464	\$11,304	\$335,784	\$11,093
Receivables	38,561	1,293	46,971	1,617	27,945	947	33,510	1,107
Investment in debt securities with no active market	-	-	80,700	2,778	-	-	-	-
Property and equipment	35,945	1,206	38,271	1,318	46,748	1,585	50,494	1,668
Intangible assets	5,465	183	7,434	256	10,186	345	11,638	384
Other assets	49,324	1,655	16,766	577	14,942	507	15,733	520
<b>Total assets</b>	<b>\$461,247</b>	<b>\$15,473</b>	<b>\$435,743</b>	<b>\$15,000</b>	<b>\$433,285</b>	<b>\$14,688</b>	<b>\$447,159</b>	<b>\$14,772</b>
<b>Liabilities</b>								
Payables	\$17,975	\$603	\$20,245	\$697	\$11,297	\$383	\$16,068	\$531
Liability reserve	63,604	2,134	37,360	1,286	11,728	398	8,375	277
Other liability	874	29	356	12	2,161	73	2,193	72
<b>Total liabilities</b>	<b>82,453</b>	<b>2,766</b>	<b>57,961</b>	<b>1,995</b>	<b>25,186</b>	<b>854</b>	<b>26,636</b>	<b>880</b>
<b>Stockholders' equity</b>								
Capital stock	517,502	17,360	517,502	17,814	517,502	17,543	517,502	17,096
Retained earnings	(41,930)	(1,407)	(34,576)	(1,190)	(11,299)	(383)	(4,907)	(162)
Others	(96,778)	(3,246)	(105,144)	(3,619)	(98,104)	(3,326)	(92,072)	(3,042)
<b>Total stockholders' equity</b>	<b>378,794</b>	<b>12,707</b>	<b>377,782</b>	<b>13,005</b>	<b>408,099</b>	<b>13,834</b>	<b>420,523</b>	<b>13,892</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$461,247</b>	<b>\$15,473</b>	<b>\$435,743</b>	<b>\$15,000</b>	<b>\$433,285</b>	<b>\$14,688</b>	<b>\$447,159</b>	<b>\$14,772</b>

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

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$17,537	\$588	\$21,091	\$715
Operating costs	(5,569)	(187)	(10,107)	(343)
Operating expenses	(19,326)	(648)	(17,375)	(589)
Operating loss	(7,358)	(247)	(6,391)	(217)
Non-operating income and expenses	4	-	-	-
Loss from continuing operations before income tax	(7,354)	(247)	(6,391)	(217)
Income tax (expenses) benefit	-	-	-	-
Net loss	(7,354)	(247)	(6,391)	(217)
Other comprehensive income	8,366	281	(6,032)	(204)
<b>Total comprehensive income</b>	<b>\$1,012</b>	<b>\$34</b>	<b>\$(12,423)</b>	<b>\$(421)</b>
Primary earnings per share	Note	Note	Note	Note

Note : Cathay Insurance Co., Ltd (Vietnam) is a limited company, there is no information about earnings per share.

