

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the six-month periods ended
30 June 2013 and 2012
With Independent Auditors' Report

Address: 296, Jen Ai Road, Sec. 4, Taipei, Taiwan, ROC

Telephone: 886-2-2708-7698

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' Report	3
Consolidated Balance Sheets	4~5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-369

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

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

We have audited the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. and its subsidiaries as of 30 June 2013, 31 December 2012, 30 June 2012, and 1 January 2012, and the related consolidated statements of comprehensive income for the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012, changes in equity and cash flows for the six-month periods ended 30 June 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 30 June 2013 and 2012, the consolidated results of its operations for the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012, and its cash flows for the six-month periods ended 30 June 2013 and 2012 in conformity with "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulation Governing the Preparation of Financial Reports by Securities Issuers", 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
23 August 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
Consolidated Balance Sheets
As at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012
(Expressed in thousands of dollars)

Notes	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Assets								
Cash and cash equivalents	\$293,907,544	\$9,809,998	\$309,450,218	\$10,652,331	\$331,245,587	\$11,115,624	\$334,236,544	\$11,041,842
Due from the Central Bank and call loans to banks	96,294,885	3,214,115	109,003,762	3,752,281	112,798,754	3,785,193	100,101,541	3,306,955
Financial assets at fair value through profit or loss	188,012,542	6,275,452	147,159,888	5,065,745	72,494,999	2,432,718	84,682,482	2,797,571
Available-for-sale financial assets -net	1,333,391,213	44,505,715	1,301,567,066	44,804,374	1,322,654,645	44,384,384	1,346,672,023	44,488,669
Derivative financial assets for hedging	1,793,051	59,848	3,521,595	121,225	2,953,872	99,123	5,411,507	178,775
Securities purchased under agreements to resell	14,389,293	480,283	18,517,498	637,435	17,667,901	592,882	11,820,837	390,513
Receivables -net	138,772,681	4,631,932	104,959,781	3,613,073	101,249,362	3,397,629	92,007,648	3,039,565
Current income tax assets	4,339,185	144,833	11,911,165	410,023	3,754,984	126,006	7,217,243	238,429
Loans -net	1,577,827,835	52,664,480	1,520,005,053	52,323,754	1,530,141,190	51,347,020	1,492,075,403	49,292,217
Reinsurance assets -net	9,989,683	333,434	14,641,999	504,028	14,321,902	480,601	14,366,255	474,604
Held-to-maturity financial assets -net	52,323,584	1,746,448	24,380,985	839,277	24,694,512	828,675	21,955,565	725,324
Investments accounted for using the equity method -net	1,575,868	52,599	1,146,326	39,460	1,243,542	41,730	1,287,843	42,545
Other financial assets -net	1,703,287,197	56,852,043	1,605,303,209	55,260,007	1,423,193,081	47,758,157	1,258,730,716	41,583,440
Investments properties -net	215,353,951	7,188,049	213,350,450	7,344,250	214,719,124	7,205,340	210,691,219	6,960,397
Property and equipment -net	71,348,968	2,381,474	71,479,344	2,460,563	48,668,967	1,633,187	47,430,529	1,566,915
Intangible assets -net	8,998,270	300,343	9,393,007	323,339	9,233,381	309,845	9,337,507	308,474
Deferred tax assets -net	16,206,833	540,949	18,964,587	652,826	15,654,954	525,334	15,354,753	507,260
Other assets -net	26,635,475	889,035	25,844,779	889,665	24,825,298	833,064	24,894,339	822,410
Total assets	\$5,754,448,058	\$192,071,030	\$5,510,600,712	\$189,693,656	\$5,271,516,055	\$176,896,512	\$5,078,273,954	\$167,765,905

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012 were NT\$29.96, NT\$29.05, NT\$29.80 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
Consolidated Balance Sheets - (continued)
As at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012
(Expressed in thousands of dollars)

	Notes	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Liabilities & equity									
Liabilities									
Due to the Central Bank and call loans from banks		\$46,082,011	\$1,538,118	\$56,934,246	\$1,959,871	\$63,492,065	\$2,130,606	\$62,275,073	\$2,057,320
Bankers acceptances and funds borrowed		1,506,000	50,267	1,456,800	50,148	1,495,000	50,168	1,514,500	50,033
Financial liabilities at fair value through profit or loss		29,918,963	998,630	9,086,346	312,783	14,454,530	485,051	23,136,143	764,326
Securities sold under agreements to repurchase		57,979,446	1,935,229	22,046,517	758,916	16,356,889	548,889	14,686,609	485,187
Commercial paper payable -net		4,630,000	154,539	5,540,000	190,706	3,820,000	128,188	8,720,000	288,074
Payables		54,031,335	1,803,449	60,259,320	2,074,331	59,474,715	1,995,796	43,454,178	1,435,553
Current income tax liabilities		407,569	13,604	733,262	25,241	446,815	14,994	4,333,825	143,172
Deposits		1,510,325,450	50,411,397	1,458,587,976	50,209,569	1,411,377,909	47,361,675	1,414,421,828	46,726,853
Bonds payable		100,240,287	3,345,804	89,831,007	3,092,289	80,198,567	2,691,227	76,023,825	2,511,524
Provisions		3,310,147,714	110,485,571	3,175,709,904	109,318,758	3,059,491,890	102,667,513	2,879,919,214	95,141,037
Other financial liabilities -net		373,640,105	12,471,299	348,229,937	11,987,261	313,697,523	10,526,763	305,766,443	10,101,303
Deferred tax liabilities		12,000,150	400,539	16,307,881	561,373	13,815,590	463,610	14,033,395	463,607
Other liabilities		12,341,975	411,948	17,583,679	605,290	10,663,072	357,821	11,066,500	365,593
Total liabilities		5,513,251,005	184,020,394	5,262,306,875	181,146,536	5,048,784,565	169,422,301	4,859,351,533	160,533,582
Equity attributable to owners of parent									
Capital stock									
Common stock		108,653,851	3,626,631	108,653,851	3,740,236	103,575,096	3,475,675	103,575,096	3,421,708
Stock dividends to be distributed		7,465,770	249,191	-	-	5,078,755	170,428	-	-
Capital surplus		78,508,148	2,620,432	78,508,148	2,702,518	78,508,148	2,634,502	78,508,148	2,593,596
Retained earnings									
Legal reserve		16,922,773	564,846	15,222,599	524,014	15,222,599	510,825	14,105,459	465,988
Special reserve		4,078,065	136,117	4,078,065	140,381	4,078,065	136,848	4,078,065	134,723
Undistributed earnings		17,611,567	587,836	19,435,514	669,036	8,006,684	268,681	14,023,983	463,296
Other equity		11,383,825	379,967	25,823,918	888,947	11,705,142	392,789	7,760,904	256,389
Treasury stock		(7,179,872)	(239,649)	(7,179,872)	(247,156)	(7,179,872)	(240,935)	(7,179,872)	(237,194)
Non-controlling interests		3,752,926	125,265	3,751,614	129,144	3,736,873	125,398	4,050,638	133,817
Total equity		241,197,053	8,050,636	248,293,837	8,547,120	222,731,490	7,474,211	218,922,421	7,232,323
Total liabilities and equity		\$5,754,448,058	\$192,071,030	\$5,510,600,712	\$189,693,656	\$5,271,516,055	\$176,896,512	\$5,078,273,954	\$167,765,905

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012 were NT\$29.96, NT\$29.05, NT\$29.80 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
Consolidated Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Notes	2013.4.1-2013.6.30		2012.4.1-2012.6.30		2013.1.1-2013.6.30		2012.1.1-2012.6.30	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Interest income	\$31,675,126	\$1,057,247	\$30,486,068	\$1,023,023	\$63,726,279	\$2,127,045	\$61,813,904	\$2,074,292
Less: Interest expenses	(3,384,879)	(112,980)	(3,328,303)	(111,688)	(6,745,829)	(225,161)	(6,834,163)	(229,334)
Net interest income	28,290,247	944,267	27,157,765	911,335	56,980,450	1,901,884	54,979,741	1,844,958
Net income other than interest								
Net commission and handling fee	1,712,338	57,154	1,382,287	46,385	1,773,446	59,194	1,588,001	53,289
Net premiums from insurance business	41,361,946	1,380,572	58,934,060	1,977,653	85,837,010	2,865,054	142,415,396	4,779,040
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(10,022,957)	(334,544)	(10,271,379)	(344,677)	(30,233,194)	(1,009,119)	9,418,356	316,052
Gains from investment properties	1,516,699	50,624	1,457,365	48,905	3,262,960	108,911	3,195,490	107,231
Realized gains on available-for-sale financial assets	7,273,878	242,786	7,162,964	240,368	12,375,309	413,061	12,311,412	413,135
Realized gains (losses) on held-to-maturity financial assets	(888)	(30)	(279)	(9)	(416)	(14)	(446)	(15)
Gains (losses) on foreign exchange	9,737,010	325,000	8,880,489	298,003	34,199,896	1,141,518	(12,565,465)	(421,660)
Share of profit of associates and joint ventures accounted for using equity method	(7,084)	(235)	(4,975)	(167)	16,211	541	17,728	595
Net other non-interest gains	1,088,207	36,322	671,435	22,531	4,562,690	152,293	1,376,084	46,177
Subtotal	52,659,149	1,757,649	68,211,967	2,288,992	111,793,912	3,731,439	157,756,556	5,293,844
Total income	80,949,396	2,701,916	95,369,732	3,200,327	168,774,362	5,633,323	212,736,297	7,138,802
Bad debt expenses and provision for premiums reserve	(449,363)	(14,999)	(231,023)	(7,753)	(538,421)	(17,971)	(271,638)	(9,116)
Changes in insurance liabilities and provisions	(58,498,935)	(1,952,568)	(79,322,007)	(2,661,812)	(125,622,813)	(4,193,018)	(182,532,276)	(6,125,244)
Operating expenses								
Employee benefits expenses	(8,443,194)	(281,816)	(7,660,630)	(257,068)	(17,040,104)	(568,762)	(15,349,417)	(515,081)
Depreciation and amortizations expenses	(1,094,388)	(36,528)	(1,166,817)	(39,155)	(2,204,191)	(73,571)	(2,123,234)	(71,250)
Other general and administration expenses	(3,369,016)	(112,450)	(3,409,803)	(114,423)	(6,441,574)	(215,006)	(6,628,836)	(222,444)
Subtotal	(12,906,598)	(430,794)	(12,237,250)	(410,646)	(25,685,869)	(857,339)	(24,101,487)	(808,775)
Profit before income tax from continuing operations	9,094,500	303,555	3,579,452	120,116	16,927,259	564,995	5,830,896	195,667
Income tax (expense) benefit	(1,184,529)	(39,537)	(630,725)	(21,165)	(1,952,868)	(65,182)	(453,347)	(15,213)
Net income	7,909,971	264,018	2,948,727	98,951	14,974,391	499,813	5,377,549	180,454
Other comprehensive income								
Exchange differences resulting from translating the financial statements of a foreign operation	199,975	6,675	200,779	6,737	732,167	24,438	(480,714)	(16,131)
Unrealized (losses) gains from available-for-sale financial assets	(17,410,739)	(581,133)	(17,467,515)	(586,158)	(17,447,745)	(582,368)	4,692,245	157,458
Losses on cash flow hedges	(192,511)	(6,426)	(104,993)	(3,523)	(392,428)	(13,099)	(416,190)	(13,966)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(41,937)	(1,400)	(30,010)	(1,007)	(9,657)	(322)	(31,190)	(1,047)
Income tax relating to the components of other comprehensive income	3,016,676	100,690	891,259	29,908	2,811,183	93,831	156,775	5,261
Other comprehensive income, net of tax	(14,428,536)	(481,594)	(16,510,480)	(554,043)	(14,306,480)	(477,520)	3,920,926	131,575
Total comprehensive income	\$(6,518,565)	\$(217,576)	\$(13,561,753)	\$(455,092)	\$667,911	\$22,293	\$9,298,475	\$312,029
Net income attributable to:								
Owners of parent	\$7,878,598	\$262,971	\$2,961,350	\$99,374	\$14,807,767	\$494,251	\$5,257,351	\$176,421
Non-controlling interests	31,373	1,047	(12,623)	(423)	166,624	5,562	120,198	4,033
Subtotal	\$7,909,971	\$264,018	\$2,948,727	\$98,951	\$14,974,391	\$499,813	\$5,377,549	\$180,454
Total comprehensive income attributable to:								
Owners of parent	\$(6,563,209)	\$(219,066)	\$(13,612,265)	\$(456,787)	\$367,674	\$12,272	\$9,201,589	\$308,778
Non-controlling interests	44,644	1,490	50,512	1,695	300,237	10,021	96,886	3,251
Subtotal	\$(6,518,565)	\$(217,576)	\$(13,561,753)	\$(455,092)	\$667,911	\$22,293	\$9,298,475	\$312,029
Earnings per share (expressed in dollars) :								
Basic earnings per share:								
Net income	\$0.74	\$0.02	\$0.28	\$0.01	\$1.39	\$0.05	\$0.49	\$0.02
Diluted earnings per share:								
Net income	\$0.71	\$0.02	\$0.28	\$0.01	\$1.39	\$0.05	\$0.49	\$0.02

(The exchange rates provided by the Federal Reserve Bank of New York on 30 June 2013 and 2012 were NTS29.96 and NTS29.80 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

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																												
	Capital stock				Retained earnings								Other equity																
	Common stock		Stock dividends to be distributed		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		Non-controlling interests		Total equity		
NTS	US\$	NTS	US\$	NTS	US\$	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	\$3,475,675	\$-	\$-	\$78,508,148	\$2,634,502	\$14,105,459	\$473,337	\$4,078,065	\$136,848	\$14,023,983	\$470,604	\$(378,126)	\$(12,689)	\$6,454,007	\$216,577	\$1,686,208	\$56,584	\$(1,185)	\$(40)	\$(7,179,872)	\$(240,935)	\$214,871,783	\$7,210,463	\$4,050,638	\$135,927	\$218,922,421	\$7,346,390	
Appropriations and distribution for 2011																													
Legal reserve	-	-	-	-	-	-	1,117,140	37,488	-	-	(1,117,140)	(37,488)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	(5,078,755)	(170,428)	-	-	-	-	-	-	-	-	-	-	(5,078,755)	(170,428)	-	-	(5,078,755)	(170,428)	
Stock dividend	-	-	5,078,755	170,428	-	-	-	-	-	-	(5,078,755)	(170,428)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six-month period ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	5,257,351	176,421	-	-	-	-	-	-	-	-	-	-	5,257,351	176,421	120,198	4,033	5,377,549	180,454	
Other comprehensive income for the six-month period ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	-	-	(353,775)	(11,872)	4,644,530	155,857	(346,517)	(11,628)	-	-	-	-	3,944,238	132,357	(23,312)	(782)	3,920,926	131,575	
Comprehensive income for the six-month period ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	5,257,351	176,421	(353,775)	(11,872)	4,644,530	155,857	(346,517)	(11,628)	-	-	-	-	9,201,589	308,778	96,886	3,251	9,298,475	312,029	
Increase in non-controlling interests																										(410,651)	(13,780)	(410,651)	(13,780)
Balance on 30 June 2012	\$103,575,096	\$3,475,675	\$5,078,755	\$170,428	\$78,508,148	\$2,634,502	\$15,222,599	\$510,825	\$4,078,065	\$136,848	\$8,096,684	\$268,681	\$(731,901)	\$(24,561)	\$11,098,537	\$372,434	\$1,339,691	\$44,956	\$(1,185)	\$(40)	\$(7,179,872)	\$(240,935)	\$218,994,617	\$7,348,813	\$3,736,873	\$125,398	\$222,731,490	\$7,474,211	
Balance on 1 January 2013	\$108,653,851	\$3,626,631	\$-	\$-	\$78,508,148	\$2,620,432	\$15,222,599	\$508,098	\$4,078,065	\$136,117	\$19,435,514	\$648,715	\$(1,082,097)	\$(36,118)	\$25,930,564	\$865,506	\$976,681	\$32,599	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$244,542,223	\$8,162,290	\$3,751,614	\$125,221	\$248,293,837	\$8,287,511	
Appropriations and distribution for 2012																													
Legal reserve	-	-	-	-	-	-	1,700,174	56,748	-	-	(1,700,174)	(56,748)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	(7,465,770)	(249,191)	
Stock dividend	-	-	7,465,770	249,191	-	-	-	-	-	-	(7,465,770)	(249,191)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	14,807,767	494,251	-	-	-	-	-	-	-	-	-	-	14,807,767	494,251	166,624	5,562	14,974,391	499,813	
Other comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	-	-	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	(14,440,093)	(481,979)	133,613	4,459	(14,306,480)	(477,520)	
Comprehensive income for the six-month period ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	14,807,767	494,251	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	367,674	12,272	300,237	10,021	667,911	22,293	
Increase in non-controlling interests																										(298,925)	(9,977)	(298,925)	(9,977)
Balance on 30 June 2013	\$108,653,851	\$3,626,631	\$7,465,770	\$249,191	\$78,508,148	\$2,620,432	\$16,922,773	\$564,846	\$4,078,065	\$136,117	\$17,611,567	\$587,836	\$(545,199)	\$(18,198)	\$11,280,238	\$376,510	\$650,016	\$21,696	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$237,444,127	\$7,925,371	\$3,752,926	\$125,265	\$241,197,053	\$8,050,636	

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars)