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay United Bank Co., Ltd.**

**Condensed Balance Sheets**

**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**

**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$34,074,988	\$1,143,072	\$33,496,114	\$1,153,050	\$31,402,392	\$1,064,488	\$29,191,573	\$964,373
Due from the Central Bank and call loans to banks	63,264,503	2,122,258	98,844,688	3,402,571	105,701,170	3,583,091	88,690,435	2,929,978
Financial assets at fair value through profit or loss	103,324,732	3,466,110	67,796,967	2,333,803	19,385,373	657,131	21,799,721	720,176
Available-for-sale financial assets	80,614,995	2,704,294	63,186,407	2,175,091	63,280,168	2,145,090	47,322,633	1,563,351
Derivative financial assets for hedging	1,233,116	41,366	1,203,138	41,416	1,476,373	50,047	1,438,773	47,531
Securities purchased under agreements to resell	2,287,926	76,750	-	-	8,429,400	285,742	2,308,788	76,273
Receivables-net	70,552,485	2,366,739	50,728,353	1,746,243	42,479,809	1,439,994	45,578,346	1,505,727
Discounts and loans-net	983,497,494	32,992,200	986,516,412	33,959,257	992,915,430	33,658,150	984,101,470	32,510,785
Held-to-maturity financial assets	48,012,248	1,610,609	20,542,870	707,156	19,907,149	674,819	18,176,146	600,467
Investments accounted for using the equity method	5,196,221	174,311	5,038,973	173,459	4,698,796	159,281	4,696,999	155,170
Other financial assets-net	401,493,069	13,468,402	424,057,282	14,597,497	442,764,605	15,008,970	428,542,293	14,157,327
Property and equipment-net	22,245,542	746,244	22,233,798	765,363	23,162,969	785,185	23,232,396	767,506
Investment property-net	2,861,731	95,999	2,869,040	98,762	3,170,183	107,464	3,178,706	105,012
Intangible assets-net	7,122,743	238,938	7,164,320	246,620	7,242,764	245,517	7,277,073	240,406
Deferred income tax assets	1,540,519	51,678	1,451,635	49,970	1,025,816	34,773	902,664	29,820
Other assets-net	4,680,218	157,002	4,542,369	156,364	3,008,645	101,988	2,759,593	91,166
<b>Total assets</b>	<b>\$1,832,002,530</b>	<b>\$61,455,972</b>	<b>\$1,789,672,366</b>	<b>\$61,606,622</b>	<b>\$1,770,051,042</b>	<b>\$60,001,730</b>	<b>\$1,709,197,609</b>	<b>\$56,465,068</b>
<b>Liabilities</b>								
Due to the Central Bank and call loans from banks	\$68,625,864	\$2,302,109	\$51,891,103	\$1,786,269	\$59,285,368	\$2,009,673	\$53,815,904	\$1,777,863
Funds borrowed from the Central Bank and other banks	1,493,750	50,109	1,456,800	50,148	1,476,500	50,051	1,514,500	50,033
Financial liabilities at fair value through profit or loss	5,906,954	198,153	4,967,738	171,006	3,999,420	135,574	4,835,152	159,734
Securities sold under agreements to repurchase	34,700,066	1,164,041	20,369,249	701,179	16,309,936	552,879	13,546,462	447,521
Payables	21,260,477	713,199	21,225,349	730,649	34,013,136	1,152,988	19,794,819	653,942
Deposits and remittances	1,526,121,294	\$1,194,945	1,520,735,366	\$2,348,894	1,500,305,324	\$2,087,808	1,469,487,309	\$2,545,996
Financial debentures payable	42,682,909	1,431,832	42,518,631	1,463,636	32,810,946	1,112,235	33,115,240	1,093,995
Other financial liabilities	18,243,674	611,999	17,426,191	599,869	16,408,822	556,231	10,611,073	350,548
Liability reserve	2,009,409	67,407	2,009,384	69,170	2,027,315	68,722	2,075,802	68,576
Deferred income tax liability	443,675	14,883	522,282	17,979	570,193	19,329	513,965	16,979
Other liability	4,421,839	148,334	4,114,007	141,618	3,411,240	115,635	3,102,657	102,500
<b>Total liabilities</b>	<b>1,725,909,911</b>	<b>\$7,897,011</b>	<b>1,687,236,100</b>	<b>\$8,080,417</b>	<b>1,670,618,200</b>	<b>\$6,631,125</b>	<b>1,612,412,883</b>	<b>\$53,267,687</b>
<b>Stockholders' equity</b>								
Capital stock	52,277,026	1,753,674	52,277,026	1,799,553	52,277,026	1,772,102	52,277,026	1,727,024
Capital surplus	15,213,292	510,342	15,213,292	523,693	15,213,292	515,705	15,213,292	502,587
Retained earnings	37,138,466	1,245,839	33,542,575	1,154,650	31,717,506	1,075,170	28,257,530	933,516
Others	1,463,835	49,106	1,403,373	48,309	225,018	7,628	1,036,878	34,254
<b>Total stockholders' equity</b>	<b>106,092,619</b>	<b>3,558,961</b>	<b>102,436,266</b>	<b>3,526,205</b>	<b>99,432,842</b>	<b>3,370,605</b>	<b>96,784,726</b>	<b>3,197,381</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,832,002,530</b>	<b>\$61,455,972</b>	<b>\$1,789,672,366</b>	<b>\$61,606,622</b>	<b>\$1,770,051,042</b>	<b>\$60,001,730</b>	<b>\$1,709,197,609</b>	<b>\$56,465,068</b>

**Cathay United Bank Co., Ltd.**

**Condensed statements of comprehensive income**

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

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

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Interest income	\$7,825,730	\$262,520	\$7,782,204	\$263,803
Interest expenses	(2,804,207)	(94,069)	(2,768,463)	(93,846)
Net interest income	5,021,523	168,451	5,013,741	169,957
Non-interest income	3,465,469	116,252	2,975,853	100,877
Net income	8,486,992	284,703	7,989,594	270,834
Bad debt expense and reserve for loss on guarantees	45,093	1,512	317,373	10,758
Operating expenses	(4,435,194)	(148,782)	(4,384,991)	(148,644)
Profit from continuing operations before income tax	4,096,891	137,433	3,921,976	132,948
Income tax expenses	(501,000)	(16,806)	(462,000)	(15,661)
Net income	3,595,891	120,627	3,459,976	117,287
Other comprehensive income	60,461	2,028	(811,860)	(27,520)
<b>Total comprehensive income</b>	<b>\$3,656,352</b>	<b>\$122,655</b>	<b>\$2,648,116</b>	<b>\$89,767</b>
<b>Primary earnings per share</b>	<b>\$0.69</b>	<b>\$0.02</b>	<b>\$0.66</b>	<b>\$0.02</b>

**English Translation of Financial Statements Originally Issued in Chinese**

**Indovina Bank Limited**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Cash and cash equivalents	\$733,464	\$24,604	\$816,727	\$28,114	\$820,303	\$27,807	\$960,865	\$31,743
Due from the Central Bank and call loans to banks	11,866,523	398,072	12,698,859	437,138	7,993,477	270,965	13,531,406	447,024
Financial assets at fair value through profit or loss	114,377	3,837	140,920	4,851	135,186	4,583	114,388	3,779
Available-for-sale financial assets	1,848,809	62,020	768,190	26,444	503,807	17,078	516,801	17,073
Receivables-net	387,680	13,005	369,539	12,721	336,923	11,421	332,407	10,981
Discounts and loans-net	15,887,649	532,964	15,808,657	544,188	15,854,232	537,432	17,824,324	588,844
Held-to-maturity financial assets	1,154,666	38,734	1,126,103	38,764	1,141,331	38,689	1,170,705	38,675
Property and equipment-net	288,774	9,687	281,343	9,685	228,652	7,751	226,957	7,498
Intangible assets-net	10,254	344	10,001	344	13,847	469	15,576	516
Deferred income tax assets-net	3,402	114	15,769	543	11,746	398	12,048	398
Other assets-net	371,427	12,460	353,101	12,155	368,238	12,483	376,835	12,449
<b>Total assets</b>	<b>\$32,667,025</b>	<b>\$1,095,841</b>	<b>\$32,389,209</b>	<b>\$1,114,947</b>	<b>\$27,407,742</b>	<b>\$929,076</b>	<b>\$35,082,312</b>	<b>\$1,158,980</b>
<b>Liabilities</b>								
Due to the Central Bank and call loans from banks	\$7,421,299	\$248,953	\$8,116,896	\$279,411	\$3,823,595	\$129,613	\$10,606,785	\$350,406
Payables	1,001,400	33,593	1,295,180	44,584	595,991	20,203	580,070	19,163
Current income tax liabilities	123,362	4,138	26,548	914	45,803	1,553	46,384	1,532
Deposits and remittances	18,128,259	608,127	17,219,063	592,739	13,712,004	464,814	14,541,878	480,406
Financial debentures payable	-	-	-	-	2,835,606	96,122	2,908,585	96,088
Deferred income tax liability	7,102	238	19,949	687	11,196	379	-	-
Other liability	48,815	1,638	75,672	2,605	95,194	3,227	100,268	3,313
<b>Total liabilities</b>	<b>26,730,237</b>	<b>896,687</b>	<b>26,753,308</b>	<b>920,940</b>	<b>21,119,389</b>	<b>715,911</b>	<b>28,783,970</b>	<b>950,908</b>
<b>Stockholders' equity</b>								
Capital stock	5,264,543	176,603	5,269,493	181,394	5,269,493	178,627	5,269,493	174,083
Retained earnings	1,073,715	36,019	932,848	32,112	1,503,647	50,971	1,354,678	44,753
Others	(401,470)	(13,468)	(566,440)	(19,499)	(484,787)	(16,433)	(325,829)	(10,764)
<b>Total stockholders' equity</b>	<b>5,936,788</b>	<b>199,154</b>	<b>5,635,901</b>	<b>194,007</b>	<b>6,288,353</b>	<b>213,165</b>	<b>6,298,342</b>	<b>208,072</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$32,667,025</b>	<b>\$1,095,841</b>	<b>\$32,389,209</b>	<b>\$1,114,947</b>	<b>\$27,407,742</b>	<b>\$929,076</b>	<b>\$35,082,312</b>	<b>\$1,158,980</b>