Items	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NTS	US\$	NTS	US\$
Cash flows from operating activities				
Profit before income tax from continuing operations	\$16,927,259	\$564,995	\$5,830,896	\$195,667
Adjustments :				
Income and other adjustments with no cash flow effects				
Depreciation expenses	2,041,568	68,143	1,949,714	65,427
Amortizations expenses	162,623	5,428	173,520	5,823
Bad debt expenses	538,421	17,971	271,638	9,116
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	31,159,342	1,040,031	(8,250,820)	(276,873)
Interest expenses	6,745,829	225,161	6,834,163	229,334
Interest revenue	(63,726,279)	(2,127,045)	(61,813,904)	(2,074,292)
Dividend income	(2,484,344)	(82,922)	(1,432,537)	(48,072)
Net changes in insurance liabilities and provisions	130,748,331	4,364,096	174,034,107	5,840,071
Net changes of other liabilities and provisions	3,724,547	124,317	5,066,425	170,014
Revaluation gains on bonds payable	247,346	8,256	-	-
Share of gain of associates and joint ventures accounted for using the equity method	(16,211)	(541)	(17,728)	(595)
Losses on disposal or scrapping of property and equipment	7,238	242	1,259	42
Gains on disposal of investment properties	-	-	(89,808)	(3,014)
Gains on disposal of investments	(17,342,064)	(578,841)	(11,792,373)	(395,717)
Unrealized foreign exchange (gains) losses	(30,501)	(1,018)	34,067	1,143
Gains on disposal of foreclosed collaterals	-	-	(1,000)	(34)
Subtotal	91,775,846	3,063,278	104,966,723	3,522,373
Changes in operating assets and liabilities				
Changes in operating assets				
Increase in due from the Central Bank and call loans to banks	(5,076,290)	(169,436)	(515,575)	(17,301)
Increase (decrease) in financial assets at fair value through profit or loss	(16,794,688)	(560,570)	41,057,426	1,377,766
Decrease (Increase) in available-for-sale financial assets	4,442,023	148,265	(15,558,513)	(522,098)
Decrease in derivative financial assets for hedging	176,887	5,904	299,669	10,056
Decrease (increase) in accounts receivable	(22,636,723)	(755,565)	625,213	20,980
Increase in loans	(58,593,925)	(1,955,737)	(39,230,050)	(1,316,445)
Decrease in reinsurance contract assets	4,714,589	157,363	21,354	717
Increase in financial assets held to maturity	(28,252,276)	(943,000)	(2,824,906)	(94,795)
(Increase) decrease in other financial assets	(18,918,510)	(631,459)	39,332,877	1,319,895
Decrease (increase) in other assets	112,026	3,739	(2,293,383)	(76,959)
Subtotal	(140,826,887)	(4,700,496)	20,914,112	701,816
Changes in operating liabilities				
(Decrease) increase in due to the Central Bank and call loans from banks	(11,229,143)	(374,804)	1,399,104	46,950
Decrease in financial liabilities at fair value through profit or loss	(34,335,090)	(1,146,031)	(29,368,378)	(985,516)
Increase in securities purchased under agreements to resell	35,952,928	1,200,031	1,529,817	51,336
(Decrease) increase in payables	(16,552,452)	(552,485)	5,062,827	169,894
Increase (decrease) in deposits	52,955,510	1,767,540	(2,654,464)	(89,076)
(Decrease) increase in provisions for the liabilities of employee benefits	(133,266)	(4,448)	94,104	3,158
(Decrease) increase in reserves for the operations and liabilities	9,770	326	(88,588)	(2,973)
Increase in other financial liabilities	3,152,180	105,213	7,263,741	243,750
(Decrease) increase in other liabilities	(4,460,262)	(148,874)	1,643,657	55,156
Subtotal	25,360,175	846,468	(15,118,180)	(507,321)
Subtotal of Changes in operating assets and liabilities	(115,466,712)	(3,854,028)	5,795,932	194,495
Subtotal of Adjustments	(23,690,866)	(790,750)	110,762,655	3,716,868
Cash generated from operations	(6,763,607)	(225,755)	116,593,551	3,912,535
Interest received	61,632,386	2,057,156	58,348,208	1,957,994
Dividends received	2,536,651	84,668	1,432,537	48,072
Interest paid	(6,529,907)	(217,954)	(6,184,991)	(207,550)
Income taxes paid	(1,045,308)	(34,890)	(4,023,406)	(135,014)
Net cash flows from operating activities	49,830,215	1,663,225	166,165,899	5,576,037
Cash flows from investing activities				
Acquisition of financial assets at fair value through profit or loss	(3,234)	(108)	(190,000)	(6,376)
Disposal of financial assets at fair value through profit or loss	248,638	8,299	16,331	548
Acquisition of financial assets available for sale	(395,893,037)	(13,214,053)	(241,214,963)	(8,094,462)
Disposal of financial assets available for sale	353,460,189	11,797,736	302,036,242	10,135,444
Acquisition of bond investments with no active market	(292,791,202)	(9,772,737)	(257,754,218)	(8,649,470)
Disposal of bond investments with no active market	245,253,252	8,186,023	54,485,596	1,828,376
Due repays principal of bond investments with no active market	200,000	6,675	-	-
Acquisition of financial assets held to maturity	(153)	(5)	(221,609)	(7,436)
Disposal of financial assets held to maturity	335,934	11,213	292,049	9,800
Increase in investments accounted for using the equity method	(129,010)	(4,306)	(59,120)	(1,984)
Cash returned by capital deduction from investments accounted for using equity method	13,067	436	12,440	417
Acquisition of property and equipment	(964,626)	(32,197)	(470,045)	(15,773)
Disposal of property and equipment	1,277	43	564	19
Increase (decrease) in clearing and settlement funds	7,615	254	(6,000)	(201)
Acquisition of intangible assets	(58,475)	(1,952)	(48,589)	(1,631)
Disposal of foreclosed collaterals	-	-	1,000	34
Acquisition of investment properties	(3,441,359)	(114,865)	(6,725,320)	(225,682)
Disposal of investment properties	-	-	112,580	3,778
Increase in other assets	(2,319,543)	(77,421)	(434,385)	(14,577)
Dividends received	9,378	313	57,745	1,938
Net cash used in investing activities	(96,071,289)	(3,206,652)	(150,109,702)	(5,037,238)
Cash flows from financing activities				
Increase in short-term borrowings	25,000	834	-	-
Increase (decrease) in funds borrowed from Central Bank and banks	3,108,480	103,754	(19,500)	(654)
Decrease in commercial paper payable	(910,000)	(30,374)	(4,900,000)	(164,430)
Issuance of bank debentures	10,130,640	338,139	4,212,191	141,349
(Decrease) increase in bills and bonds sold under agreements to repurchase	(19,999)	(667)	140,462	4,713
(Decrease) increase in other financial liabilities	(212,251)	(7,084)	158,517	5,319
Net cash flows from (used in) financing activities	12,121,870	404,602	(408,330)	(13,703)
Effects of exchange rate changes on cash and cash equivalents	827,139	27,608	(604,299)	(20,278)
(Decrease) increase in cash and cash equivalents	(33,292,065)	(1,111,217)	15,043,568	504,818
Cash and cash equivalents at the beginning of periods	395,943,639	13,215,742	406,110,057	13,627,854
Cash and cash equivalents at the end of periods	\$362,651,574	\$12,104,525	\$421,153,625	\$14,132,672
The components of cash and cas equivalents				
Cash and cash equivalents presented in balance sheet	\$293,907,544	\$9,809,998	\$331,245,587	\$11,115,624
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	54,354,737	1,814,244	72,240,137	2,424,166
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	14,389,293	480,283	17,667,901	592,882
Cash and cash equivalents at the end of periods	\$362,651,574	\$12,104,525	\$421,153,625	\$14,132,672

English Translation of Financial Statement Originally issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Notes to Audited Consolidated Financial Statements

30 June 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 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 in 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 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 from 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 Depositary Shares (GDSs). The Company mainly engages in financial holding business.

As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the total numbers of the employees of the Company and its subsidiaries were 44,243, 44,461, 44,075 and 43,904, respectively.

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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 30 June 2013 and 2012 were authorized for issue in accordance with a resolution of the board of directors on 23 August 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 relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as “TIFRS”) may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Group could not be determined at this stage.

- (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 Programs”	Effective on 1 January 2011
According to IFRS 7, the exception of the comparable disclosure	Effective on 1 July 2010

English Translation of Financial Statements Originally Issued in Chinese

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

<u>The main content of standards or interpretations</u>	<u>The reporting date of adoption</u>
for entities who is first-time adoption is limited (revised IFRS 1 “First-time Adoption of International Financial Standards”)	
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
The amendment of IAS 36 “Impairment of Assets”	Effective on 1 January 2014
SIC 21“Income Taxes”	Effective on 1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 9 “Financial Instruments”)	Effective on 1 January 2014

English Translation of Financial Statements Originally Issued in Chinese

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

Standards and interpretations impacting 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 at 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 on 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 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 thousands 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 cannot 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 30 June 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 thousands 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	2013.6.30 Ownership interest	2012.12.31 Ownership interest	2012.6.30 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 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 merged with Lucky Bank on 1 January 2007.

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Subsidiary	Business nature	2013.6.30 Ownership interest	2012.12.31 Ownership interest	2012.6.30 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 from 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.
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.

English Translation of Financial Statements Originally Issued in Chinese

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

Investor	Subsidiary	Business nature	2013.6.30 Ownership interest	2012.12.31 Ownership interest	2012.6.30 Ownership interest	2012.1.1 Ownership interest	Notes
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%	-	-	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 in 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 29 December 1993, under the Company Act and was renamed 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 stocks of Cathay Futures to Cathay Securities.

Cathay United Bank acquired 70% of the voting shares of SBC Bank in December 2012. Since the major shareholders have different opinions in the operation and management, Cathay United Bank cannot comply with the procedure in the supervision of subsidiaries and accounting policy and loses the power to participate in the operating policy decisions and the influence over SBC Bank. SBC Bank cannot be classified as a consolidated entity in accordance with IAS 27 "Separate Financial Statements" and were classified as financial assets carried at cost in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" .

English Translation of Financial Statements Originally Issued in Chinese

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

As of 30 June 2013 and 2012, the consolidated financial statements excluded the following subsidiaries as the respective total assets and operating revenues were considered immaterial to the Company.

Investor	Investee	Business	2013.6.30 Ownership interest	2012.12.31 Ownership interest	2012.6.30 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 thousands 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 of a 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. The group will take the deposits to be classified as cash equivalents, which the contract period in 12 months that are readily convertible to amounts of cash and which are insignificant risk.

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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. A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

English Translation of Financial Statements Originally Issued in Chinese

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

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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 reorganization; or
- iv.the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the 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 realized 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.
- 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss 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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

(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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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

The Group recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(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
Leasehold improvements	The shorter of lease terms or economic useful lives
Leased assets	3 years

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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 thousands 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 thousands 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 is 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 thousands 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 thousands 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 thousands 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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

Defined benefit plan

Post-employment benefit plan that is classified as a defined benefit plan uses the projected unit credit method to measure its obligations and costs based on actuarial assumptions. The 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 thousands 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 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 program 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 thousands 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 thousands 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 Company and its subsidiaries.

Effective from 1 January, 2006, the Company and its subsidiaries 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 thousands 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 thousands of dollars except for share and per
share data and unless otherwise stated)**

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 must 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 thousands 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 values 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. Please refer to Note 12 for more details.

(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. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(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 thousands 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 at 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 at the present value of future cash flow.

- (f) Revenue recognition – Customer loyalty program

The Group estimates the fair value of points awarded under the customer loyalty program 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 program do not expire, such estimates are subject to significant uncertainty.

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$13,142,198	\$438,658	\$13,493,296	\$464,485
Cash in banks	59,987,058	2,002,238	67,388,184	2,319,731
Time deposits	187,244,104	6,249,803	186,605,336	6,423,592
Cash equivalents	1,424,752	47,555	20,269,485	697,745
Checks for clearance	7,357,076	245,564	8,326,315	286,620
Due from commercial banks	24,752,356	826,180	13,367,602	460,158
Total	<u>\$293,907,544</u>	<u>\$9,809,998</u>	<u>\$309,450,218</u>	<u>\$10,652,331</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$12,166,284	\$408,265	\$12,199,045	\$403,008
Cash in banks	28,737,017	964,329	78,220,073	2,584,079
Time deposits	248,638,451	8,343,572	220,070,921	7,270,265
Cash equivalents	20,896,508	701,225	5,616,954	185,562
Checks for clearance	8,182,593	274,584	8,641,570	285,483
Due from commercial banks	12,624,734	423,649	9,487,981	313,445
Total	\$331,245,587	\$11,115,624	\$334,236,544	\$11,041,842

Fixed-term deposits include deposits that have maturities of 12 months from the date of acquisition and can be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

7. Financial assets at fair value through profit or loss

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$17,338,086	\$578,708	\$13,933,930	\$479,653
Exchange traded funds	833,561	27,823	1,018,925	35,075
Beneficiary certificates	52,049,359	1,737,295	36,124,776	1,243,538
Short-term notes	56,167,247	1,874,741	59,110,475	2,034,784
Corporate bonds	4,294,620	143,345	2,996,054	103,134
Government bonds	12,301,914	410,611	4,588,851	157,964
Structured time deposits	28,264,391	943,404	18,334,342	631,131
Negotiable Certificates of Deposit	200	7	-	-
Margin for futures trading-own funds	25,059	836	-	-
Derivative financial instruments	15,108,081	504,275	9,530,401	328,069
Overseas financial instruments	1,630,024	54,407	1,522,134	52,397
Total	\$188,012,542	\$6,275,452	\$147,159,888	\$5,065,745

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$15,591,995	\$523,221	\$8,727,562	\$288,324
Exchange traded funds	1,093,570	36,697	1,749,909	57,810
Beneficiary certificates	22,143,595	743,074	33,311,160	1,100,468
Short-term notes	5,460,429	183,236	14,865,231	491,088
Corporate bonds	2,712,680	91,030	2,152,029	71,094
Government bonds	3,096,141	103,897	2,608,737	86,182
Structured time deposits	11,808,500	396,258	10,972,727	362,495
Margin for futures trading-own funds	-	-	44,197	1,460
Derivative financial instruments	9,107,810	305,631	8,767,388	289,640
Overseas financial instruments	1,480,279	49,674	1,483,542	49,010
Total	\$72,494,999	\$2,432,718	\$84,682,482	\$2,797,571

English Translation of Financial Statements Originally Issued in Chinese

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

- (1) As of 30 June 2013, 31 December 2012 and 30 June 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$419,800 (US\$14,012) thousands, NT\$2,950,500 (US\$101,566) thousands and NT\$3,034,700 (US\$101,836) thousands. Such repurchase agreements amounting to NT\$438,387 (US\$14,632) thousands, NT\$3,252,317 (US\$111,956) thousands and NT\$3,344,361 (US\$112,227) 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, 30 June 2012 and 1 January 2012 are settled at NT\$463,551 (US\$15,472) thousands, NT\$3,255,003 (US\$112,048) thousands and NT\$3,345,571 (US\$112,267) thousands, prior to 31 July 2013, 31 March 2013, 31 August 2012, respectively.
- (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 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012.

8. Available-for-sale financial assets

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$275,279,148	\$9,188,222	\$220,069,162	\$7,575,531
Exchange traded funds	9,228,247	308,019	17,672,203	608,337
Beneficiary certificates	14,468,223	482,918	11,838,175	407,510
Collateralized loans obligation and collateralized bonds obligation	7,160,074	238,988	7,684,982	264,543
Government bonds	231,700,062	7,733,647	228,054,133	7,850,401
Corporate bonds	63,755,999	2,128,037	72,818,189	2,506,650
Financial debentures	194,562,973	6,494,091	201,345,738	6,931,007
Overseas financial instruments	548,669,191	18,313,391	553,743,472	19,061,737
Less: Accumulated impairment	(1,863,792)	(62,209)	(2,135,681)	(73,517)
Less: Litigation deposits	(8,101)	(270)	-	-
Less: Securities serving as deposits paid-bonds	(9,560,811)	(319,119)	(9,523,307)	(327,825)
Total	\$1,333,391,213	\$44,505,715	\$1,301,567,066	\$44,804,374

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$248,499,093	\$8,338,896	\$211,593,119	\$6,990,192
Exchange traded funds	13,869,137	465,407	12,713,727	420,011
Beneficiary certificates	11,154,264	374,304	11,462,292	378,668
Collateralized loans obligation and collateralized bonds obligation	7,169,779	240,597	10,351,087	341,959
Government bonds	216,994,086	7,281,681	201,211,507	6,647,225
Corporate bonds	74,526,289	2,500,882	66,470,338	2,195,915
Financial debentures	199,907,931	6,708,320	195,833,554	6,469,559
Overseas financial instruments	563,163,298	18,898,097	649,318,544	21,450,893
Less: Accumulated impairment	(2,052,150)	(68,864)	(1,667,019)	(55,072)
Less: Securities serving as deposits paid-bonds	(10,577,082)	(354,936)	(10,615,126)	(350,681)
Total	\$1,322,654,645	\$44,384,384	\$1,346,672,023	\$44,488,669

- (1) As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$9,670,100 (US\$322,767) thousands, NT\$15,936,600 (US\$548,592) thousands, NT\$10,849,400 (US\$364,074) thousands and NT\$13,088,400 (US\$432,389) thousands, respectively. Such repurchase agreements amounting to NT\$10,678,257 (US\$356,417) thousands, NT\$17,116,932 (US\$589,223) thousands, NT\$11,020,908 (US\$369,829) thousands and NT\$13,546,462 (US\$447,521) thousands, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012 are settled at NT\$10,682,729 (US\$356,566) thousands, NT\$17,125,290 (US\$589,511) thousands, NT\$11,025,971 (US\$369,999) thousands and NT\$13,557,277 (US\$447,878) thousands, prior to 31 December 2013, 30 September 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 stocks and collateralized loans obligation held by Cathay Life and subsidiaries. As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, Cathay Life and subsidiaries recognized impairment losses amounting to NT\$1,673,957 (US\$55,873) thousands, NT\$1,697,370 (US\$58,429) thousands, NT\$1,667,019 (US\$55,940) thousands and NT\$1,667,019 (US\$55,072) thousands, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

- (3) Cathay United Bank has recognized accumulated impairment loss for the available-for-sale financial assets in the amount of NT\$189,835 (US\$6,336), NT\$438,311 (US\$15,088), NT\$385,131 (US\$12,924) and NT\$0 (US\$0) as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, respectively, due to the existence of objective impairment evidence.
- (4) Please refer to Note 36 for related information on the above available-for-sale financial assets being pledged as collaterals as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012.