**Indovina Bank Limited**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Interest income	\$721,064	\$24,189	\$763,994	\$25,898
Interest expenses	(564,443)	(18,935)	(521,973)	(17,694)
Net interest income	156,621	5,254	242,021	8,204
Non-interest income	92,561	3,105	55,518	1,882
Net income	249,182	8,359	297,539	10,086
Bad debt expense and reserve for loss on guarantees	79,091	2,653	-	-
Operating expenses	(97,791)	(3,280)	(93,938)	(3,184)
Profit from continuing operations before income tax	230,482	7,732	203,601	6,902
Income tax expenses	(94,565)	(3,172)	(54,632)	(1,852)
Net income	135,917	4,560	148,969	5,050
Other comprehensive income	126,285	4,236	(158,958)	(5,389)
<b>Total comprehensive income</b>	<b>\$262,202</b>	<b>\$8,796</b>	<b>\$(9,989)</b>	<b>\$(339)</b>
Primary earnings per share	Note	Note	Note	Note

Note : Indovina Bank is a subsidiary of foreign bank, there is no information about earnings per share.

**English Translation of Financial Statements Originally Issued in Chinese**

**Singapore Banking Corporation Limited**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 31 December 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31	
	NTS	US\$	NTS	US\$
<b>Assets</b>				
Cash and cash equivalents	\$904,687	\$30,348	\$678,535	\$23,357
Due from the Central Bank and call loans to banks	607,165	20,368	519,496	17,883
Available-for-sale financial assets	764	26	-	-
Receivables-net	8,242	276	52,289	1,800
Discounts and loans-net	964,676	32,361	858,125	29,540
Other financial assets-net	-	-	728	25
Property and equipment-net	139,804	4,690	136,718	4,706
Intangible assets-net	5,683	191	5,971	206
Other assets-net	32,458	1,089	27,248	938
<b>Total assets</b>	<b>\$2,663,479</b>	<b>\$89,349</b>	<b>\$2,279,110</b>	<b>\$78,455</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$-	\$-	\$143	\$5
Payables	30,180	1,012	38,488	1,325
Current income tax liabilities	196	7	-	-
Deposits and remittances	2,207,247	74,044	1,819,637	62,638
Other liability	906	30	5,183	178
<b>Total liabilities</b>	<b>2,238,529</b>	<b>75,093</b>	<b>1,863,451</b>	<b>64,146</b>
<b>Stockholders' equity</b>				
Capital stock	494,836	16,600	495,312	17,050
Retained earnings	(80,779)	(2,710)	(79,552)	(2,738)
Others	10,893	365	(101)	(3)
<b>Total stockholders' equity</b>	<b>424,950</b>	<b>14,255</b>	<b>415,659</b>	<b>14,309</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,663,479</b>	<b>\$89,348</b>	<b>\$2,279,110</b>	<b>\$78,455</b>

**Singapore Banking Corporation Limited**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31	
	NTS	US\$
Interest income	\$23,185	\$778
Interest expenses	(7,820)	(263)
Net interest income	15,365	515
Non-interest income	10,152	341
Net income	25,517	856
Bad debt expense and reserve for loss on guarantees	-	-
Operating expenses	(31,710)	(1,064)
Loss from continuing operations before income tax	(6,193)	(208)
Income tax benefits	4,986	167
Net loss	(1,207)	(41)
Other comprehensive income	10,749	361
<b>Total comprehensive income</b>	<b>\$9,542</b>	<b>\$320</b>
Primary earnings per share	<u>Note 1</u>	<u>Note 1</u>

Note1 : SBC Bank is a subsidiary of foreign bank, there is no information about earnings per share.