9. Receivable -net

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,536,190	\$84,652	\$3,252,289	\$111,955
Accounts receivable	45,292,467	1,511,764	40,138,694	1,381,710
Interest receivable	34,052,952	1,136,614	31,406,748	1,081,127
Foreign currency receivable	863,558	28,824	88,657	3,052
Acceptances	1,761,943	58,810	1,639,721	56,445
Others	56,308,345	1,879,451	30,562,803	1,052,076
Subtotal	140,815,455	4,700,115	107,088,912	3,686,365
Adjustment for discounts and premiums	(6,123)	(204)	(5,602)	(193)
Less: Allowance for bad debts	(2,036,651)	(67,979)	(2,123,529)	(73,099)
Total	\$138,772,681	\$4,631,932	\$104,959,781	\$3,613,073

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$3,166,854	\$106,270	\$3,687,311	\$121,814
Accounts receivable	43,209,911	1,449,997	44,981,235	1,486,000
Interest receivable	30,162,719	1,012,172	26,414,473	872,629
Foreign currency receivable	270,534	9,078	2,078,036	68,650
Acceptances	1,884,296	63,231	1,249,855	41,290
Others	24,702,652	828,948	16,501,887	545,156
Subtotal	103,396,966	3,469,696	94,912,797	3,135,539
Adjustment for discounts and premiums	(4,702)	(158)	(2,637)	(87)
Less: Allowance for bad debts	(2,142,902)	(71,909)	(2,902,512)	(95,887)
Total	\$101,249,362	\$3,397,629	\$92,007,648	\$3,039,565

English Translation of Financial Statements Originally Issued in Chinese

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

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

	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$2,123,529	\$70,879	\$2,902,512	\$97,400
Reversal of doubtful accounts	(175,216)	(5,848)	(825,915)	(27,715)
Write-offs	(203,284)	(6,785)	(208,274)	(6,989)
Debt counseling recoveries	69,007	2,303	75,422	2,531
Recoveries	288,888	9,642	280,292	9,405
Reclassification	(69,007)	(2,303)	(80,788)	(2,711)
Effect of exchange rates change	2,734	91	(347)	(12)
Balance, end of the period	<u>\$2,036,651</u>	<u>\$67,979</u>	<u>\$2,142,902</u>	<u>\$71,909</u>

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

Item		Total receivables			
		2013.6.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$15,154,949	\$505,839	\$24,591,363	\$846,518
	Collective assessment of impairment	151,262	5,049	140,445	4,835
Objective evidence of impairment does not exist individually	Collective assessment of impairment	125,509,244	4,189,227	82,357,104	2,835,012

Item		Total receivables			
		2012.6.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$20,297,966	\$681,139	\$45,757,104	\$1,511,632
	Collective assessment of impairment	128,230	4,303	154,121	5,091
Objective evidence of impairment does not exist individually	Collective assessment of impairment	82,970,770	2,784,254	49,001,572	1,618,816

English Translation of Financial Statements Originally Issued in Chinese

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

Item		Allowance for bad debts			
		2013.6.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$39,039	\$1,303	\$39,675	\$1,366
	Collective assessment of impairment	113,309	3,782	110,930	3,818
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,884,303	62,894	1,972,924	67,915

Item		Allowance for bad debts			
		2012.6.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$52,496	\$1,761	\$59,883	\$1,978
	Collective assessment of impairment	100,969	3,388	125,533	4,147
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,989,437	66,760	2,717,096	89,762

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

10. Loans -net

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$1,448,394	\$48,344	\$1,764,969	\$60,756
Loans	1,587,601,283	52,990,697	1,528,199,383	52,605,831
Overdrafts	682,314	22,774	594,231	20,456
Delinquent accounts	4,934,827	164,714	4,532,217	156,014
Subtotal	1,594,666,818	53,226,529	1,535,090,800	52,843,057
Adjustment for discounts and premiums	1,051,057	35,082	1,097,490	37,779
Less: Allowance for bad debts	(17,890,040)	(597,131)	(16,183,237)	(557,082)
Total	\$1,577,827,835	\$52,664,480	\$1,520,005,053	\$52,323,754

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$393,797	\$13,215	\$355,418	\$11,742
Loans	1,536,913,084	51,574,265	1,498,549,498	49,506,095
Overdrafts	495,087	16,614	497,529	16,436
Delinquent accounts	4,348,520	145,923	2,824,214	93,301
Subtotal	1,542,150,488	51,750,017	1,502,226,659	49,627,574
Adjustment for discounts and premiums	1,056,509	35,453	866,690	28,632
Less: Allowance for bad debts	(13,065,807)	(438,450)	(11,017,946)	(363,989)
Total	\$1,530,141,190	\$51,347,020	\$1,492,075,403	\$49,292,217

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

	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$16,183,237	\$540,161	\$11,017,946	\$369,730
Reversal of doubtful accounts	940,421	31,389	1,337,788	44,893
Write-offs	(59,923)	(2,000)	(314,529)	(10,555)
Debt counseling recoveries	43,790	1,462	22,481	754
Recoveries	736,076	24,569	956,166	32,086
Reclassification	58,733	1,960	80,788	2,711
Effect of exchange rates change	(12,294)	(410)	(34,833)	(1,169)
Balance, end of the period	\$17,890,040	\$597,131	\$13,065,807	\$438,450

(2) Assessment for loans are showed as followed:

Item		Total loans			
		2013.6.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$74,875,133	\$2,499,170	\$57,128,853	\$1,966,570
	Collective assessment of impairment	6,790,190	226,642	4,574,126	157,457
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,513,001,495	50,500,717	1,473,387,821	50,719,030

English Translation of Financial Statements Originally Issued in Chinese

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

Item		Total loans			
		2012.6.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$55,672,097	\$1,868,191	\$37,425,783	\$1,236,398
	Collective assessment of impairment	5,498,080	184,500	5,526,447	182,572
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,480,980,311	49,697,326	1,459,274,429	48,208,604

Item		Allowance for bad debts			
		2013.6.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$5,375,689	\$179,429	\$4,887,318	\$168,238
	Collective assessment of impairment	1,665,888	55,604	713,956	24,577
Objective evidence of impairment does not exist individually	Collective assessment of impairment	10,848,463	362,098	10,581,963	364,267

Item		Allowance for bad debts			
		2012.6.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$4,307,048	\$144,532	\$3,211,518	\$106,096
	Collective assessment of impairment	897,498	30,117	898,460	29,681
Objective evidence of impairment does not exist individually	Collective assessment of impairment	7,861,261	263,801	6,907,968	228,212

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

11. Held-to-maturity financial assets

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Government bonds	\$956,630	\$31,930	\$962,741	\$33,141
Financial debentures	200,000	6,676	200,000	6,885
Overseas financial instruments	51,166,954	1,707,842	23,218,244	799,251
Total	\$52,323,584	\$1,746,448	\$24,380,985	\$839,277

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Government bonds	\$1,270,159	\$42,623	\$1,275,423	\$42,135
Financial debentures	200,000	6,711	200,000	6,607
Overseas financial instruments	23,224,353	779,341	20,480,142	676,582
Total	\$24,694,512	\$828,675	\$21,955,565	\$725,324

- (1) As of 30 June 2013, foreign financial instruments with face amount of NT\$42,559,560 (US\$1,420,546) thousands belonging to the Held-to-Maturity financial assets mentioned above were already sold under repurchase agreements at the price of NT\$40,760,003 (US\$1,360,481) thousands (recorded as Bills and bonds sold under repurchase agreements) and will be repurchased at the price of NT\$40,772,113 (US\$1,360,885) thousands in accordance with the contracts prior to 31 July 2013.
- (2) Please refer to Note 36 for related information on the above held-to-maturity financial assets being pledged as collaterals as of 30 June 2013, 12 December 2012, 30 June 2012 and 1 January 2012.

12. Investments accounted for using the equity method

Investee	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$162,195	\$5,414	\$170,659	\$5,875
Seaward Card	38,272	1,278	39,753	1,368
Cathay Insurance (Bermuda)	95,904	3,201	101,761	3,503
Subtotal	296,371	9,893	312,173	10,746
Investments in associates:				
WK Technology Fund VI Co., Ltd	257,056	8,580	279,441	9,619
Vista Technology Venture Capital Corp.	6,617	221	10,532	362
Omnitek Venture Capital Corp.	36,620	1,222	\$31,694	1,091
Taiwan Real-estate Management Corp.	95,145	3,176	105,357	3,627
Taiwan Finance Corp.	1,390,231	46,403	1,418,699	48,836
IBT Venture Capital Corp.	45,577	1,521	56,435	1,943
Tien-Tai energy Corp.	39,678	1,324	-	-
Cathay Conning Asset Management Ltd.	100,639	3,359	21,543	742
Subtotal	2,267,934	75,699	2,235,874	76,966
Less: Unrealized gain from intercompany transactions	(692,066)	(23,100)	(1,089,548)	(37,506)
Total	\$1,575,868	\$52,599	\$1,146,326	\$39,460

English Translation of Financial Statements Originally Issued in Chinese

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

Investee	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$137,126	\$4,602	\$161,913	\$5,349
Seaward Card	38,563	1,294	39,202	1,295
Cathay Insurance (Bermuda)	115,871	3,888	126,731	4,187
Subtotal	291,560	9,784	327,846	10,831
Investments in associates:				
WK Technology Fund VI Co., Ltd	295,918	9,930	336,537	11,118
Vista Technology Venture Capital Corp.	23,814	799	38,265	1,264
Omnitek Venture Capital Corp.	73,949	2,482	63,705	2,104
Taiwan Real-estate Management Corp.	102,675	3,445	98,115	3,241
Taiwan Finance Corp.	1,398,801	46,940	1,405,308	46,426
IBT Venture Capital Corp.	57,371	1,925	77,733	2,568
Subtotal	2,244,088	75,305	2,347,509	77,552
Prepayment for investment-Cathay Conning Assets Management Ltd.	89,002	2,987	29,882	987
Less: Unrealized gain from intercompany transactions	(1,089,548)	(36,562)	(1,089,548)	(35,994)
Total	\$1,243,542	\$41,730	\$1,287,843	\$42,545

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

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$46,183,834	\$1,541,516	\$41,210,513	\$1,418,606
Total liabilities (100%)	(38,059,511)	(1,270,344)	(33,075,763)	(1,138,580)

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$43,341,051	\$1,454,398	\$39,012,391	\$1,288,814
Total liabilities (100%)	(35,139,222)	(1,179,169)	(30,391,238)	(1,004,005)

	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$560,253	\$18,700	\$314,324	\$10,548
Profit (100%)	(22,041)	736	(66,411)	2,229

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$1,209,097	\$40,357	\$820,706	\$27,540
Profit (100%)	57,610	1,923	4,087	137

- (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) As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the carrying amount of investments accounted for using the equity method amounted to NT\$1,279,497 (US\$42,707) thousands, NT\$834,153 (US\$28,714) thousands, NT\$951,982 (US\$31,946) thousands and NT\$959,997 (US\$31,714) thousands, respectively. The share of the losses of associates and joint ventures accounted for using the equity method amounts to NT\$(15,965) (US\$(533)) thousands and NT\$(14,040) (US\$(471)) thousands for the three-month periods ended 30 June 2013 and 2012, respectively. The share of the (losses) profits of associates and joint ventures accounted for using the equity method amounts to NT\$(19,726) (US\$(658)) thousands and NT\$857 (US\$29) thousands for the six-month periods ended 30 June 2013 and 2012, respectively. The share of the other comprehensive income of associates and joint ventures accounted for using the equity method amounts to NT\$(37,380) (US\$(1,248)) thousands and NT\$(31,467) (US\$(1,056)) thousands for the three-month periods ended 30 June 2013 and 2012, respectively. The share of the other comprehensive income of associates and joint ventures accounted for using the equity method amounts to NT\$(6,334) (US\$(211)) thousands and NT\$(29,493) (US\$(990)) thousands for the six-month periods ended 30 June 2013 and 2012, respectively. The carrying amount of investments accounted for under the equity method in investees whose financial statements were unreviewed amounts to NT\$136,378 (US\$4,552) thousands and NT\$103,139 (US\$3,461) thousands, as at 30 June 2013 and 2012, respectively. Until to 30 June 2013 and 2012, the remaining balance of related investments were NT\$1,707,890 (US\$57,006) and NT\$1,632,796 (US\$54,792) thousands, respectively.
- (3) The Group has no share of any contingent liabilities or capital commitments as at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012.

13. Other financial assets

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,315,596,975	\$43,911,782	\$1,242,282,799	\$42,763,608
Separate account product assets	351,903,031	11,745,762	329,557,246	11,344,483
Structured time deposits	33,418,600	1,115,441	23,500,000	808,950
Other miscellaneous financial assets	2,368,591	79,058	9,963,164	342,966
Total	\$1,703,287,197	\$56,852,043	\$1,605,303,209	\$55,260,007

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,093,363,820	\$36,690,061	\$941,404,652	\$31,100,253
Separate account product assets	294,782,839	9,892,042	294,051,012	9,714,272
Structured time deposits	32,512,200	1,091,013	13,300,000	439,379
Other miscellaneous financial assets	2,534,222	85,041	9,975,052	329,536
Total	\$1,423,193,081	\$47,758,157	\$1,258,730,716	\$41,583,440

Investments in debt securities with no active market

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,481,017	\$283,078	\$8,481,017	\$291,945
Corporate bonds	24,045,586	14,789,100	23,045,586	793,308
Overseas financial instruments	841,592,913	802,590	783,267,255	26,962,728
Time deposit	443,081,438	28,090,551	429,141,442	14,772,511
Subtotal	1,317,200,954	43,965,319	1,243,935,300	42,820,492
Less: accumulated impairment	(1,603,979)	(53,537)	(1,652,501)	(56,884)
Net balance	\$1,315,596,975	\$43,911,782	\$1,242,282,799	\$42,763,608

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,831,017	\$296,343	\$3,091,730	\$102,138
Corporate bonds	14,095,586	12,389,574	16,095,586	531,734
Overseas financial instruments	703,141,924	473,006	511,732,753	16,905,608
Time deposit	369,209,306	23,595,367	412,425,937	13,624,907
Subtotal	1,095,277,833	36,754,290	943,346,006	31,164,387
Less: accumulated impairment	(1,914,013)	(64,229)	(1,941,354)	(64,134)
Net balance	\$1,093,363,820	\$36,690,061	\$941,404,652	\$31,100,253

- (1) A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by Cathay Life and subsidiaries. As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, Cathay Life and subsidiaries recognized impairment losses amounting to NT\$391,560 (US\$13,069) thousands, NT\$378,768 (US\$13,038) thousands, NT\$388,700 (US\$13,044) thousands and NT\$393,770 (US\$13,009) thousands, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

- (2) Cathay United Bank has recognized accumulated impairment loss for the investments in debt securities with no active market in the amount of NT\$1,116,833 (US\$37,277), NT\$1,167,518 (US\$40,190), NT\$1,407,432 (US\$47,229) and NT\$1,425,790 (US\$47,102) as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, respectively, due to credit deterioration of securitization and financial debentures.

Cathay United Bank has recognized accumulated impairment loss for the investment in debt securities with no active market in the amount of NT\$95,586 (US\$3,190), NT\$106,215 (US\$3,656), NT\$117,881 (US\$3,956), and NT\$121,794 (US\$4,024) as of 30 June 2013, 31 December 2012, 30 June 2012, 1 January 2012, respectively, due to the default on the convertible bonds.

- (3) Until to 30 June 2013, foreign financial instruments with face amount of \$9,425,363 (US\$314,598) thousands belonging to the investments in debt securities with no active market mentioned above were already sold under repurchase agreements at the price of NT\$4,525,530 (US\$151,052) thousands (recorded as Bills and bonds sold under repurchase agreements) and will be repurchased at the price of NT\$4,527,184 (US\$151,108) thousands in accordance with the contracts prior to 31 July 2013.
- (4) 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 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012.

14. Investment property

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
1 January 2013	\$157,648,068	\$58,929,793	\$7,519,477	\$1,581,767	\$225,679,105
Additions	-	-	3,425,478	15,881	3,441,359
Reductions	(415,681)	-	-	-	(415,681)
Reclassification	5,305	85,295	(85,295)	(5,305)	-
30 June 2013	<u>\$157,237,692</u>	<u>\$59,015,088</u>	<u>\$10,859,660</u>	<u>\$1,592,343</u>	<u>\$228,704,783</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
1 January 2013	\$5,261,952	\$1,966,949	\$250,984	\$52,796	\$7,532,681
Additions	-	-	114,335	530	114,865
Reductions	(13,875)	-	-	-	(13,875)
Reclassification	177	2,847	(2,847)	(177)	-
30 June 2013	\$5,248,254	\$1,969,796	\$362,472	\$53,149	\$7,633,671

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
2012.1.1	\$158,571,989	\$59,265,118	\$5,459,223	\$20,469	\$223,316,799
Additions	66,248	175,830	1,213,160	5,512,160	6,967,398
Reductions	(22,772)	-	-	-	(22,772)
Reclassification	(1,090,925)	(1,828,011)	(62,865)	(123)	(2,981,924)
2012.6.30	\$157,524,540	\$57,612,937	\$6,609,518	\$5,532,506	\$227,279,501

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
2012.1.1	\$5,321,208	\$1,988,763	\$183,195	\$687	\$7,493,853
Additions	2,223	5,900	40,710	184,972	233,805
Reductions	(764)	-	-	-	(764)
Reclassification	(36,608)	(61,343)	(2,110)	(4)	(100,065)
2012.6.30	\$5,286,059	\$1,933,320	\$221,795	\$185,655	\$7,626,829

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
1 January 2013	\$193,950	\$12,134,705	\$-	\$-	\$12,328,655
Depreciation	-	1,022,177	-	-	1,022,177
2013.6.30	\$193,950	\$13,156,882	\$-	\$-	\$13,350,832

English Translation of Financial Statements Originally Issued in Chinese

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

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
1 January 2013	\$6,474	\$405,030	\$-	\$-	\$411,504
Depreciation	-	34,118	-	-	34,118
2013.6.30	\$6,474	\$439,148	\$-	\$-	\$445,622

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
2012.1.1	\$200,450	\$12,425,130	\$-	\$-	\$12,625,580
Depreciation	-	368,068	-	-	368,068
Transfers from (to) property and equipment	-	(433,271)	-	-	(433,271)
2012.6.30	\$200,450	\$12,359,927	\$-	\$-	\$12,560,377

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
2012.1.1	\$6,726	\$416,951	\$-	\$-	\$423,677
Depreciation	-	12,351	-	-	12,351
Reclassification	-	(14,539)	-	-	(14,539)
2012.6.30	\$6,726	\$414,763	\$-	\$-	\$421,489

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Net carrying amount as at:					
2013.6.30	\$157,043,742	\$45,858,206	\$10,859,660	\$1,592,343	\$215,353,951
2012.12.31	\$157,454,118	\$46,795,088	\$7,519,477	\$1,581,767	\$213,350,450
2012.6.30	\$157,324,090	\$45,253,010	\$6,609,518	\$5,532,506	\$214,719,124
2012.1.1	\$158,371,539	\$46,839,988	\$5,459,223	\$20,469	\$210,691,219

English Translation of Financial Statements Originally Issued in Chinese

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

	US\$				
	Land	Buildings	Investment property under construction	Prepayments for buildings and land - Investments	Total
Net carrying amount as at:					
2013.6.30	\$5,241,780	\$1,530,648	\$362,472	\$53,149	\$7,188,049
2012.12.31	\$5,255,478	\$1,561,919	\$250,984	\$52,796	\$7,121,177
2012.6.30	\$5,279,333	\$1,518,557	\$221,795	\$185,655	\$7,205,340
2012.1.1	\$5,314,482	\$1,571,812	\$183,195	\$687	\$7,070,176

	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Rent revenue from investment properties	\$1,661,793	\$55,467	\$1,487,416	\$49,913
Less: Direct operating expense related to investment properties	(118,188)	(3,945)	(112,066)	(3,761)
Direct operating expense related to investment properties not generating rent revenue	(7,012)	(234)	(5,633)	(189)
Subtotal	\$1,536,593	\$51,288	\$1,369,717	\$45,963

	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Rent revenue from investment properties	\$3,563,630	\$118,946	\$3,384,383	\$113,570
Less: Direct operating expense related to investment properties	(178,686)	(5,964)	(172,147)	(5,777)
Direct operating expense related to investment properties not generating rent revenue	(10,256)	(342)	(7,383)	(248)
Subtotal	\$3,374,688	\$112,640	\$3,204,853	\$107,545

The fair value of investment properties held by the Group at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012 were NT\$264,861,356 (US\$8,840,499) thousands, NT\$253,127,873 (US\$8,713,524) thousands, NT\$236,803,283 (US\$7,946,419) thousands and NT\$229,492,637 (US\$7,581,521) thousands, respectively. The fair value evaluated by independent experts of appraisal are NT\$264,439,820 (US\$8,826,429) thousands, NT\$252,638,050 (US\$8,696,663) thousands, NT\$236,354,183 (US\$7,931,348) thousands and NT\$229,097,544 (US\$7,568,469) thousands, respectively. Such valuation of fair value was supported by the evidence of market and technique used was weighted average of market comparison approach and income approach. The fair value from internal appraisal are NT\$421,536 (US\$14,070) thousands, NT\$489,823 (US\$16,861) thousands, NT\$449,100 (US\$15,070) thousands and NT\$395,093 (US\$13,052) thousands, respectively. The valuation of fair value derived from the value of use of investment properties calculated by the rate of return method.

English Translation of Financial Statements Originally Issued in Chinese

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

- (1) The real estate investments are held mainly for leasing purposes.
- (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 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012.