Note2 : SBC Bank was incorporated into the consolidated financial statement of a subsidiary on 13 December 2012.

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Securities Corporation**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Current assets	\$11,576,387	\$388,339	\$14,366,771	\$494,553	\$10,425,529	\$353,408	\$11,054,330	\$365,191
Available-for-sale financial assets	18	1	18	1	18	-	18	1
Investments accounted for using the equity method	789,601	26,488	783,254	26,962	780,035	26,442	775,924	25,633
Property and equipment	110,048	3,692	113,495	3,907	44,578	1,511	43,984	1,453
Intangible assets	15,324	514	12,128	418	7,349	249	8,477	280
Deferred income tax assets	179,279	6,014	313,808	10,802	287,474	9,745	372,615	12,310
Other non-current assets	446,034	14,962	445,340	15,330	417,338	14,147	340,751	11,257
<b>Total assets</b>	<b>\$13,116,691</b>	<b>\$440,010</b>	<b>\$16,034,814</b>	<b>\$551,973</b>	<b>\$11,962,321</b>	<b>\$405,502</b>	<b>\$12,596,099</b>	<b>\$416,125</b>
<b>Liabilities</b>								
Current liability	\$8,204,840	\$275,238	\$11,061,728	\$380,782	\$7,491,530	\$253,950	\$7,824,487	\$258,490
Deferred income tax liability	186,385	6,252	317,912	10,944	72,278	2,450	519,047	17,147
Other non-current liability	7,948	267	7,823	269	7,773	264	8,650	286
<b>Total liabilities</b>	<b>8,399,173</b>	<b>281,757</b>	<b>11,387,463</b>	<b>391,995</b>	<b>7,571,581</b>	<b>256,664</b>	<b>8,352,184</b>	<b>275,923</b>
<b>Stockholders' equity</b>								
Capital stock	3,866,660	129,710	3,866,660	133,104	3,700,000	125,424	3,700,000	122,233
Capital surplus	291,766	9,788	291,766	10,044	258,434	8,760	258,434	8,538
Retained earnings	555,314	18,628	479,456	16,504	426,617	14,462	286,788	9,474
Others	3,778	127	9,469	326	5,689	192	(1,307)	(43)
<b>Total stockholders' equity</b>	<b>4,717,518</b>	<b>158,253</b>	<b>4,647,351</b>	<b>159,978</b>	<b>4,390,740</b>	<b>148,838</b>	<b>4,243,915</b>	<b>140,202</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$13,116,691</b>	<b>\$440,010</b>	<b>\$16,034,814</b>	<b>\$551,973</b>	<b>\$11,962,321</b>	<b>\$405,502</b>	<b>\$12,596,099</b>	<b>\$416,125</b>

**Cathay Securities Corporation**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Revenues	\$323,243	\$10,844	\$330,768	\$11,212
Service fee expenses	(9,531)	(320)	(9,868)	(334)
Employee benefit expenses	(117,381)	(3,937)	(97,046)	(3,290)
Share of the profit of associates and joint ventures accounted for using the equity method	6,347	213	4,111	139
Other operating expenditure	(13,474)	(452)	(9,120)	(309)
Operating expenses	(113,725)	(3,815)	(78,408)	(2,658)
Non-operating income and expenses	7,792	261	5,177	176
Profit from continuing operations before income tax	83,271	2,794	145,614	4,936
Income tax expenses	(7,413)	(249)	(5,785)	(196)
Net income	75,858	2,545	139,829	4,740
Other comprehensive income	(5,691)	(191)	6,996	237
<b>Total comprehensive income</b>	<b>\$70,167</b>	<b>\$2,354</b>	<b>\$146,825</b>	<b>\$4,977</b>
Primary earnings per share	\$0.20	\$0.01	\$0.38	\$0.01