15. Property and equipment

NT\$									
Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
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
Additions	-	-	423,275	3,102	226,343	22,002	-	310,188	984,910
Transfers	-	6,385	45,116	-	46,489	(4,708)	-	(141,231)	(47,949)
Disposal	-	(343)	(379,717)	(3,600)	(37,305)	(3,340)	-	-	(424,305)
Reclassification	(126,327)	(27,151)	(139,248)	(21,815)	(8,707)	(11,244)	-	-	(334,492)
Exchange difference	-	179,301	8,805	1,898	8,037	9,222	-	5,535	212,798
2013.6.30	\$43,256,294	\$41,428,377	\$7,293,197	\$103,922	\$10,089,370	\$322,781	\$275,652	\$600,550	\$103,370,143

US\$									
Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
1 January 2013	\$1,448,018	\$1,377,509	\$244,825	\$4,150	\$328,922	\$10,375	\$9,201	\$14,221	\$3,437,221
Additions	-	-	14,128	104	7,555	734	-	10,353	32,874
Transfers	-	213	1,506	-	1,552	(157)	-	(4,714)	(1,600)
Disposal	-	(11)	(12,674)	(120)	(1,245)	(111)	-	-	(14,161)
Reclassification	(4,217)	(906)	(4,648)	(728)	(291)	(375)	-	-	(11,165)
Exchange difference	-	5,985	294	63	268	308	-	185	7,103
2013.6.30	\$1,443,801	\$1,382,790	\$243,431	\$3,469	\$336,761	\$10,774	\$9,201	\$20,045	\$3,450,272

English Translation of Financial Statements Originally Issued in Chinese

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

NT\$

Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment	Total
								for real estate	
2012.1.1	\$26,545,629	\$31,265,218	\$7,118,600	\$100,080	\$9,887,911	\$267,400	\$-	\$179,212	\$75,364,050
Additions	-	60	90,449	-	164,605	12,397	-	260,924	528,435
Transfers	1,024,800	1,730,321	74,543	-	66,821	-	-	(153,590)	2,742,895
Disposal	-	(120)	(108,807)	(340)	(67,565)	-	-	(6,667)	(183,499)
Exchange difference	-	(1,474)	(8,153)	(770)	(2,467)	(4,437)	-	(966)	(18,267)
2012.6.30	\$27,570,429	\$32,994,005	\$7,166,632	\$98,970	\$10,049,305	\$275,360	\$-	\$278,913	\$78,433,614

US\$

Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment	Total
								for real estate	
2012.1.1	\$890,793	\$1,049,168	\$238,879	\$3,358	\$331,809	\$8,973	\$-	\$6,014	\$2,528,994
Additions	-	2	3,035	-	5,525	417	-	8,756	17,735
Transfers	34,389	58,064	2,501	-	2,242	-	-	(5,154)	92,042
Disposal	-	(4)	(3,651)	(11)	(2,267)	-	-	(224)	(6,157)
Exchange difference	-	(49)	(274)	(26)	(83)	(149)	-	(32)	(613)
2012.6.30	\$925,182	\$1,107,181	\$240,490	\$3,321	\$337,226	\$9,241	\$-	\$9,360	\$2,632,001

NT\$

Depreciation and impairment:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment	Total
								for real estate	
1 January 2013	\$105,610	\$16,508,217	\$6,290,375	\$89,828	\$8,257,205	\$219,888	\$28,714	\$-	\$31,499,837
Additions	-	457,560	260,290	3,846	242,782	20,455	34,457	-	1,019,390
Transfers	-	-	(7,025)	-	11,859	-	-	-	4,834
Disposal	-	(217)	(373,915)	(3,588)	(34,612)	(3,340)	-	-	(415,672)
Reclassification	-	(11,737)	(80,114)	(11,712)	(6,871)	(6,118)	-	-	(116,552)
Exchange difference	-	3,919	12,473	1,419	4,534	6,993	-	-	29,338
2013.6.30	\$105,610	\$16,957,742	\$6,102,084	\$79,793	\$8,474,897	\$237,878	\$63,171	\$-	\$32,021,175

English Translation of Financial Statements Originally Issued in Chinese

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

US\$

Depreciation and impairment:								Construction in progress and prepayment for real estate	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets		
1 January 2013	3,525	551,009	209,959	2,998	275,608	7,339	958	-	1,051,396
Additions	-	15,272	8,688	129	8,103	683	1,151	-	34,026
Transfers	-	-	(235)	-	396	-	-	-	161
Disposal	-	(7)	(12,480)	(120)	(1,155)	(111)	-	-	(13,873)
Reclassification	-	(392)	(2,674)	(391)	(229)	(204)	-	-	(3,890)
Exchange difference	-	131	416	47	151	233	-	-	978
2013.6.30	\$3,525	\$566,013	\$203,674	\$2,663	\$282,874	\$7,940	\$2,109	-	\$1,068,798

NT\$

Depreciation and impairment:								Construction in progress and prepayment for real estate	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets		
2012.1.1	\$105,610	\$13,510,447	\$5,922,357	\$77,192	\$8,130,962	\$186,953	\$-	\$-	\$27,933,521
Additions	-	1,051,281	247,424	3,363	257,732	21,833	-	-	1,581,633
Transfers	-	433,271	758	(8)	-	-	-	-	434,021
Disposal	-	(120)	(106,357)	(340)	(66,857)	-	-	-	(173,674)
Exchange difference	-	(493)	(5,082)	(435)	(1,850)	(2,994)	-	-	(10,854)
2012.6.30	\$105,610	\$14,994,386	\$6,059,100	\$79,772	\$8,319,987	\$205,792	\$-	\$-	\$29,764,647

US\$

Depreciation and impairment:								Construction in progress and prepayment for real estate	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets		
2012.1.1	\$3,544	\$453,371	\$198,737	\$2,590	\$272,851	\$6,274	\$-	\$-	\$937,367
Additions	-	35,278	8,303	113	8,649	733	-	-	53,076
Transfers	-	14,539	25	-	-	-	-	-	14,564
Disposal	-	(4)	(3,569)	(11)	(2,244)	-	-	-	(5,828)
Exchange difference	-	(17)	(171)	(15)	(62)	(100)	-	-	(365)
2012.6.30	\$3,544	\$503,167	\$203,325	\$2,677	\$279,194	\$6,907	\$-	\$-	\$998,814

English Translation of Financial Statements Originally Issued in Chinese

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

NT\$									
								Construction in progress and prepayment	
Net book value	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	for real estate	Total
2013.6.30	\$43,150,684	\$24,470,635	\$1,191,113	\$24,129	\$1,614,473	\$84,903	\$212,481	\$600,550	\$71,348,968
2012.12.31	\$43,277,011	\$24,761,968	\$1,044,591	\$34,509	\$1,597,308	\$90,961	\$246,938	\$426,058	\$71,479,344
2012.6.30	\$27,464,819	\$17,999,619	\$1,107,532	\$19,198	\$1,729,318	\$69,568	\$-	\$278,913	\$48,668,967
2012.1.1	\$26,440,019	\$17,754,771	\$1,196,243	\$22,888	\$1,756,949	\$80,447	\$-	\$179,212	\$47,430,529

US\$									
								Construction in progress and prepayment	
Net book value	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	for real estate	Total
2013.6.30	\$1,440,276	\$816,777	\$39,757	\$806	\$53,887	\$2,834	\$7,092	\$20,045	\$2,381,474
2012.12.31	\$1,444,493	\$826,500	\$34,866	\$1,152	\$53,314	\$3,036	\$8,243	\$14,221	\$2,385,825
2012.6.30	\$921,638	\$604,014	\$37,165	\$644	\$58,032	\$2,334	\$-	\$9,360	\$1,633,187
2012.1.1	\$887,249	\$595,797	\$40,142	\$768	\$58,958	\$2,699	\$-	\$6,014	\$1,591,627

16. Intangible assets

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
1 January 2013	\$8,571,251	\$286,090	\$3,490,804	\$116,515	\$12,062,055	\$402,605
Addition-individual						
acquisition	-	-	58,306	1,946	58,306	1,946
Reduction	-	-	(20,085)	(670)	(20,085)	(670)
Transfer	-	-	23,145	773	23,145	773
Reclassification	(307,980)	(10,280)	(29,657)	(990)	(337,637)	(11,270)
Exchange difference	-	-	12,464	416	12,464	416
2013.6.30	\$8,263,271	\$275,810	\$3,534,977	\$117,990	\$11,798,248	\$393,800

English Translation of Financial Statements Originally Issued in Chinese

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

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
2012.1.1	\$8,263,270	\$277,291	\$3,418,894	\$114,728	\$11,682,164	\$392,019
Addition-individual						
acquisition	-	-	51,724	1,736	51,724	1,736
Reduction	-	-	(77,222)	(2,591)	(77,222)	(2,591)
Reclassification	-	-	19,330	648	19,330	648
Exchange difference	-	-	(5,009)	(168)	(5,009)	(168)
2012.6.30	\$8,263,270	\$277,291	\$3,407,717	\$114,353	\$11,670,987	\$391,644

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and						
impairment:						
1 January 2013	\$-	\$-	\$2,669,048	\$89,087	\$2,669,048	\$89,087
Amortization	-	-	162,028	5,408	162,028	5,408
Reduction	-	-	(20,085)	(670)	(20,085)	(670)
Reclassification	-	-	(17,547)	(586)	(17,547)	(586)
Exchange difference	-	-	6,534	218	6,534	218
2013.6.30	\$-	\$-	\$2,799,978	\$93,457	\$2,799,978	\$93,457

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and						
impairment:						
2012.1.1	\$-	\$-	\$2,344,657	\$78,680	\$2,344,657	\$78,680
Amortization	-	-	172,456	5,787	172,456	5,787
Reduction	-	-	(77,222)	(2,591)	(77,222)	(2,591)
Exchange difference	-	-	(2,285)	(77)	(2,285)	(77)
2012.6.30	\$-	\$-	\$2,437,606	\$81,799	\$2,437,606	\$81,799

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net Book value:						
2013.6.30	\$8,263,271	\$275,810	\$734,999	\$24,533	\$8,998,270	\$300,343
2013.12.31	\$8,571,251	\$286,090	\$821,756	\$27,428	\$9,393,007	\$313,518
2012.6.30	\$8,263,270	\$277,291	\$970,111	\$32,554	\$9,233,381	\$309,845
2012.1.1	\$8,263,270	\$277,291	\$1,074,237	\$36,048	\$9,337,507	\$313,339

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

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

17. Financial liabilities at fair value through profit or loss

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$28,831,501	\$962,333	\$7,582,664	\$261,021
Security lending payables hedging	158,799	5,300	287,312	9,890
Security lending payables non-hedging	928,663	30,997	1,216,370	41,872
Total	\$29,918,963	\$998,630	\$9,086,346	\$312,783

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$12,994,441	\$436,055	\$21,801,787	\$720,244
Security lending payables hedging	114,409	3,839	374,345	12,367
Security lending payables non-hedging	1,345,680	45,157	960,011	31,715
Total	\$14,454,530	\$485,051	\$23,136,143	\$764,326

18. Commercial paper payables

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$4,630,000	\$154,539	\$5,540,000	\$190,706
Less: Discount on commercial paper payable	-	-	-	-
Total	\$4,630,000	\$154,539	\$5,540,000	\$190,706

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$3,820,000	\$128,188	\$8,720,000	\$288,074
Less: Discount on commercial paper payable	-	-	-	-
Total	\$3,820,000	\$128,188	\$8,720,000	\$288,074

As at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the average interest rates for the commercial paper payables were 0.68%~0.98%, 0.74%~0.93%, 0.77%~0.91% and 0.47%~0.94% respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

19. Deposits

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$13,437,879	\$448,527	\$15,960,965	\$549,431
Demand deposits	263,520,622	8,795,748	250,331,641	8,617,268
Demand savings deposits	585,655,282	19,547,907	576,919,684	19,859,542
Time deposits	646,133,977	21,566,555	613,815,928	21,129,636
Remittances	1,577,690	52,660	1,559,758	53,692
Total	\$1,510,325,450	\$50,411,397	\$1,458,587,976	\$50,209,569

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$14,147,092	\$474,735	\$14,256,906	\$470,991
Demand deposits	221,989,693	7,449,318	224,538,902	7,417,869
Demand savings deposits	836,313,897	28,064,225	559,952,874	18,498,609
Time deposits	338,296,282	11,352,224	615,086,850	20,320,015
Remittances	630,945	21,173	586,296	19,369
Total	\$1,411,377,909	\$47,361,675	\$1,414,421,828	\$46,726,853

20. Bonds payable

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,335,113	\$40,000,000	\$1,376,936
Convertible bonds	7,662,528	255,759	7,412,199	255,153
Discount on convertible bonds	(71,512)	(2,387)	(99,823)	(3,436)
Subordinated financial debentures	51,760,685	1,727,660	41,438,544	1,426,456
Discount on financial debentures	(20,540)	(686)	(23,666)	(815)
Valuation adjustment	909,126	30,345	1,103,753	37,995
Total	\$100,240,287	\$3,345,804	\$89,831,007	\$3,092,289

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,342,282	\$40,000,000	\$1,321,440
Subordinated financial debentures	38,959,797	1,307,376	34,724,925	1,147,173
Discount on financial debentures	(28,118)	(944)	(32,218)	(1,064)
Valuation adjustment	1,266,888	42,513	1,331,118	43,975
Total	\$80,198,567	\$2,691,227	\$76,023,825	\$2,511,524

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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 full 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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

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 4 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 R.O.C GAAP No.34" 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\$31,294 (US\$1,045) thousands for the six-month periods ended 30 June 2013 and loss on valuation of financial liabilities at NT\$875,983 (US\$29,238) thousands, which were recorded under "Interest Expense" and "Loss on valuation of trading financial assets", respectively.

As of 30 June 2013, 31 December 2012, 30 June 2012, 1 January 2012, none of the bondholder exercised the conversion right.

English Translation of Financial Statements Originally Issued in Chinese

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

- (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.
- (3) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 (US\$40,053) with a stated interest rate of 2.95% in September 2008, and the interest is payable quarterly.
- (4) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,000,000 (US\$33,378) with floating interest rate in September 2008, and the interest is payable quarterly.
- (5) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$2,800,000 (US\$93,458) with a stated interest rate of 2.95% in October 2008, and the interest is payable quarterly.
- (6) On 8 December 2008, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$667,557) thousands with a stated interest rate of 3.10%. The subordinated bonds and repayable at maturity and the interest is paid annually
- (7) Cathay United Bank issued an eight-year subordinated financial debentures totaling NT\$3,650,000 (US\$121,829) with a stated interest rate of 2.42% in June 2009, and the interest is payable quarterly.
- (8) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$50,067) with a stated interest rate of 2.60% in July 2009, and the interest is payable quarterly.
- (9) On 16 September 2009, the Company issued a seven-year subordinated bond totaling NT\$20,000,000 (US\$667,557) thousands with a stated interest rate of 2.65%. The subordinated bonds are repayable at maturity and the interest is paid annually.
- (10) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$3,850,000 (US\$128,504) with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.

English Translation of Financial Statements Originally Issued in Chinese

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

- (11) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$50,067) with a stated interest rate of 1.72% in March 2011, and the interest is payable quarterly.
- (12) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$3,900,000 (US\$130,174) with a stated interest rate of 1.65% in June 2011, and the interest is payable quarterly.
- (13) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$2,500,000 (US\$83,445) with a stated interest rate of 1.72% in June 2011, and the interest is payable quarterly.
- (14) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$200,000 (US\$6,676) with a stated interest rate of 1.48% in June 2012, and the interest is payable annually.
- (15) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$4,200,000 (US\$140,187) with a stated interest rate of 1.65% in June 2012, and the interest is payable annually.
- (16) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$5,600,000 (US\$186,916) with a stated interest rate of 1.65% in August 2012, and the interest is payable annually.
- (17) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$100,000 (US\$3,338) with a stated interest rate of 1.55% in April 2013, and the interest is payable annually.
- (18) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$9,900,000 (US\$330,441) with a stated interest rate of 1.70% in April 2013, and the interest is payable annually.
- (19) Each subordinated financial debenture 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.
- (20) Indovina Bank issued a two-year financial debentures totaling VND \$2,000 billion in 2010 with the first year interest rate of 13.5% and the second year interest rate of average interest rate of VND deposit plus 2.5%. These financial debentures have matured before 2012.

English Translation of Financial Statements Originally Issued in Chinese

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

21. Other financial liabilities

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$351,903,031	\$11,745,762	\$329,557,246	\$11,344,483
Principle received from the sale of structured products	20,517,452	684,828	17,340,691	596,926
Borrowed funds	60,919	2,034	85,500	2,943
Other financial liabilities	1,158,703	38,675	1,246,500	42,909
Total	\$373,640,105	\$12,471,299	\$348,229,937	\$11,987,261

	2013.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$294,782,839	\$9,892,042	\$294,051,012	\$9,714,272
Principle received from the sale of structured products	17,759,817	595,967	10,475,555	346,070
Borrowed funds	114,997	3,859	135,518	4,477
Other financial liabilities	1,039,870	34,895	1,104,358	36,484
Total	\$313,697,523	\$10,526,763	\$305,766,443	\$10,101,303

22. Provisions

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$23,095,874	\$770,890	\$22,176,220	\$763,381
Reserve for life insurance liabilities	3,128,900,883	104,435,944	2,993,462,480	103,045,180
Special reserve	54,809,100	1,829,409	59,896,149	2,061,830
Reserve for claims	10,515,273	350,977	10,356,844	356,518
Premium deficiency reserve	19,114,603	638,004	17,198,784	592,041
Reserve for insurance contracts with feature of financial instruments	58,842,583	1,964,038	61,350,872	2,111,906
Foreign exchange volatility reserve	7,995,402	266,869	4,270,856	147,017
Reserve for Guarantees	24,892	831	24,892	857
Reserve for employee benefits liabilities	5,883,034	196,363	5,814,125	200,142
Contingent liabilities reserve	966,070	32,246	1,158,682	39,886
Total	\$3,310,147,714	\$110,485,571	\$3,175,709,904	\$109,318,758

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$21,382,579	717,536	\$21,175,033	\$699,539
Reserve for life insurance liabilities	2,876,701,183	96,533,597	2,697,468,563	89,113,596
Special reserve	60,218,517	2,020,756	63,359,729	2,093,153
Reserve for claims	9,776,600	328,074	9,664,737	319,284
Premium deficiency reserve	15,160,197	508,731	13,624,753	450,107
Reserve for insurance contracts with feature of financial instruments	64,272,133	2,156,783	66,884,711	2,209,604
Foreign exchange volatility reserve	5,066,425	170,014	-	-
Reserve for Guarantees	24,892	835	24,892	822
Reserve for employee benefits liabilities	5,717,965	191,878	6,545,397	216,234
Contingent liabilities reserve	1,171,399	39,309	1,171,399	38,698
Total	\$3,059,491,890	\$102,667,513	\$2,879,919,214	\$95,141,037

(1) Life insurance subsidiaries

As of June 30 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the details and changes of insurance contracts and financial instruments with discretionary participation feature are summarized below:

A. Reserve for life insurance liabilities:

	2013.6.30 (NT\$)			2012.12.31(NT\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	\$2,670,494,249	\$43,127,513	\$2,713,621,762	\$2,543,865,959	\$44,435,855	\$2,588,301,814
Injury insurance	7,886,868	-	7,886,868	7,888,169	-	7,888,169
Health insurance	290,460,892	-	290,460,892	270,572,717	-	270,572,717
Annuity insurance	1,225,184	114,522,967	115,748,151	1,226,217	124,300,017	125,526,234
Investment-linked insurance	1,119,918	-	1,119,918	1,110,254	-	1,110,254
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
Total	\$2,971,250,403	\$157,650,480	\$3,128,900,883	\$2,824,726,608	\$168,735,872	\$2,993,462,480