**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Securities Investment Trust Co., Ltd.**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Current assets	\$1,748,022	\$58,639	\$1,675,751	\$57,685	\$1,715,556	\$58,155	\$1,664,561	\$54,991
Available-for-sale financial assets	147,852	4,960	128,032	4,407	136,621	4,631	118,147	3,903
Held-to-maturity financial assets	200,000	6,709	200,000	6,885	200,000	6,780	200,000	6,607
Investment in debt securities with no active market	5,000	167	11,250	387	11,250	381	8,750	289
Property and equipment	17,791	597	19,952	687	22,568	765	24,048	794
Intangible assets	8,706	292	10,475	360	9,512	322	10,376	343
Deferred income tax assets	9,459	317	9,406	324	9,342	317	9,278	307
Other non-current assets	240,860	8,080	246,074	8,471	204,172	6,921	187,672	6,200
<b>Total assets</b>	<b>\$2,377,690</b>	<b>\$79,761</b>	<b>\$2,300,940</b>	<b>\$79,206</b>	<b>\$2,309,021</b>	<b>\$78,272</b>	<b>\$2,222,832</b>	<b>\$73,434</b>
<b>Liabilities</b>								
Current liability	\$159,074	\$5,336	\$183,517	\$6,317	\$145,924	\$4,946	\$155,243	\$5,129
Other non-current liability	118,919	3,989	121,447	4,181	54,951	1,863	54,575	1,803
<b>Total liabilities</b>	<b>277,993</b>	<b>9,325</b>	<b>304,964</b>	<b>10,498</b>	<b>200,875</b>	<b>6,809</b>	<b>209,818</b>	<b>6,932</b>
<b>Stockholders' equity</b>								
Capital stock	1,500,000	50,319	1,500,000	51,635	1,500,000	50,848	1,500,000	49,554
Capital surplus	13,908	467	13,908	479	13,908	472	13,908	459
Retained earnings	579,131	19,427	480,079	16,526	590,661	20,022	506,653	16,738
Others	6,658	223	1,989	68	3,577	121	(7,547)	(249)
<b>Total stockholders' equity</b>	<b>2,099,697</b>	<b>70,436</b>	<b>1,995,976</b>	<b>68,708</b>	<b>2,108,146</b>	<b>71,463</b>	<b>2,013,014</b>	<b>66,502</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,377,690</b>	<b>\$79,761</b>	<b>\$2,300,940</b>	<b>\$79,206</b>	<b>\$2,309,021</b>	<b>\$78,272</b>	<b>\$2,222,832</b>	<b>\$73,434</b>

**Cathay Securities Investment Trust Co., Ltd.**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$314,512	\$10,551	\$273,921	\$9,285
Operating expenses	(199,028)	(6,677)	(177,420)	(6,014)
Operating gross profit	115,484	3,874	96,501	3,271
Non-operating income and expenses	3,856	129	4,772	162
Profit from continuing operations before income tax	119,340	4,003	101,273	3,433
Income tax expenses	(20,288)	(681)	(17,265)	(585)
Net income	99,052	3,322	84,008	2,848
Other comprehensive income	4,669	157	11,124	377
<b>Total comprehensive income</b>	<b>\$103,721</b>	<b>\$3,479</b>	<b>\$95,132</b>	<b>\$3,225</b>
Primary earnings per share	\$0.66	\$0.02	\$0.56	\$0.02

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Venture Inc.**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Current assets	\$586,642	\$19,679	\$663,149	\$22,828	\$561,844	\$19,046	\$474,206	\$15,666
Available-for-sale financial assets	1,402,984	47,064	1,207,167	41,555	1,480,202	50,176	1,270,761	41,981
Investment in debt securities with no active market	-	-	-	-	34,000	1,153	34,000	1,123
Investments accounted for using the equity method	229,852	7,711	228,616	7,870	237,662	8,056	232,645	7,686
Property and equipment	254	9	306	10	461	16	513	17
Deferred income tax assets	23,853	800	18,881	650	17,731	601	15,396	509
Other non-current assets	836	28	680	23	680	23	680	22
<b>Total assets</b>	<b>\$2,244,421</b>	<b>\$75,291</b>	<b>\$2,118,799</b>	<b>\$72,936</b>	<b>\$2,332,580</b>	<b>\$79,071</b>	<b>\$2,028,201</b>	<b>\$67,004</b>
<b>Liabilities</b>								
Current liability	\$2,157	\$73	\$4,874	\$168	\$8,966	\$304	\$4,508	\$149
Deferred income tax liability	-	-	3,216	111	-	-	-	-
Other non-current liability	667	22	478	16	80	3	4,381	145
<b>Total liabilities</b>	<b>2,824</b>	<b>95</b>	<b>8,568</b>	<b>295</b>	<b>9,046</b>	<b>307</b>	<b>8,889</b>	<b>294</b>
<b>Stockholders' equity</b>								
Capital stock	2,000,000	67,091	2,000,000	68,847	1,895,224	64,245	1,895,224	62,611
Retained earnings	214,984	7,212	205,204	7,064	241,510	8,187	181,768	6,005
Others	26,613	893	(94,973)	(3,270)	186,800	6,332	(57,680)	(1,906)
<b>Total stockholders' equity</b>	<b>2,241,597</b>	<b>75,196</b>	<b>2,110,231</b>	<b>72,641</b>	<b>2,323,534</b>	<b>78,764</b>	<b>2,019,312</b>	<b>66,710</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,244,421</b>	<b>\$75,291</b>	<b>\$2,118,799</b>	<b>\$72,936</b>	<b>\$2,332,580</b>	<b>\$79,071</b>	<b>\$2,028,201</b>	<b>\$67,004</b>

**Cathay Venture Inc.**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$16,381	\$549	\$65,638	\$2,225
Operating cost	(3,692)	(124)	(2,964)	(100)
Operating expenses	(1,770)	(59)	(1,343)	(46)
Profit from continuing operations before income tax	10,919	366	61,331	2,079
Income tax expenses	(1,138)	(38)	(1,589)	(54)
Net income	9,781	328	59,742	2,025
Other comprehensive income	121,586	4,079	244,480	8,288
<b>Total comprehensive income</b>	<b>\$131,367</b>	<b>\$4,407</b>	<b>\$304,222</b>	<b>\$10,313</b>
Primary earnings per share	\$0.05	\$-	\$0.30	\$0.01

**English Translation of Financial Statements Originally Issued in Chinese**

**Symphox Information Co., Ltd.**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Current assets	\$787,838	\$26,428	\$882,447	\$30,377	\$903,637	\$30,632	\$1,031,081	\$34,063
Available-for-sale financial assets	30,968	1,039	972	34	-	-	-	-
Property and equipment	139,360	4,675	124,654	4,291	126,172	4,277	74,351	2,456
Intangible assets	11,766	395	7,618	262	4,968	168	2,200	73
Deferred income tax assets	-	-	-	-	195	7	524	17
Other assets	42,034	1,410	53,074	1,827	32,279	1,094	52,360	1,730
<b>Total assets</b>	<b>\$1,011,966</b>	<b>\$33,947</b>	<b>\$1,068,765</b>	<b>\$36,791</b>	<b>\$1,067,251</b>	<b>\$36,178</b>	<b>\$1,160,516</b>	<b>\$38,339</b>
<b>Liabilities</b>								
Current liability	\$426,154	\$14,296	\$486,028	\$16,731	\$461,967	\$15,660	\$569,185	\$18,803
Deferred income tax liability	267	9	267	9	270	9	270	9
Other non-current liability	9,617	322	9,617	331	9,617	326	9,617	318
<b>Total liabilities</b>	<b>436,038</b>	<b>14,627</b>	<b>495,912</b>	<b>17,071</b>	<b>471,854</b>	<b>15,995</b>	<b>579,072</b>	<b>19,130</b>
<b>Stockholders' equity</b>								
Capital stock	499,000	16,739	499,000	17,178	499,000	16,915	499,000	16,485
Retained earnings	76,960	2,582	73,881	2,543	96,397	3,268	82,444	2,724
Others	(32)	(1)	(28)	(1)	-	-	-	-
<b>Total stockholders' equity</b>	<b>575,928</b>	<b>19,320</b>	<b>572,853</b>	<b>19,720</b>	<b>595,397</b>	<b>20,183</b>	<b>581,444</b>	<b>19,209</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,011,966</b>	<b>\$33,947</b>	<b>\$1,068,765</b>	<b>\$36,791</b>	<b>\$1,067,251</b>	<b>\$36,178</b>	<b>\$1,160,516</b>	<b>\$38,339</b>