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.6.30(US\$)			2012.12.31(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$89,135,322	\$1,439,503	\$90,574,825	\$87,568,536	\$1,529,634	\$89,098,170
Injury insurance	263,247	-	263,247	271,538	-	271,538
Health insurance	9,694,956	-	9,694,956	9,314,035	-	9,314,035
Annuity insurance	40,894	3,822,529	3,863,423	42,211	4,278,830	4,321,041
Investment-linked insurance	37,380	-	37,380	38,219	-	38,219
Recover from major incident reserve	2,113	-	2,113	2,179	-	2,179
Total	\$99,173,912	\$5,262,032	\$104,435,944	\$97,236,718	\$5,808,464	\$103,045,182

	2012.6.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,445,831,410	\$45,079,250	\$2,490,910,660	\$2,264,820,789	\$44,410,268	\$2,309,231,057
Injury insurance	7,759,697	-	7,759,697	7,663,561	-	7,663,561
Health insurance	245,502,332	-	245,502,332	228,646,823	-	228,646,823
Annuity insurance	1,440,136	129,968,895	131,409,031	1,468,242	149,221,880	150,690,122
Investment-linked insurance	1,087,817	-	1,087,817	1,237,000	-	1,237,000
Recover from major incident reserve	31,646	-	31,646	-	-	-
Total	\$2,701,653,038	\$175,048,145	\$2,876,701,183	\$2,503,836,415	\$193,632,148	\$2,697,468,563

	2012.6.30 (US\$)			2012.1.1 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$82,074,880	\$1,512,727	\$83,587,607	\$74,820,640	\$1,467,138	\$76,287,778
Injury insurance	260,392	-	260,392	253,173	-	253,173
Health insurance	8,238,333	-	8,238,333	7,553,579	-	7,553,579
Annuity insurance	48,327	4,361,372	4,409,699	48,505	4,929,695	4,978,200
Investment-linked insurance	36,504	-	36,504	40,866	-	40,866
Recover from major incident reserve	1,062	-	1,062	-	-	-
Total	\$90,659,498	\$5,874,099	\$96,533,597	\$82,716,763	\$6,396,833	\$89,113,596

English Translation of Financial Statements Originally Issued in Chinese

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

Reserve for life insurance liabilities is summarized below:

	2013.1.1~2013.6.30 (NT\$)			2012.1.1~2012.6.30 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	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	197,398,903	487,710	197,886,613	253,761,789	668,667	254,430,456
Recover	(58,316,108)	(10,960,040)	(69,276,148)	(55,063,480)	(19,175,142)	(74,238,622)
Losses (gains) on foreign exchange	7,441,000	(613,062)	6,827,938	(881,686)	(77,528)	(959,214)
Ending balance	\$2,971,250,403	\$157,650,480	\$3,128,900,883	\$2,701,653,038	\$175,048,145	\$2,876,701,183

	2013.1.1~2013.6.30 (US\$)			2012.1.1~2012.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$94,283,265	\$5,632,038	\$99,915,303	\$84,021,356	\$6,497,723	\$90,519,079
Reserve	6,588,748	16,279	6,605,027	8,515,496	22,438	8,537,934
Recover	(1,946,466)	(365,822)	(2,312,288)	(1,847,768)	(643,461)	(2,491,229)
Losses (gains) on foreign exchange	248,365	(20,463)	227,902	(29,586)	(2,601)	(32,187)
Ending balance	\$99,173,912	\$5,262,032	\$104,435,944	\$90,659,498	\$5,874,099	\$96,533,597

B. Unearned premium reserve:

	2013.6.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$301,099	\$-	\$301,099	\$286,321	\$-	\$286,321
Individual injury insurance	4,518,264	-	4,518,264	4,536,861	-	4,536,861
Individual health insurance	6,106,946	-	6,106,946	6,137,374	-	6,137,374
Group insurance	1,224,962	-	1,224,962	1,025,604	-	1,025,604
Investment-linked insurance	110,913	-	110,913	118,616	-	118,616
Total	12,262,184	-	12,262,184	12,104,776	-	12,104,776
Less ceded unearned premium reserve:						
Individual life insurance	2,305,414	-	2,305,414	3,686,674	-	3,686,674
Individual injury insurance	1,342,084	-	1,342,084	4,690,485	-	4,690,485
Individual health insurance	3,051	-	3,051	2,862	-	2,862
Group insurance	3,102	-	3,102	4,260	-	4,260
Total	3,653,651	-	3,653,651	8,384,281	-	8,384,281
Net	\$8,608,533	\$-	\$8,608,533	\$3,720,495	\$-	\$3,720,495

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.6.30 (US\$)			2012.12.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$10,050	\$-	\$10,050	\$9,856	\$-	\$9,856
Individual injury insurance	150,810	-	150,810	156,174	-	156,174
Individual health insurance	203,837	-	203,837	211,269	-	211,269
Group insurance	40,887	-	40,887	35,305	-	35,305
Investment-linked insurance	3,702	-	3,702	4,083	-	4,083
Total	409,286	-	409,286	416,687	-	416,687
Less ceded unearned premium reserve:						
Individual life insurance	76,950	-	76,950	126,907	-	126,907
Individual injury insurance	44,796	-	44,796	161,462	-	161,462
Individual health insurance	102	-	102	99	-	99
Group insurance	104	-	104	147	-	147
Total	121,952	-	121,952	288,615	-	288,615
Net	\$287,334	\$-	\$287,334	\$128,072	\$-	\$128,072

	2012.6.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$220,078	\$5	\$220,083	\$209,502	\$4	\$209,506
Individual injury insurance	4,314,056	-	4,314,056	4,356,325	-	4,356,325
Individual health insurance	5,623,406	-	5,623,406	5,764,803	-	5,764,803
Group insurance	1,269,107	-	1,269,107	1,808,627	-	1,808,627
Investment-linked insurance	113,725	-	113,725	120,773	-	120,773
Total	11,540,372	5	11,540,377	12,260,030	4	12,260,034
Individual life insurance	2,252,124	-	2,252,124	2,513,092	-	2,513,092
Individual injury insurance	4,555,885	-	4,555,885	4,807,335	-	4,807,335
Individual health insurance	2,881	-	2,881	2,937	-	2,937
Group insurance	4,288	-	4,288	5,106	-	5,106
Investment-linked insurance	1,230,482	-	1,230,482	1,289,194	-	1,289,194
Total	8,045,660	-	8,045,660	8,617,664	-	8,617,664
Net	\$3,494,712	\$5	\$3,494,717	\$3,642,366	\$4	\$3,642,370

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30 (US\$)			2012.1.1 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$7,385	\$-	\$7,385	\$6,921	\$-	\$6,921
Individual injury insurance	144,767	-	144,767	143,916	-	143,916
Individual health insurance	188,705	-	188,705	190,446	-	190,446
Group insurance	42,588	-	42,588	59,750	-	59,750
Investment-linked insurance	3,816	-	3,816	3,990	-	3,990
Total	387,261	-	387,261	405,023	-	405,023
Less ceded unearned premium reserve:						
Individual life insurance	75,575	-	75,575	83,023	-	83,023
Individual injury insurance	152,882	-	152,882	158,815	-	158,815
Individual health insurance	97	-	97	97	-	97
Group insurance	144	-	144	169	-	169
Investment-linked insurance	41,291	-	41,291	42,590	-	42,590
Total	269,989	-	269,989	284,694	-	284,694
Net	\$117,272	\$-	\$117,272	\$120,329	\$-	\$120,329

Unearned premium reserve is summarized below:

	2013.1.1~2013.6.30 (NT\$)			2012.1.1~2012.6.30 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$12,104,776	\$-	\$12,104,776	\$12,260,030	\$4	\$12,260,034
Reserve	12,144,732	-	12,144,732	11,414,086	5	11,414,091
Recover	(11,999,219)	-	(11,999,219)	(12,128,414)	(4)	(12,128,418)
Losses (gains) on foreign exchange	11,895	-	11,895	(5,330)	-	(5,330)
Ending balance	12,262,184	-	12,262,184	11,540,372	5	11,540,377
Less ceded unearned premium reserve:						
Beginning balance-Net	8,384,281	-	8,384,281	8,617,664	-	8,617,664
Increase	4,398	-	4,398	24	-	24
Decrease	(4,735,353)	-	(4,735,353)	(571,865)	-	(571,865)
Gain or loss on foreign exchange	325	-	325	(163)	-	(163)
Total	3,653,651	-	3,653,651	8,045,660	-	8,045,660
Ending balance-Net	\$8,608,533	\$-	\$8,608,533	\$3,494,712	\$5	\$3,494,717

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.1.1~2013.6.30 (US\$)			2012.1.1~2013.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$404,031	\$-	\$404,031	\$411,410	\$-	\$411,410
Reserve	405,365	-	405,365	383,023	-	383,023
Recover	(400,508)	-	(400,508)	(406,994)	-	(406,994)
Exchange	398	-	398	(178)	-	(178)
Ending balance	409,286	-	409,286	387,261	-	387,261
Less ceded unearned premium reserve:						
Beginning balance-Net	279,849	-	279,849	289,183	-	289,183
Increase	147	-	147	1	-	1
Decrease	(158,056)	-	(158,056)	(19,190)	-	(19,190)
Gain or loss on foreign exchange	12	-	12	(5)	-	(5)
Total	121,952	-	121,952	269,989	-	269,989
Ending balance-Net	\$287,334	\$-	\$287,334	\$117,272	\$-	\$117,272

C. Reserve for claims:

	2013.6.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
– Reported but not paid claim	\$127,508	\$1,027	\$128,535	\$110,006	\$797	\$110,803
– Unreported claim	54,091	-	54,091	52,108	-	52,108
Individual injury insurance						
– Reported but not paid claim	164,567	-	164,567	150,906	-	150,906
– Unreported claim	1,035,479	-	1,035,479	1,027,670	-	1,027,670
Individual health insurance						
– Reported but not paid claim	168,241	-	168,241	127,591	-	127,591
– Unreported claim	1,629,472	-	1,629,472	1,542,886	-	1,542,886
Group insurance						
– Reported but not paid claim	81,579	-	81,579	102,306	-	102,306
– Unreported claim	1,345,351	-	1,345,351	1,432,384	-	1,432,384
Investment-linked insurance						
– Reported but not paid claim	22,886	-	22,886	4,600	-	4,600
Total	4,629,174	1,027	4,630,201	4,550,457	797	4,551,254
Less ceded reserve for claims:						
Individual injury insurance	827,483	-	827,483	781,354	-	781,354
Net	\$3,801,691	\$1,027	\$3,802,718	\$3,769,103	\$797	\$3,769,900

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.6.30 (US\$)			2012.12.31 (US\$)		
	Insurance contract	Financial instruments with discretionary participation		Insurance contract	Financial instruments with discretionary participation	
		feature	Total		feature	Total
Individual life insurance						
– Reported but not paid claim	\$4,256	\$34	\$4,290	\$3,787	\$27	\$3,814
– Unreported claim	1,805	-	1,805	1,794	-	1,794
Individual injury insurance	-	-	-	-	-	-
– Reported but not paid claim	5,493	-	5,493	5,195	-	5,195
– Unreported claim	34,562	-	34,562	35,376	-	35,376
Individual health insurance	-	-	-	-	-	-
– Reported but not paid claim	5,616	-	5,616	4,392	-	4,392
– Unreported claim	54,388	-	54,388	53,111	-	53,111
Group insurance	-	-	-	-	-	-
– Reported but not paid claim	2,723	-	2,723	3,522	-	3,522
– Unreported claim	44,905	-	44,905	49,308	-	49,308
Investment-linked insurance	-	-	-	-	-	-
– Reported but not paid claim	764	-	764	158	-	158
Total	154,512	34	154,546	156,643	27	156,670
Less ceded reserve for claims:						
Individual injury insurance	27,620	-	27,620	26,897	-	26,897
Net	\$126,892	\$34	\$126,926	\$129,746	\$27	\$129,773

	2012.6.30 (NT\$)			2012.6.30 (NT\$)		
	Insurance contract	Financial instruments with discretionary participation		Insurance contract	Financial instruments with discretionary participation	
		feature	Total		feature	Total
Individual life insurance						
– Reported but not paid claim	\$125,536	\$3,215	\$128,751	\$139,339	\$3,242	\$142,581
– Unreported claim	43,579	-	43,579	35,995	-	35,995
Individual injury insurance						
– Reported but not paid claim	178,056	-	178,056	195,470	-	195,470
– Unreported claim	940,168	-	940,168	789,700	-	789,700
Individual health insurance						
– Reported but not paid claim	145,503	-	145,503	117,473	-	117,473
– Unreported claim	1,460,405	-	1,460,405	1,326,391	-	1,326,391
Group insurance						
– Reported but not paid claim	111,376	-	111,376	40,850	-	40,850
– Unreported claim	1,507,597	-	1,507,597	1,641,113	-	1,641,113
Investment-linked insurance						
– Reported but not paid claim	13,392	-	13,392	10,510	-	10,510
Total	4,525,612	3,215	4,528,827	4,296,841	3,242	4,300,083
Less ceded reserve for claims:						
Individual injury insurance	743,205	-	743,205	550,769	-	550,769
Net	\$3,782,407	\$3,215	\$3,785,622	\$3,746,072	\$3,242	\$3,749,314

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30 (US\$)			2012.1.1 (US\$)		
	Insurance contract	Financial instruments with discretionary participation		Insurance contract	Financial instruments with discretionary participation	
		feature	Total		feature	Total
Individual life insurance						
— Reported but not paid claim	\$4,213	\$108	\$4,321	\$4,603	\$107	\$4,710
— Unreported claim	1,462	-	1,462	1,189	-	1,189
Individual injury insurance						
— Reported but not paid claim	5,975	-	5,975	6,457	-	6,457
— Unreported claim	31,549	-	31,549	26,088	-	26,088
Individual health insurance						
— Reported but not paid claim	4,883	-	4,883	3,881	-	3,881
— Unreported claim	49,007	-	49,007	43,819	-	43,819
Group insurance						
— Reported but not paid claim	3,737	-	3,737	1,350	-	1,350
— Unreported claim	50,591	-	50,591	54,216	-	54,216
Investment-linked insurance						
— Reported but not paid claim	449	-	449	347	-	347
Total	151,866	108	151,974	141,950	107	142,057
Less ceded reserve for claims:						
Individual injury insurance	24,940	-	24,940	18,195	-	18,195
Net	\$126,926	\$108	\$127,034	\$123,755	\$107	\$123,862

Reserve for claims is summarized below:

	2013.1.1~2013.6.30 (NT\$)			2012.1.1~2012.6.30 (NT\$)		
	Insurance contract	Financial instruments with discretionary participation		Insurance contract	Financial instruments with discretionary participation	
		feature	Total		feature	Total
Beginning balance	\$4,550,457	\$797	\$4,551,254	\$4,296,841	\$3,242	\$4,300,083
Reserve	4,437,445	1,027	4,438,472	4,668,306	3,215	4,671,521
Recover	(4,380,042)	(797)	(4,380,839)	(4,430,200)	(3,242)	(4,433,442)
Gains (loss) on foreign exchange	21,314	-	21,314	(9,335)	-	(9,335)
Ending balance	4,629,174	1,027	4,630,201	4,525,612	3,215	4,528,827
Less ceded reserve for claims:						
Beginning balance-Net	781,354	-	781,354	550,769	-	550,769
Increase	54,911	-	54,911	193,088	-	193,088
Decrease	(10,383)	-	(10,383)	(625)	-	(625)
Gains (loss) on foreign exchange	1,601	-	1,601	(27)	-	(27)
Total	827,483	-	827,483	743,205	-	743,205
Net	\$3,801,691	\$1,027	\$3,802,718	\$3,782,407	\$3,215	\$3,785,622

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.1.1~2013.6.30 (US\$)			2012.1.1~2012.6.30 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$151,884	\$27	\$151,911	\$144,189	\$109	\$144,298
Reserve	148,112	34	148,146	156,655	108	156,763
Recover	(146,196)	(27)	(146,223)	(148,665)	(109)	(148,774)
Gains (loss) on foreign exchange	712	-	712	(313)	-	(313)
Ending balance	154,512	34	154,546	151,866	108	151,974
Less ceded reserve for claims:						
Beginning balance-Net	26,080	-	26,080	18,482	-	18,482
Increase	1,833	-	1,833	6,480	-	6,480
Decrease	(347)	-	(347)	(21)	-	(21)
Gains (loss) on foreign exchange	54	-	54	(1)	-	(1)
Total	27,620	-	27,620	24,940	-	24,940
Net	\$126,892	\$34	\$126,926	\$126,926	\$108	\$127,034

D. Special reserve:

	2013.6.30 (NT\$)				2012.12.31 (NT\$)			
	Financial instruments with discretionary participation				Financial instruments with discretionary participation			
	Insurance contract	feature	Other	Total	Insurance contract	feature	Other	Total
Participating policies dividends reserve	\$1,462	\$-	\$-	\$1,462	1,971	\$-	\$-	\$1,971
Special reserve for revaluation increments of property	50,436,619	-	-	50,436,619	55,438,024	-	-	55,438,024
Others	525	-	-	525	516	-	-	516
Total	\$50,438,606	\$-	\$-	\$50,438,606	\$55,440,511	\$-	\$-	\$55,440,511

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.6.30 (US\$)				2012.12.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	\$49	\$-	\$-	\$49	\$68	\$-	\$-	\$68
Special reserve for revaluation increments of property	1,683,465	-	-	1,683,465	1,908,365	-	-	1,908,365
Others	17	-	-	17	18	-	-	18
Total	\$1,683,531	\$-	\$-	\$1,683,531	\$1,908,451	\$-	\$-	\$1,908,451

	2012.6.30 (NT\$)				2012.1.1 (NT\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	\$985	\$-	\$-	\$985	\$227	\$-	\$-	\$227
Special reserve for revaluation increments of property	55,416,619	-	-	55,416,619	54,086,462	-	-	54,086,462
Reclassify to foreign exchange volatility reserve	-	-	-	-	4,511,406	-	-	4,511,406
Others	529	-	-	529	533	-	-	533
Total	\$55,418,133	\$-	\$-	\$55,418,133	\$58,598,628	\$-	\$-	\$58,598,628

	2012.6.30 (US\$)				2012.1.1 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	\$33	\$-	\$-	\$33	\$7	\$-	\$-	\$7
Special reserve for revaluation increments of property	1,859,618	-	-	1,859,618	1,786,801	-	-	1,786,801
Reclassify to foreign exchange volatility reserve	-	-	-	-	149,039	-	-	149,039
Others	18	-	-	18	18	-	-	18
Total	\$1,859,669	\$-	\$-	\$1,859,669	\$1,935,865	\$-	\$-	\$1,935,865

English Translation of Financial Statements Originally Issued in Chinese

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

Special reserve is summarized below:

	2013.1.1~2013.6.30 (NT\$)				2013.1.1~2013.6.30 (NT\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
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	(508)	-	-	(508)	1,079	-	-	1,079
Recover for participating policies dividends reserve	-	-	-	-	(321)	-	-	(321)
Reclassify to foreign exchange volatility reserve	-	-	-	-	(3,181,249)	-	-	(3,181,249)
Recover from special reserve for revaluation increments of property (Note)	(5,001,405)	-	-	(5,001,405)	-	-	-	-
Exchange difference	8	-	-	8	(4)	-	-	(4)
Ending balance	\$50,438,606	\$-	\$-	\$50,438,606	\$55,418,133	\$-	\$-	\$55,418,133

	2013.1.1~2013.6.30 (US\$)				2012.1.1~2012.6.30 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	\$1,850,484	\$-	\$-	\$1,850,484	\$1,966,397	\$-	\$-	\$1,966,397
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	(17)	-	-	(17)	36	-	-	36
Recover for participating policies dividends reserve	-	-	-	-	(11)	-	-	(11)
Reclassify to foreign exchange volatility reserve	-	-	-	-	(106,753)	-	-	(106,753)
Recover from special reserve for revaluation increments of property (Note)	(166,936)	-	-	(166,936)	-	-	-	-
Exchange difference	-	-	-	-	-	-	-	-
Ending balance	\$1,683,531	\$-	\$-	\$1,683,531	\$1,859,669	\$-	\$-	\$1,859,669

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

E. Premium deficiency reserve:

	2013.6.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$18,347,795	\$-	\$18,347,795	\$16,389,516	\$-	\$16,389,516
Individual health insurance	615,164	-	615,164	690,546	-	690,546
Group insurance	36,360	-	36,360	41,573	-	41,573
Total	\$18,999,319	\$-	\$18,999,319	\$17,121,635	\$-	\$17,121,635

	2013.6.30 (US\$)			2012.12.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$612,410	\$-	\$612,410	\$564,183	\$-	\$564,183
Individual health insurance	20,533	-	20,533	23,771	-	23,771
Group insurance	1,213	-	1,213	1,431	-	1,431
Total	\$634,156	\$-	\$634,156	\$589,385	\$-	\$589,385

	2012.6.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$14,411,530	\$-	\$14,411,530	\$12,872,878	\$-	\$12,872,878
Individual health insurance	675,737	-	675,737	673,880	-	673,880
Group insurance	45,222	-	45,222	52,969	-	52,969
Total	\$15,132,489	\$-	\$15,132,489	\$13,599,727	\$-	\$13,599,727

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.6.30 (US\$)			2012.1.1 (US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$483,608	\$-	\$483,608	\$425,269	\$-	\$425,269
Individual health insurance	22,676	-	22,676	22,262	-	22,262
Group insurance	1,517	-	1,517	1,749	-	1,749
Total	\$507,801	\$-	\$507,801	\$449,280	\$-	\$449,280

Premium deficiency reserve is summarized below:

	2013.1.1~2013.6.30 (NT\$)			2012.1.1~2012.6.30 (NT\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$17,121,635	\$-	\$17,121,635	\$13,599,727	\$-	\$13,599,727
Reserve	2,044,783	-	2,044,783	1,583,951	-	1,583,951
Recover	(434,839)	-	(434,839)	-	-	-
Losses (gains) on foreign exchange	267,740	-	267,740	(51,189)	-	(51,189)
Ending balance	\$18,999,319	\$-	\$18,999,319	\$15,132,489	\$-	\$15,132,489

	2013.1.1~2013.6.30 (US\$)			2012.1.1~2012.6.30 (US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$571,483	\$-	\$571,483	\$456,366	\$-	\$456,366
Reserve	68,250	-	68,250	53,153	-	53,153
Recover	(14,514)	-	(14,514)	-	-	-
Losses (gains) on foreign exchange	8,937	-	8,937	(1,718)	-	(1,718)
Ending balance	\$634,156	\$-	\$634,156	\$507,801	\$-	\$507,801

English Translation of Financial Statements Originally Issued in Chinese

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

F. Liability adequacy reserve

	<u>2013.6.30 (NT\$)</u>	<u>2013.6.30 (US\$)</u>
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,128,900,883	\$104,435,944
Unearned premium reserve	12,262,184	409,286
Premium deficiency reserve	18,999,319	634,156
Total	<u>\$3,160,162,386</u>	<u>\$105,479,386</u>
Book value of insurance liabilities	<u>\$3,160,162,386</u>	<u>\$105,479,386</u>
Estimated present value of cash flows	<u>\$2,491,538,255</u>	<u>\$83,162,158</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>
	<u>2012.12.31 (NT\$)</u>	<u>2012.12.31 (US\$)</u>
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
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>
	<u>2012.6.30 (NT\$)</u>	<u>2012.6.30 (US\$)</u>
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,876,701,183	\$96,533,597
Unearned premium reserve	11,540,377	387,261
Premium deficiency reserve	15,132,489	507,801
Total	<u>\$2,903,374,049</u>	<u>\$97,428,659</u>
Book value of insurance liabilities	<u>\$2,903,374,049</u>	<u>\$97,428,659</u>
Estimated present value of cash flows	<u>\$2,156,700,647</u>	<u>\$72,372,505</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	<u>2012.1.1 (NT\$)</u>	<u>2012.1.1 (US\$)</u>
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
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).

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

Note 3: There are no instances of merger or transfer of insurance contract for the subsidiaries of life insurance. 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 methodology are listed as follows:

	<u>30 June 2013</u>
Test method	<u>Gross premium valuation method (GPV)</u>
Groups	<u>Integrated testing</u>
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 30 June 2013.
	(2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on 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 thousands of dollars except for share and per share data and unless otherwise stated)

		2012.12.31
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.
		2012.6.30
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 30 June 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.
		2012.1.1
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).

English Translation of Financial Statements Originally Issued in Chinese

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

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

	30 June 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 30 June 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.
	2012.12.31
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.
	30 June 2011
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 30 June 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.
	2012.1.1
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 thousands of dollars except for share and per share data and unless otherwise stated)

G. 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 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, reserve for insurance contract with feature of financial instruments is summarized below:

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Life insurance	\$58,842,094	\$1,964,022	\$61,350,872	\$2,111,906
Investment-linked insurance	489	16	-	-
Total	<u>\$58,842,583</u>	<u>\$1,964,038</u>	<u>\$61,350,872</u>	<u>\$2,111,906</u>

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Life insurance	<u>\$64,272,133</u>	<u>\$2,156,783</u>	<u>\$66,884,711</u>	<u>\$2,209,604</u>

	2013.1.1~2013.6.30	2013.1.1~2013.6.30
	(NT\$)	(US\$)
Beginning balance	\$61,350,872	\$2,047,759
Premiums (returned) received	845,438	28,219
Insurance claim payments	(3,019,016)	(100,768)
Net provision of statutory reserve	(560,810)	(18,719)
Gain (losses) on foreign exchange	226,099	7,547
Ending balance	<u>\$58,842,583</u>	<u>\$1,964,038</u>

	2012.1.1~2012.6.30	2012.1.1~2012.6.30
	(NT\$)	(US\$)
Beginning balance	\$66,884,711	\$2,244,453
Premiums (returned) received	1,245,630	41,800
Insurance claim payments	(3,099,353)	(104,005)
Net provision of statutory reserve	(619,200)	(20,779)
Gain (losses) on foreign exchange	(139,655)	(4,686)
Ending balance	<u>\$64,272,133</u>	<u>\$2,156,783</u>

English Translation of Financial Statements Originally Issued in Chinese

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

H. Foreign exchange volatility reserve

(A) The hedge strategy and risk exposure:

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

(B) Adjustment in foreign exchange volatility reserve:

	2013.1.1~2013.6.30 (NT\$)	2013.1.1~2013.6.30 (US\$)
Beginning balance	\$4,270,856	\$142,552
Reserve:		
Compulsory reserve	1,093,432	36,496
Extra reserve	3,150,350	105,152
Subtotal	4,243,782	141,648
Recover	519,236	17,331
Total	\$7,995,402	\$266,869
	2012.1.1~2012.6.30 (NT\$)	2012.1.1~2012.6.30 (US\$)
Beginning balance	\$4,511,406	\$151,389
Reserve:		
Compulsory reserve	602,404	20,215
Extra reserve	528,025	17,719
Subtotal	1,130,429	37,934
Recover	575,410	19,309
Total	\$5,066,425	\$170,014

(C) Effects due to foreign exchange volatility reserve:

2013.6.30 Item	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$18,065,765	\$602,996	\$14,974,391	\$499,813	\$(3,091,374)	\$(103,183)
Earnings per share	1.68	1.68	1.39	1.39	(0.29)	(0.29)
Foreign exchange volatility reserve	-	-	7,995,402	266,869	7,995,402	266,869
Equity	244,088,770	8,147,155	241,197,053	8,050,636	(2,891,717)	(96,519)

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30 Item	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$5,838,215	\$195,913	\$5,377,549	\$180,455	\$(460,666)	\$(15,458)
Earnings per share	0.55	0.55	0.49	0.49	(0.06)	(0.06)
Foreign exchange volatility reserve	-	-	5,066,425	170,014	5,066,425	170,014
Equity	223,192,156	7,489,670	222,731,490	7,474,211	(460,666)	(15,458)

(2) Century Insurance subsidiaries

A. Unearned premiums reserve

a. Unearned premium reserve and ceded unearned premium reserve are summarized as follows:

Item	2013.6.30							
	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	\$2,050,860	\$68,453	\$60,949	\$2,034	\$944,449	\$31,524	\$1,167,360	\$38,963
Marine insurance	227,493	7,593	14,679	490	182,550	6,093	59,622	1,990
Land and air insurance	3,349,413	111,796	8,169	273	145,577	4,859	3,212,005	107,210
Liability insurance	543,978	18,157	140	5	171,431	5,722	372,687	12,440
Bonding insurance	31,915	1,065	581	19	16,861	563	15,635	521
Other property insurance	1,320,703	44,082	10,509	351	539,457	18,006	791,755	26,427
Accident insurance	1,553,368	51,848	3,160	105	86,064	2,873	1,470,464	49,080
Health insurance	94,849	3,166	-	-	572	19	94,277	3,147
Compulsory automobile liability insurance	1,375,088	45,898	187,835	6,270	498,279	16,631	1,064,644	35,537
Total	\$10,547,667	\$352,058	\$286,022	\$9,547	\$2,585,240	\$86,290	\$8,248,449	\$275,315

Item	2012.12.31							
	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	\$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
Total	\$9,776,402	\$336,538	\$295,042	\$10,156	\$2,547,036	\$87,678	\$7,524,408	\$259,016

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30

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	\$2,197,902	\$73,755	\$46,800	\$1,570	\$977,831	\$32,813	\$1,266,871	\$42,513
Marine insurance	270,175	9,066	8,836	297	239,684	8,043	39,327	1,320
Land and air insurance	2,741,449	91,995	4,839	162	118,934	3,991	2,627,354	88,166
Liability insurance	487,637	16,364	194	7	159,968	5,368	327,863	11,003
Bonding insurance	33,438	1,122	549	18	15,109	507	18,878	633
Other property insurance	1,016,134	34,098	12,720	427	504,898	16,943	523,956	17,582
Accident insurance	1,539,854	51,673	4,823	162	69,121	2,319	1,475,556	49,515
Health insurance	121,011	4,061	-	-	1,486	50	119,525	4,011
Compulsory automobile liability insurance	1,172,991	39,362	182,850	6,136	469,305	15,749	886,536	29,749
Total	\$9,580,591	\$321,496	\$261,611	\$8,779	\$2,556,336	\$85,783	\$7,285,866	\$244,492

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
Total	\$8,644,177	\$285,569	\$270,822	\$8,947	\$2,254,873	\$74,492	\$6,660,126	\$220,024

English Translation of Financial Statements Originally Issued in Chinese

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

b. Reconciliation statement of unearned premium reserve and ceded unearned premium reserve

Item	2013.1.1~2013.6.30			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$10,071,444	\$336,163	\$2,547,036	\$85,015
Reserve	10,802,146	360,552	2,572,817	85,875
Recover	(10,101,151)	(337,154)	(2,539,350)	(84,758)
Effects of exchange rate changes	61,250	2,044	4,737	158
Ending balance	<u>\$10,833,689</u>	<u>\$361,605</u>	<u>\$2,585,240</u>	<u>\$86,290</u>

Item	2012.1.1~2012.6.30			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$8,914,999	\$299,161	\$2,254,873	\$75,667
Reserve	9,841,792	330,261	2,556,250	85,780
Recover	(8,908,380)	(298,939)	(2,242,673)	(75,257)
Effects of exchange rate changes	(6,209)	(208)	(12,114)	(407)
Ending balance	<u>\$9,842,202</u>	<u>\$330,275</u>	<u>\$2,556,336</u>	<u>\$85,783</u>

B. Claims reserve

a. Claims reserve and ceded claims reserve

Item	2013.6.30							
	Claims reserve				Ceded claims reserve			
			Assumed reinsurance		Ceded reinsurance			
	Direct business		business		business		Retained business	
	(1)	(2)	(3)	(4)=(1)+(2)-(3)				
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,880,540	\$129,524	\$254,888	\$8,508	\$1,442,204	\$48,138	\$2,693,224	\$89,894
Unreported claims	1,687,803	56,335	61,841	2,064	326,721	10,905	1,422,923	47,494
Total	<u>\$5,568,343</u>	<u>\$185,859</u>	<u>\$316,729</u>	<u>\$10,572</u>	<u>\$1,768,925</u>	<u>\$59,043</u>	<u>\$4,116,147</u>	<u>\$137,388</u>

English Translation of Financial Statements Originally Issued in Chinese

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

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>

2012.6.30								
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	\$3,787,671	\$127,103	\$216,601	\$7,269	\$1,671,664	\$56,096	\$2,332,608	\$78,276
Unreported claims	1,213,669	40,727	29,832	1,001	264,363	8,871	979,138	32,857
Total	<u>\$5,001,340</u>	<u>\$167,830</u>	<u>\$246,433</u>	<u>\$8,270</u>	<u>\$1,936,027</u>	<u>\$64,967</u>	<u>\$3,311,746</u>	<u>\$111,133</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>

b. Net changes for claims reserve and ceded claims reserve

2013.1.1~2013.6.30								
Item	NT\$							
	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve	Recover	Reserve	Recover	(5)=(1)-(2)+ (3)-(4)	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)		(6)	(7)	
Claims reported but not paid off	\$3,863,510	\$4,122,119	\$254,889	\$293,677	\$(297,397)	\$1,437,853	\$1,727,461	\$(289,608)
Unreported claims	1,678,381	1,368,134	61,774	39,582	332,439	324,577	291,745	32,832
Total	<u>\$5,541,891</u>	<u>\$5,490,253</u>	<u>\$316,663</u>	<u>\$333,259</u>	<u>\$35,042</u>	<u>\$1,762,430</u>	<u>\$2,019,206</u>	<u>\$(256,776)</u>

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve	Recover	Reserve	Recover	(5)=(1)-(2)	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	+(3)-(4)	(6)	(7)	
Claims reported but not paid off	\$128,955	\$137,588	\$8,508	\$9,803	\$(9,928)	\$47,992	\$57,659	\$(9,667)
Unreported claims	56,021	45,665	2,062	1,321	11,097	10,834	9,738	1,096
Total	\$184,976	\$183,253	\$10,570	\$11,124	\$1,169	\$58,826	\$67,397	\$(8,571)
2012.1.1~2012.6.30								
NT\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve	Recover	Reserve	Recover	(5)=(1)-(2)	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	+(3)-(4)	(6)	(7)	
Claims reported but not paid off	\$3,786,994	\$4,057,467	\$216,600	\$180,872	\$(234,745)	\$1,671,615	\$1,895,408	\$(223,793)
Unreported claims	1,213,933	1,055,426	29,829	47,496	140,840	264,257	276,630	(12,373)
Total	\$5,000,927	\$5,112,893	\$246,429	\$228,368	\$(93,905)	\$1,935,872	\$2,172,038	\$(236,166)
2012.1.1~2012.6.30								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve	Recover	Reserve	Recover	(5)=(1)-(2)	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	+(3)-(4)	(6)	(7)	
Claims reported but not paid off	\$127,080	\$136,157	\$7,268	\$6,069	\$(7,878)	\$56,094	\$63,604	\$(7,510)
Unreported claims	40,736	35,417	1,001	1,594	4,726	8,868	9,283	(415)
Total	\$167,816	\$171,574	\$8,269	\$7,663	\$(3,152)	\$64,962	\$72,887	\$(7,925)

English Translation of Financial Statements Originally Issued in Chinese

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

c. Reported claims but not yet paid off or unreported claims liabilities for policyholder

2013.6.30						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$893,194	\$29,813	\$35,830	\$1,196	\$929,024	\$31,009
Marine insurance	694,064	23,166	206,714	6,900	900,778	30,066
Land and air insurance	725,951	24,230	643,442	21,477	1,369,393	45,707
Liability insurance	253,333	8,456	310,369	10,359	563,702	18,815
Bonding insurance	19,885	664	2,097	70	21,982	734
Other property insurance	527,258	17,599	166,536	5,558	693,794	23,157
Accident insurance	99,205	3,311	311,628	10,402	410,833	13,713
Health insurance	4,742	159	43,959	1,467	48,701	1,626
Compulsory automobile liability insurance	917,796	30,634	29,069	970	946,865	31,604
Total	<u>\$4,135,428</u>	<u>\$138,032</u>	<u>\$1,749,644</u>	<u>\$58,399</u>	<u>\$5,885,072</u>	<u>\$196,431</u>
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	\$46,078	\$19,362	\$667	\$1,357,922	\$46,745
Marine insurance	794,556	27,351	159,313	5,484	953,869	32,835
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	2,358	284,938	9,809	353,453	12,167
Health insurance	6,816	235	39,229	1,350	46,045	1,585
Compulsory automobile liability insurance	750,380	25,831	19,679	677	770,059	26,508
Total	<u>\$4,405,566</u>	<u>\$151,655</u>	<u>\$1,400,024</u>	<u>\$48,194</u>	<u>\$5,805,590</u>	<u>\$199,849</u>

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,769,336	\$59,374	\$170,479	\$5,721	\$1,939,815	\$65,095
Marine insurance	628,130	21,078	92,010	3,088	720,169	24,166
Land and air insurance	577,938	19,394	445,150	14,938	1,023,088	34,332
Liability insurance	170,243	5,713	152,162	5,106	322,421	10,819
Bonding insurance	20,622	692	7,708	259	28,330	951
Other property insurance	319,086	10,708	75,495	2,533	394,665	13,241
Accident insurance	130,063	4,364	244,714	8,211	374,777	12,575
Health insurance	4,965	167	34,782	1,167	39,747	1,334
Compulsory automobile liability insurance	383,889	12,882	21,001	705	404,890	13,587
Total	\$4,004,272	\$134,372	\$1,243,501	\$41,728	\$5,247,773	\$176,100

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	\$67,907	\$162,754	\$5,377	\$2,218,298	\$73,284
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	768	4,660	154	27,892	922
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	20,510	678	407,347	13,458
Total	\$4,258,618	\$140,688	\$1,106,036	\$36,539	\$5,364,654	\$177,227

English Translation of Financial Statements Originally Issued in Chinese

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

d. Reinsurance asset- Ceded claims reserve for policyholder

2013.6.30						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$315,861	\$10,543	\$9,407	\$314	\$325,268	\$10,857
Marine insurance	516,380	17,236	158,021	5,274	674,401	22,510
Land and air insurance	63,120	2,107	17,825	595	80,945	2,702
Liability insurance	69,088	2,306	90,675	3,027	159,763	5,333
Bonding insurance	18,276	610	1,196	40	19,472	650
Other property insurance	126,004	4,206	16,219	541	142,223	4,747
Accident insurance	8,645	288	15,120	505	23,765	793
Health insurance	-	-	10,492	350	10,492	350
Compulsory automobile liability insurance	324,830	10,842	7,766	259	332,596	11,101
Total	<u>\$1,442,204</u>	<u>\$48,138</u>	<u>\$326,721</u>	<u>\$10,905</u>	<u>\$1,768,925</u>	<u>\$59,043</u>

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
Total	<u>\$1,723,922</u>	<u>\$59,343</u>	<u>\$290,394</u>	<u>\$9,996</u>	<u>\$2,014,316</u>	<u>\$69,339</u>

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$883,156	\$29,636	\$87,559	\$2,938	\$970,715	\$32,574
Marine insurance	454,543	15,253	66,755	2,240	521,298	17,493
Land and air insurance	24,404	819	10,948	367	35,352	1,186
Liability insurance	51,576	1,731	45,632	1,531	97,208	3,262
Bonding insurance	18,904	634	846	28	19,750	662
Other property insurance	106,853	3,586	11,073	372	117,926	3,958
Accident insurance	11,805	396	32,347	1,086	44,152	1,482
Health insurance	-	-	1,876	63	1,876	63
Compulsory automobile liability insurance	120,423	4,041	7,327	246	127,750	4,287
Total	\$1,671,664	\$56,096	\$264,363	\$8,871	\$1,936,027	\$64,967

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
Total	\$1,896,762	\$62,661	\$278,507	\$9,201	\$2,175,269	\$71,862

English Translation of Financial Statements Originally Issued in Chinese

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

e. Reconciliation statement of claims reserve and ceded claims reserve

Item	2013.1.1~2013.6.30			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,805,590	\$193,778	\$2,014,316	\$67,234
Reserve	5,858,554	195,546	1,762,430	58,826
Recover	(5,823,512)	(194,377)	(2,019,206)	(67,397)
Effects of exchange rate changes	44,440	1,484	11,385	380
Ending balance	<u>\$5,885,072</u>	<u>\$196,431</u>	<u>\$1,768,925</u>	<u>\$59,043</u>

Item	2012.1.1~2012.6.30			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,364,654	\$180,022	\$2,175,269	\$72,995
Reserve	5,247,356	176,086	1,935,872	64,962
Recover	(5,341,260)	(179,237)	(2,172,039)	(72,887)
Effects of exchange rate changes	(22,977)	(771)	(3,075)	(103)
Ending balance	<u>\$5,247,773</u>	<u>\$176,100</u>	<u>\$1,936,027</u>	<u>\$64,967</u>

C. Special reserve

a. Special reserve - Compulsory automobile liability insurance

Item	2013.1.1~2013.6.30	
	NT\$	US\$
Beginning balance	\$2,307,591	\$77,023
Reserve	117,772	3,931
Recover	(202,915)	(6,773)
Ending balance	<u>\$2,222,448</u>	<u>\$74,181</u>

Item	2012.1.1~2012.6.30	
	NT\$	US\$
Beginning balance	\$2,434,891	\$81,708
Reserve	114,829	3,853
Recover	(55,798)	(1,872)
Ending balance	<u>\$2,493,922</u>	<u>\$83,689</u>

English Translation of Financial Statements Originally Issued in Chinese

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

b. Special reserve - Non-compulsory automobile liability insurance

2013.1.1~2013.6.30						
Item	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,113,068	\$37,152	\$1,034,979	\$34,545	\$2,148,047	\$71,697
Reserve	-	-	-	-	-	-
Recover	-	-	-	-	-	-
Ending balance	<u>\$1,113,068</u>	<u>\$37,152</u>	<u>\$1,034,979</u>	<u>\$34,545</u>	<u>\$2,148,047</u>	<u>\$71,697</u>

2012.1.1~2012.6.30						
Item	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,172,396	\$39,342	\$1,153,815	\$38,719	\$2,326,211	\$78,061
Reserve	-	-	-	-	-	-
Recover	-	-	(19,749)	(663)	(19,749)	(663)
Ending balance	<u>\$1,172,396</u>	<u>\$39,342</u>	<u>\$1,134,066</u>	<u>\$38,056</u>	<u>\$2,306,462</u>	<u>\$77,398</u>

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.

A. Premiums deficiency reserve

a. Premiums deficiency reserve and ceded premium deficiency reserve

2013.6.30								
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	\$3,733	\$125	\$63	\$2	\$57	\$2	\$3,739	\$125
Marine insurance	347	12	13	-	(19,486)	(651)	19,846	663
Land and air insurance	-	-	214	7	-	-	214	7
Liability insurance	17,931	598	21	1	203	7	17,749	592
Bonding insurance	8,857	296	-	-	8,750	292	107	4
Other property insurance	62,436	2,084	338	11	657	22	62,117	2,073
Accident insurance	-	-	146	5	-	-	146	5
Health insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	21,185	707	-	-	-	-	21,185	707
Total	<u>\$114,489</u>	<u>\$3,822</u>	<u>\$795</u>	<u>\$26</u>	<u>\$(9,819)</u>	<u>\$(328)</u>	<u>\$125,103</u>	<u>\$4,176</u>

English Translation of Financial Statements Originally Issued in Chinese

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

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	-	-	-	-	-	-	-	-
Total	\$66,442	\$2,287	\$10,707	\$369	\$(5,055)	\$(174)	\$82,204	\$2,830

2012.6.30								
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	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Marine insurance	10,422	350	359	12	3,232	109	7,549	253
Land and air insurance	-	-	762	25	-	-	762	25
Liability insurance	551	19	-	-	-	-	551	19
Bonding insurance	4,900	164	-	-	4,777	160	123	4
Other property insurance	10,468	351	78	3	-	-	10,546	354
Accident insurance	-	-	168	6	-	-	168	6
Health insurance	-	-	-	-	-	-	-	-
Total	\$26,341	\$884	\$1,367	\$46	\$8,009	\$269	\$19,699	\$661

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\$		
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	-	-	-	-	-	-	-	-
Total	\$24,417	\$807	\$609	\$20	\$6,136	\$203	\$18,890	\$624

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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

2013.1.1~2013.6.30									
NT\$									
Item	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve (5)=(1)-(2)+(3)-(4)	Ceded reinsurance business		Net change for ceded premiums deficiency reserve (8)=(6)-(7)	Recognized net loss (gain) for premiums deficiency reserve (9)=(5)-(8)
	Reserve	Recover	Reserve	Recover		Reserve	Recover		
	(1)	(2)	(3)	(4)		(6)	(7)		
Fire insurance	\$3,629	\$6,303	\$61	\$24	\$(2,637)	\$56	\$-	\$56	\$(2,693)
Marine insurance	338	9,327	13	726	(9,702)	(19,488)	(7,183)	(12,305)	2,603
Land and air insurance	-	-	214	9,319	(9,105)	-	-	-	(9,105)
Liability insurance	17,432	13,330	20	10	4,112	197	-	197	3,915
Bonding insurance	8,853	2,206	-	-	6,647	8,750	2,096	6,654	(7)
Other property insurance	60,695	36,418	329	444	24,162	639	34	605	23,557
Accident insurance	-	-	142	198	(56)	-	-	-	(56)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	20,594	-	-	-	20,594	-	-	-	20,594
Total	\$111,541	\$67,584	\$779	\$10,721	\$34,015	\$(9,846)	\$(5,053)	\$(4,793)	\$38,808

2013.1.1~2013.6.30									
US\$									
Item	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve (5)=(1)-(2)+(3)-(4)	Ceded reinsurance business		Net change for ceded premiums deficiency reserve (8)=(6)-(7)	Recognized net loss (gain) for premiums deficiency reserve (9)=(5)-(8)
	Reserve	Recover	Reserve	Recover		Reserve	Recover		
	(1)	(2)	(3)	(4)		(6)	(7)		
Fire insurance	\$121	\$210	\$2	\$1	\$(88)	\$2	\$-	\$2	\$(90)
Marine insurance	11	311	-	24	(324)	(650)	(240)	(411)	87
Land and air insurance	-	-	7	311	(304)	-	-	-	(304)
Liability insurance	582	445	1	0	137	7	-	7	131
Bonding insurance	295	74	-	-	222	292	70	222	-
Other property insurance	2,026	1,216	11	15	806	21	1	20	786
Accident insurance	-	-	5	7	(2)	-	-	-	(2)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	687	-	-	-	687	-	-	-	-
Total	\$3,723	\$2,256	\$26	\$358	\$1,135	\$(329)	\$(169)	\$(160)	\$1,295

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30

Item	NT\$								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognized 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	\$-	\$-	\$-	\$432	\$(432)	\$-	\$(5,485)	\$5,485	\$(5,917)
Marine insurance	10,422	9,806	359	55	920	3,232	1,867	1,365	(445)
Land and air insurance	-	-	762	2	760	-	(1,480)	1,480	(720)
Liability insurance	550	-	-	49	501	-	49	(49)	550
Bonding insurance	4,900	11,292	-	6	(6,398)	4,777	11,185	(6,408)	10
Other property insurance	10,459	3,239	78	53	7,245	-	-	-	7,245
Accident insurance	-	-	169	11	158	-	-	-	158
Health insurance	-	-	-	-	-	-	-	-	-
Total	\$26,331	\$24,337	\$1,368	\$608	\$2,754	\$8,009	\$6,136	\$1,873	\$881

2012.1.1~2012.6.30

Item	US\$								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognized 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	\$-	\$-	\$-	\$14	\$(14)	\$-	\$(184)	\$184	\$(199)
Marine insurance	350	329	12	2	31	108	63	46	(15)
Land and air insurance	-	-	26	-	26	-	(50)	50	(24)
Liability insurance	18	-	-	2	17	-	2	(2)	18
Bonding insurance	164	379	-	-	(215)	160	375	(215)	-
Other property insurance	351	109	3	2	243	-	-	-	243
Accident insurance	-	-	6	-	5	-	-	-	5
Health insurance	-	-	-	-	-	-	-	-	-
Total	\$884	\$817	\$46	\$20	\$92	\$269	\$206	\$63	\$30

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	2013.1.1~2013.6.30			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$77,149	\$2,575	\$(5,055)	\$(169)
Reserve	112,320	3,749	(9,846)	(329)
Recover	(78,305)	(2,613)	5,053	169
Effects of exchange rate changes	4,120	137	29	1
Ending balance	\$115,284	\$3,848	\$(9,819)	\$(328)

Item	2012.1.1~2012.6.30			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$25,025	\$840	\$6,136	\$206
Reserve	27,699	930	8,009	269
Recover	(24,945)	(837)	(6,136)	(206)
Effects of exchange rate changes	(71)	(3)	-	-
Ending balance	\$27,708	\$930	\$8,009	\$269

d. Effects for 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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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 30 June 2013 and 2012, amounted to NT\$320,606 (US\$10,701) thousands and NT\$286,029 (US\$9,598) thousands, for the six-month periods end 30 June 2013 and 2012, amounted to NT\$640,604 (US\$21,382) thousand and NT\$569,746 (US\$19,119) thousands, respectively.

(2) Defined benefit plans

Please refer to the consolidated financial report for the three-month periods ended 30 June 2013 and 2012 for information of the Group's defined benefit plans and the disclosure of 2012 defined benefit plans.

The Group reconciliation expense for defined benefit plans for the three-month period ended 30 June 2013 and 2012, amounted to NT\$143,604 (US\$4,793) and NT\$149,539 (US\$5,018), for the six-month period ended 30 June 2013 and 2012, amounted to NT\$287,485 (US\$9,596) and NT\$298,668 (US\$10,022),

(3) Employee preferential interest rate deposits 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". The related information about employee preferential interest rate deposits plan of Cathay United Bank were disclosed in the Group's consolidated financial report for the three-month periods ended 30 June 2013 and 2012.

Expenses under preferential interest rate deposits plan amounted to NT\$71,944 (US\$2,401), NT\$45,818 (US\$1,538), NT\$143,282 (US\$4,782) and NT\$93,664 (US\$3,143) were recognized in the second quarter of 2013 and 2012 and for the six-month periods ended 30 June 2013 and 2012, respectively, and were recorded as "Employee benefits expenses".

English Translation of Financial Statements Originally Issued in Chinese

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

24. Common stock

- (1) As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the authorized share capital amounted to NT\$120,000,000 (US\$4,005,340) thousands, and the issued share capital amounted NT\$108,653,851 (US\$3,626,631) thousands, NT\$108,653,851 (US\$3,740,236) thousands, NT\$103,575,096 (US\$3,475,675) thousands and NT\$103,575,096 (US\$3,421,708) thousands, respectively.
- (2) The recapitalization of undistributed earnings of NT\$ 7,465,770 (US\$249,191) thousands by issuing 746,577 thousand shares with par value of NT\$10 (US\$0.33) was resolved at the Company's shareholders' meeting on 14 June 2013.
- (3) The recapitalization of undistributed earnings of NT\$5,078,755 (US\$170,428) thousands by issuing 507,875 thousand shares with par value of NT\$10 (US\$0.34) was resolved at the Company's shareholders' meeting on 15 June 2012 and approved by the Financial Supervisory commission on 12 July 2012. The recapitalization record date was 8 August 2012.
- (4) The recapitalization of cash by issuing 353,000 thousand shares with par value of NT\$10 (US\$0.33) was resolved at the Company's shareholders' meeting on 24 May 2013 and approved by the Financial Supervisory commission on 17 June 2013. The company set the issue par value at NT\$36 (US\$1.20). The recapitalization record date was 27 July 2013.
- (5) On 31 December 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TWSE) in accordance with relevant regulations. On 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\$2,620,432) thousands as of 30 June 2013, 31 December 2012, 30 June 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\$8,919) thousands were included in the capital surplus as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012.

English Translation of Financial Statements Originally Issued in Chinese

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

- (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 the statutory regulations, capital reserves are exclusively used to compensate 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 may 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.

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 6 April 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 under 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 is 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.

English Translation of Financial Statements Originally Issued in Chinese

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

- B. For Cathay United Bank, Cathay Securities and Cathay Futures, the remaining balance should be reclassified as special reserve as of 31 December 2010 according to the relevant 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 shall be recorded as special reserve at the end of year. As of 30 June 2013, the reserves amounted to NT\$1,119,727 (US\$37,374) thousands.
- D. Cathay Life has elected to use the fair value of certain investment properties on transition date to TIFRS as their deemed costs. In accordance with Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the incremental value from fair value revaluation can be used to offset the negative impact from transition and shall be set aside an equal amount of retained earnings; the residual amount should be recognized under special reserves. According to Order No. 10202508140 issued by Insurance Bureau, the abovementioned amount shall be set aside under special capital reserve in accordance with Order Jin-Guan-Bao-Cai-Zi No.10102508861. Cathay Life will recognize special capital reserve NT\$2,708,494 (US\$90,404) thousands retrospectively in the third quarter of 2013.
- E. Cathay Century's special reserves for major incidents and special reserve for fluctuation of risks shall be recorded as special reserve at the end of year. As of 30 June 2013, the reserves amounted to NT\$869,978 (US\$29,038) thousands.

(3) Undistributed earnings

- A. According to Article 30 of the Company's Articles of Incorporation, 10% of the Company's annual earnings, after paying tax and offsetting losses from previously years, 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 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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 recapitalization of cash by issuing 353,000 thousand shares with par value of NT\$10 (US\$0.34) was resolved at the Company's shareholders' meeting on 14 June 2013 and approved by the Financial Supervisory Commission on 17 June 2013. The Company set the issue par value of NT\$36 (US\$1.20). The recapitalization record date was 27 July 2013.

E. The estimation of employee bonus and remuneration of directors For the six-month periods ended 30 June 2013 and 2012 were NT\$5,400 (US\$180) based on the average actual payment over the past three year and recognized as operating expense. Resolution approved at the subsequent 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.

F. Details of the 2012 and 2011 earnings distribution and dividends per share as approved by the shareholders' meeting on 14 June 2013 and 15 June 2012, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2012	2011	2012	2011
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	-	-

	Appropriation of earnings		Dividend per share (US\$)	
	2012	2011	2012	2011
Legal reserve	\$56,748	\$37,488	\$	\$
Common stock -cash dividend	249,191	170,428	0.02	0.02
Common stock-stock dividend	249,191	170,428	0.02	0.02
Directors' remuneration	180	181	-	-
Employee bonus — cash	50	34	-	-

English Translation of Financial Statements Originally Issued in Chinese

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

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.

G. 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 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the amount and share number of treasury stocks were all NT\$7,179,872 (US\$239,649) thousands and 200,000 thousands shares.