**Symphox Information Co., Ltd.**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$381,320	\$12,792	\$516,208	\$17,498
Operating cost	(335,210)	(11,245)	(461,400)	(15,641)
Operating expenses	(44,304)	(1,486)	(38,039)	(1,289)
Non-operating income and expenses	1,917	64	1,821	62
Profit from continuing operations before income tax	3,723	125	18,590	630
Income tax expenses	(644)	(22)	(4,637)	(157)
Net income	3,079	103	13,953	473
Other comprehensive income	(4)	-	-	-
<b>Total comprehensive income</b>	<b>\$3,075</b>	<b>\$103</b>	<b>\$13,953</b>	<b>\$473</b>
Primary earnings per share	\$0.06	\$-	\$0.28	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Co., Ltd.**  
**Condensed Balance Sheets**  
**As of 31 March 2013 and 2012 and as of 31 December and 1 January 2012**  
**(Expressed in thousands of dollars)**

Items	2013.3.31		2012.12.31		2012.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<b>Assets</b>								
Current assets	\$3,076,434	\$103,201	\$2,516,674	\$86,632	\$2,043,344	\$69,266	\$2,460,133	\$81,273
Available-for-sale financial assets	30,500	1,023	30,500	1,050	30,500	1,034	30,500	1,008
Property and equipment	58,376	1,958	59,025	2,032	53,155	1,802	53,486	1,767
Investment property	256,230	8,596	256,364	8,825	256,768	8,704	256,902	8,487
Intangible assets	1,787	60	1,311	45	1,409	48	1,602	53
Other non-current assets	169,815	5,697	151,318	5,209	139,130	4,716	139,095	4,595
<b>Total assets</b>	<b>\$3,593,142</b>	<b>\$120,535</b>	<b>\$3,015,192</b>	<b>\$103,793</b>	<b>\$2,524,306</b>	<b>\$85,570</b>	<b>\$2,941,718</b>	<b>\$97,183</b>
<b>Liabilities</b>								
Current liability	\$2,801,615	\$93,983	\$2,230,013	\$76,765	\$1,742,326	\$59,062	\$2,163,850	\$71,485
Deferred income tax liability	413	14	413	14	433	15	433	14
Other non-current liability	1,439	48	1,439	49	1,439	49	1,439	48
<b>Total liabilities</b>	<b>2,803,467</b>	<b>94,045</b>	<b>2,231,865</b>	<b>76,828</b>	<b>1,744,198</b>	<b>59,126</b>	<b>2,165,722</b>	<b>71,547</b>
<b>Stockholders' equity</b>								
Capital stock	650,000	21,805	650,000	22,375	650,000	22,034	650,000	21,474
Retained earnings	139,675	4,685	133,327	4,590	130,108	4,410	125,996	4,162
<b>Total stockholders' equity</b>	<b>789,675</b>	<b>26,490</b>	<b>783,327</b>	<b>26,965</b>	<b>780,108</b>	<b>26,444</b>	<b>775,996</b>	<b>25,636</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$3,593,142</b>	<b>\$120,535</b>	<b>\$3,015,192</b>	<b>\$103,793</b>	<b>\$2,524,306</b>	<b>\$85,570</b>	<b>\$2,941,718</b>	<b>\$97,183</b>

**Cathay Futures Co., Ltd.**  
**Condensed statements of comprehensive income**  
**For the three-month periods ended 31 March 2013 and 2012**  
**(Expressed in thousands of dollars, except earnings per share)**

Items	2013.1.1~2013.3.31		2012.1.1~2012.3.31	
	NT\$	US\$	NT\$	US\$
Income	\$29,801	\$1,000	\$23,287	\$790
Expenses	(31,471)	(1,056)	(25,158)	(853)
Operating loss	(1,670)	(56)	(1,871)	(63)
Non-operating income and expenses	9,318	313	6,824	231
Profit from continuing operations before income tax	7,648	257	4,953	168
Income tax expenses	(1,300)	(44)	(842)	(29)
Net income	6,348	213	4,111	139
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>\$6,348</b>	<b>\$213</b>	<b>\$4,111</b>	<b>\$139</b>
<b>Primary earnings per share</b>	<b>\$0.10</b>	<b>\$-</b>	<b>\$0.07</b>	<b>\$-</b>