28. Non-Controlling Interests

	2013.1.1~2013.6.30	
	NT\$	US\$
Beginning balance	\$3,751,614	\$125,221
Net income attributed to non-controlling interests:	166,624	5,562
Other comprehensive income attributed to non-controlling interests		
Exchange differences resulting from translating the financial statements of a foreign operation	136,918	4,570
Unrealized gains from available-for-sale financial assets	(3,305)	(111)
The movement of non-controlling interests	(298,925)	(9,977)
Ending balance	<u>\$3,752,926</u>	<u>\$125,265</u>
	2012.1.1~2012.6.30	
	NT\$	US\$
Beginning balance	\$4,050,638	\$135,927
Net income attributed to non-controlling interests	120,198	4,033
Other comprehensive income attributed to non-controlling interests:		
Exchange differences resulting from translating the financial statements of a foreign operation	(69,334)	(2,327)
Unrealized gains from available-for-sale financial assets	46,022	1,545
The movement of non-controlling interests	(410,651)	(13,780)
Ending balance	<u>\$3,736,873</u>	<u>\$125,398</u>

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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:

	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$6,671,724	\$222,688	\$5,930,121	\$198,997
Labor and health insurance	837,006	27,937	754,564	25,321
Pension expense	486,516	16,239	401,495	13,473
Other employee benefits	447,948	14,952	574,450	19,277
Depreciation	1,013,353	33,823	1,081,373	36,288
Amortization	81,035	2,705	85,444	2,867
	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$13,260,135	\$442,595	\$11,840,937	\$397,347
Labor and health insurance	1,811,583	60,467	1,500,050	50,337
Pension expense	973,439	32,491	867,664	29,116
Other employee benefits	994,947	33,209	1,140,766	38,281
Depreciation	2,041,568	68,143	1,949,714	65,427
Amortization	162,623	5,428	173,520	5,823

30. The Components of other comprehensive income

For the three-month period ended 30 June 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	\$199,975	\$-	\$199,975	\$(13,116)	\$186,859
Unrealized gains (losses) from available-for-sale financial assets	(12,224,569)	(5,186,170)	(17,410,739)	2,997,870	(14,412,869)
Gain (loss) on cash flow hedges	(11,579)	(180,932)	(192,511)	31,922	(160,589)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(41,937)	-	(41,937)	-	(41,937)
Total of other comprehensive income	<u>\$(12,078,110)</u>	<u>\$(5,367,102)</u>	<u>\$(17,445,212)</u>	<u>\$3,016,676</u>	<u>\$(14,428,536)</u>

English Translation of Financial Statements Originally Issued in Chinese

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

For the three-month period ended 30 June 2013:

	US(\$)				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, 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	\$6,675	\$-	\$6,675	\$(438)	\$6,237
Unrealized gains (losses) from available-for-sale financial assets	(408,030)	(173,103)	(581,133)	100,062	(481,071)
Gain (loss) on cash flow hedges	(387)	(6,039)	(6,426)	1,066	(5,360)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,400)	-	(1,400)	-	(1,400)
Total of other comprehensive income	\$(403,142)	\$(179,142)	\$(582,284)	\$100,690	\$(481,594)

For the three-month period ended 30 June 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	\$200,779	\$-	\$200,779	\$(24,817)	\$175,962
Unrealized gains (losses) from available-for-sale financial assets	(11,342,910)	(6,124,605)	(17,467,515)	898,880	(16,568,635)
Gain (loss) on cash flow hedges	98,538	(203,531)	(104,993)	17,196	(87,797)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(30,010)	-	(30,010)	-	(30,010)
Total of other comprehensive income	\$(11,073,603)	\$(6,328,136)	\$(17,401,739)	\$891,259	\$(16,510,480)

English Translation of Financial Statements Originally Issued in Chinese

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

For the three-month period ended 30 June 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	\$6,737	\$-	\$6,737	\$(833)	\$5,904
Unrealized gains (losses) from available-for-sale financial assets	(380,635)	(205,524)	(586,158)	30,164	(555,994)
Gain (loss) on cash flow hedges	3,307	(6,830)	(3,523)	577	(2,946)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,007)	-	(1,007)	-	(1,007)
Total of other comprehensive income	\$(371,597)	(212,354)	\$(583,951)	\$29,908	\$(554,043)

For the six-month period ended 30 June 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	\$732,167	\$-	\$732,167	\$(64,607)	\$667,560
Unrealized gains (losses) from available-for-sale financial assets	(8,081,924)	(9,365,821)	(17,447,745)	2,810,027	(14,637,718)
Gain (loss) on cash flow hedges	(20,344)	(372,084)	(392,428)	65,763	(326,665)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(9,657)	-	(9,657)	-	(9,657)
Total of other comprehensive income	\$(7,379,758)	\$(9,737,905)	\$(17,117,663)	\$2,811,183	\$(14,306,480)

English Translation of Financial Statements Originally Issued in Chinese

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

For the six-month period ended 30 June 2013:

	US(\$)				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, 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	\$24,438	\$-	\$24,438	\$(2,157)	\$22,281
Unrealized gains (losses) from available-for-sale financial assets	(269,757)	(312,611)	(582,368)	93,793	(488,575)
Gain (loss) on cash flow hedges	(679)	(12,420)	(13,099)	2,195	(10,904)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(322)	-	(322)	-	(322)
Total of other comprehensive income	\$(246,320)	\$(325,031)	\$(571,351)	\$93,831	\$(477,520)

For the six-month period ended 30 June 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	\$(480,714)	\$-	\$(480,714)	\$59,299	\$(421,415)
Unrealized gains (losses) from available-for-sale financial assets	15,137,753	(10,445,508)	4,692,245	27,804	4,720,049
Gain (loss) on cash flow hedges	(15,005)	(401,185)	(416,190)	69,672	(346,518)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(31,190)	-	(31,190)	-	(31,190)
Total of other comprehensive income	\$14,610,844	\$(10,846,693)	\$3,764,151	\$156,775	\$3,920,926

English Translation of Financial Statements Originally Issued in Chinese

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

	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	\$ (16,131)	\$ -	\$ (16,131)	\$ 1,990	\$ (14,141)
Unrealized gains (losses) from available-for-sale financial assets	507,978	(350,520)	157,458	933	158,391
Gain (loss) on cash flow hedges	(503)	(13,463)	(13,966)	2,338	(11,628)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,047)	-	(1,047)	-	(1,047)
Total of other comprehensive income	\$490,297	\$(363,983)	\$126,314	\$5,261	\$131,575

31. Income taxes

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

Income tax expense (income) recognized in profit or loss

	NT(\$)			
	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
Current income tax expense (income):				
Current income tax charge	\$609,742	\$153,969	\$1,344,923	\$1,228,956
Adjustments in respect of current income tax of prior periods	(379,007)	(17,528)	(337,581)	22,811
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,459,805	579,471	1,491,158	(907,059)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	402	16,091	556	10,522
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	110,340	(45)	110,340	(45)
Other components of deferred tax expense (income)	(616,753)	(101,233)	(656,528)	98,162
Total income tax expense (income)	\$1,184,529	\$630,725	\$1,952,868	\$453,347

English Translation of Financial Statements Originally Issued in Chinese

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

	US(\$)			
	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
Current income tax expense (income):				
Current income tax charge	\$20,352	\$5,167	\$44,890	\$41,240
Adjustments in respect of current income tax of prior periods	(12,650)	(588)	(11,268)	765
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	48,725	19,445	49,772	(30,438)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	13	540	18	353
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	3,683	(2)	3,683	(1)
Other components of deferred tax expense (income)	(20,586)	(3,397)	(21,913)	3,294
Total income tax expense (income)	<u>\$39,537</u>	<u>\$21,165</u>	<u>\$65,182</u>	<u>\$15,213</u>

Income tax relating to components of other comprehensive income

	NT(\$)			
	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
Deferred tax expense (income):				
Unrealized gains (losses) from available-for-sale financial assets	\$(2,997,870)	\$(898,880)	\$(2,810,027)	\$(27,804)
Exchange difference resulting from translating the financial statements of a foreign operation	13,116	24,817	64,607	(59,299)
Loss on cash flow hedges	(31,922)	(17,196)	(65,763)	(69,672)
Income tax relating to components of other comprehensive income	<u>\$(3,016,676)</u>	<u>\$(891,259)</u>	<u>\$(2,811,183)</u>	<u>\$(156,775)</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	US(\$)			
	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2013.1.1~ 2013.6.30
Deferred tax expense (income):				
Unrealized gains (losses) from available-for-sale financial assets	\$(100,062)	\$(30,164)	\$(93,793)	\$(933)
Exchange difference resulting from translating the financial statements of a foreign operation	438	833	2,157	(1,990)
Loss on cash flow hedges	(1,066)	(577)	(2,195)	(2,338)
Income tax relating to components of other comprehensive income	<u>\$(100,690)</u>	<u>\$(29,908)</u>	<u>\$(93,831)</u>	<u>\$(5,261)</u>

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

	NT(\$)	
	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
Accounting profit (loss) before tax from continuous operations	<u>\$16,927,259</u>	<u>\$5,830,896</u>
Income tax computed by applicable income tax rate 17%	\$5,582,681	\$1,961,883
Tax effect of revenues exempt from taxation	(4,928,192)	(2,425,048)
Tax effect of expenses not deductible for tax purposes	231,130	71,588
Return of cash dividends	63,366	-
Unrecognized tax losses of deferred tax assets	1,903,268	-
Alternative minimum tax	6,626	-
Tax effect of deferred tax assets/liabilities	139,322	96,231
Adjustments in respect of current income tax of prior periods	(335,810)	24,264
Others	(709,523)	724,429
Total income tax expense (income) recognized in profit or loss	<u>\$1,952,868</u>	<u>\$453,347</u>

	US(\$)	
	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
Accounting profit (loss) before tax from continuing operations	<u>\$564,995</u>	<u>\$195,667</u>
Income tax computed by applicable income tax rate 17%	\$186,338	\$65,835
Tax effect of revenues exempt from taxation	(164,492)	(81,377)
Tax effect of expenses not deductible for tax purposes	7,714	2,402
Return of cash dividends	2,115	-
Unrecognized tax losses of deferred tax assets	63,527	-
Alternative minimum tax	221	-
Tax effect of deferred tax assets/liabilities	4,650	3,229
Adjustments in respect of current income tax of prior periods	(11,209)	814
Others	(23,682)	24,310
Total income tax expense (income) recognized in profit or loss	<u>\$65,182</u>	<u>\$15,213</u>

English Translation of Financial Statements Originally Issued in Chinese

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

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

	2013.1.1~2013.6.30				
	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	\$647,720	\$14,940	\$-	\$-	\$662,660
Investment property	(7,798,917)	(7,227)	-	-	(7,806,144)
Financial assets at fair value through profit and loss	(818,484)	(375,480)	-	-	(1,193,964)
Available-for-sale financial assets	(5,827,942)	-	3,549,878	-	(2,278,064)
Derivative financial assets for hedging	(196,534)	-	65,763	-	(130,771)
Impairment on bond investments for which no active market	50,801	9,212	-	-	60,013
Investments accounted for using the equity method	(77,649)	5,909	-	-	(71,740)
Prepaid pensions	-	-	-	(267)	(267)
Preferential interest rate deposits	107,150	(37)	-	-	107,113
Financial liabilities at fair value through profit or loss	358,911	3,172,178	-	-	3,531,089
Other receivables	(46,622)	(1,553)	-	-	(48,175)
Provisions for employee benefits liabilities	882,302	11,329	-	-	893,631
Bad debt losses	650,376	188,340	-	-	838,716
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	14,565,624	(5,416,906)	(804,458)	(68,593)	8,275,667
Provisions	(781,403)	744,240	-	-	(37,163)
Convertible bonds payables	31,087	108,556	-	-	139,643
Deferred revenue on customer loyalty programs	102,821	93,014	-	-	195,835
Fair value adjustments from business consolidation	(261,404)	(30,410)	-	-	(291,814)
Guarantee deposits paid	1,250	(8,039)	-	-	(6,789)
Office supplies	5,596	-	-	-	5,596
Others	127,253	774	-	-	128,027
Unused tax losses	10,968	(14)	-	-	10,954
Tax effect under consolidated income tax	923,802	298,828	-	-	1,222,630
Deferred income tax expenses (income)		<u>\$(1,192,346)</u>	<u>\$2,811,183</u>	<u>\$(68,860)</u>	
Deferred income tax assets (liabilities)-net	<u>\$2,656,706</u>				<u>\$4,206,683</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$18,964,587</u>				<u>\$16,206,833</u>
Deferred income tax liabilities	<u>\$(16,307,881)</u>				<u>\$(12,000,150)</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.1.1~2013.6.30				
	US(\$)				
	Beginning	Recognition in	Recognition in	Exchange	Ending
	balance	profit or loss	comprehensive	differences	balance
			other		
			income or loss		
Temporary differences:					
Property, plant and equipment	\$21,619	\$499	\$-	\$-	\$22,118
Investment property	(260,311)	(241)	-	-	(260,552)
Financial assets at fair value through profit and loss	(27,319)	(12,533)	-	-	(39,852)
Available-for-sale financial assets	(194,524)	-	118,487	-	(76,037)
Derivative financial assets for hedging	(6,560)	-	2,195	-	(4,365)
Impairment on bond investments for which no active market	1,696	308	-	-	2,004
Investments accounted for using the equity method	(2,592)	197	-	-	(2,395)
Prepaid pensions	-	-	-	(9)	(9)
Preferential interest rate deposits	3,576	(1)	-	-	3,575
Financial liabilities at fair value through profit or loss	11,980	105,880	-	-	117,860
Other receivables	(1,556)	(52)	-	-	(1,608)
Provisions for employee benefits liabilities	29,449	378	-	-	29,827
Bad debt losses	21,708	6,286	-	-	27,994
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	486,169	(180,805)	(26,851)	(2,289)	276,224
Provisions	(26,082)	24,841	-	-	(1,241)
Convertible bonds payables	1,038	3,623	-	-	4,661
Deferred revenue on customer loyalty programs	3,432	3,105	-	-	6,537
Fair value adjustments from business consolidation	(8,725)	(1,015)	-	-	(9,740)
Guarantee deposits paid	42	(268)	-	-	(226)
Office supplies	187	-	-	-	187
Others	4,247	26	-	-	4,273
Unused tax losses	366	-	-	-	366
Tax effect under consolidated income tax	30,835	9,974	-	-	40,809
Deferred income tax expenses (income)		<u>\$(39,798)</u>	<u>\$93,831</u>	<u>\$(2,298)</u>	
Deferred income tax assets (liabilities)-net	<u>\$88,675</u>				<u>\$140,410</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$632,997</u>				<u>\$540,949</u>
Deferred income tax liabilities	<u>\$(544,322)</u>				<u>\$(400,539)</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.1.1~2012.6.30				
	NT(\$)				
	Beginning	Recognition in	Recognition in	Exchange	Ending
	balance	profit or loss	comprehensive	differences	balance
			other		
			income or loss		
Temporary differences:					
Property, plant and equipment	\$392,434	\$148,667	\$-	\$-	\$541,101
Investment property	(7,604,517)	(110,577)	-	-	(7,715,094)
Financial assets at fair value through profit and loss	(789,597)	354,980	-	-	(434,617)
Available-for-sale financial assets	(3,542,489)	(6,179)	(316,509)	-	(3,865,177)
Derivative financial assets for hedging	(339,526)	-	69,672	-	(269,854)
Impairment on bond investments for which no active market	48,034	1,020	-	-	49,054
Investments accounted for using the equity method	(113,464)	51,689	-	-	(61,775)
Preferential interest rate deposits	104,570	(7,462)	-	-	97,108
Financial liabilities at fair value through profit or loss	3,013,504	(1,475,361)	-	-	1,538,143
Other receivables	(61,699)	8,872	-	-	(52,827)
Provisions for employee benefits liabilities	866,648	8,924	-	-	875,572
Bad debt losses	198,352	86,613	-	-	284,965
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	8,001,645	1,873,711	403,612	51,909	10,330,877
Provisions	(804,925)	15,133	-	-	(789,792)
Deferred revenue on customer loyalty programs	100,827	3,270	-	-	104,097
Fair value adjustments from business consolidation	(200,584)	(30,410)	-	-	(230,994)
Office supplies	3,796	-	-	-	3,796
Guarantee deposits paid	109	1,796	-	-	1,905
Others	89,819	(18,962)	-	-	70,857
Unused tax losses	13,147	(5,938)	-	-	7,209
Unused tax credits	53,847	(3,625)	-	-	50,222
Tax effect under consolidated income tax	1,891,427	(586,839)	-	-	1,304,588
Deferred income tax expenses (income)		\$309,322	\$156,775	\$51,909	
Deferred income tax assets (liabilities)-net	\$1,321,358				\$1,839,364
Reflected in balance sheet as flows:					
Deferred income tax assets	\$15,354,753				\$15,654,954
Deferred income tax liabilities	\$(14,033,395)				\$(13,815,590)

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.1.1~2012.6.30				
	US(\$)				
	Beginning	Recognition in	Recognition in	Exchange	Ending
	balance	profit or loss	comprehensive	differences	balance
			other		
			income or loss		
Temporary differences:					
Property, plant and equipment	\$13,169	\$4,989	\$-	\$-	\$18,158
Investment property	(255,185)	(3,711)	-	-	(258,896)
Financial assets at fair value through profit and loss	(26,497)	11,912	-	-	(14,585)
Available-for-sale financial assets	(118,875)	(207)	(10,621)	-	(129,703)
Derivative financial assets for hedging	(11,393)		2,338	-	(9,055)
Impairment on bond investments for which no active market	1,612	34	-	-	1,646
Investments accounted for using the equity method	(3,808)	1,735	-	-	(2,073)
Preferential interest rate deposits	3,509	(250)	-	-	3,259
Financial liabilities at fair value through profit or loss	101,124	(49,509)	-	-	51,615
Other receivables	(2,070)	298	-	-	(1,772)
Provisions for employee benefits liabilities	29,082	299	-	-	29,381
Bad debt losses	6,656	2,906	-	-	9,562
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	268,512	62,876	13,544	1,742	346,674
Provisions	(27,011)	508	-	-	(26,503)
Deferred revenue on customer loyalty programs	3,383	110	-	-	3,493
Fair value adjustments from business consolidation	(6,731)	(1,020)	-	-	(7,751)
Office supplies	127	-	-	-	127
Guarantee deposits paid	4	60	-	-	64
Others	3,014	(636)	-	-	2,378
Unused tax losses	441	(199)	-	-	242
Unused tax credits	1,807	(122)	-	-	1,685
Tax effect under consolidated income tax	63,471	(19,693)	-	-	43,778
Deferred income tax expenses (income)		\$10,380	\$5,261	\$1,742	
Deferred income tax assets (liabilities)-net	\$44,341				\$61,724
Reflected in balance sheet as flows:					
Deferred income tax assets	\$515,260				\$525,334
Deferred income tax liabilities	\$(470,919)				\$(463,610)

English Translation of Financial Statements Originally Issued in Chinese

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

(4) Unrecognized deferred income tax assets

Until to 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the amount of deferred income tax assets arisen from not probable taxable income were NT\$5,733,350 (US\$191,367) thousands, NT\$5,341,957 (US\$183,888) thousands, NT\$5,145,820 (US\$172,679) thousands and NT\$5,126,149 (US\$169,348) thousands, respectively.

(5) Unrecognized deferred tax liabilities relating to the 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 overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 30 June 2013, 31 December 2012, 30 June 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\$12,096 (US\$404) thousands, NT\$10,550 (US\$363) thousands, NT\$12,949 (US\$435) thousands and NT\$14,795 (US\$489) thousands, respectively.

(6) Income tax returns:

		2013.6.30
	Income tax returns examined by tax authorities	Notes
The Company	through 2007	The Company was in the process of administrative procedure 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 procedure for 2003 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 procedure for 2004 and 2005, and re-examination of 2006 tax returns.
Cathay Century	through 2006	Cathay Century was 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 been examined for 2009 tax return.
Symphox Information	through 2010	-
Cathay Futures	through 2011	-

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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:

	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$4,905,758	\$163,744	\$1,665,811	\$57,343

	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$4,901,319	\$164,474	\$1,063,636	\$35,138

The Company's tax credit ratio applied to its distribution was 17.91% 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 in the amount of NT\$267,215 (US\$8,919) thousands was appropriated as capital reserve which may 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.

	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
(1) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$7,878,598	\$2,961,350	\$14,807,767	\$5,257,351
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	10,665,385	10,665,385	10,665,385	10,665,385
Basic earnings per share (NT\$)	\$0.74	\$0.28	\$1.39	\$0.49

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
(2) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$7,878,598	\$2,961,350	\$14,807,767	\$5,257,351
Less: Interest expense from convertible bonds (in thousand NT\$)	(184,234)	-	669,865	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$7,694,364</u>	<u>\$2,961,350</u>	<u>\$15,477,632</u>	<u>\$5,257,35</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	10,665,385	10,665,385	10,665,385	10,665,385
Effect of dilution:				
Convertible bonds (in thousands)	200,000	-	200,000	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>10,865,385</u>	<u>10,665,385</u>	<u>10,865,385</u>	<u>10,665,385</u>
Diluted earnings per share (NT\$)	<u>\$0.71</u>	<u>\$0.28</u>	<u>\$1.39</u>	<u>\$0.49</u>
	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
(1) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand US\$)	<u>\$262,971</u>	<u>\$99,374</u>	<u>\$494,251</u>	<u>\$176,421</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>10,665,385</u>	<u>10,665,385</u>	<u>10,665,385</u>	<u>10,665,385</u>
Basic earnings per share (US\$)	<u>\$0.02</u>	<u>\$0.01</u>	<u>\$0.05</u>	<u>\$0.02</u>

English Translation of Financial Statements Originally Issued in Chinese

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

	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2012.1.1~ 2012.6.30
(2) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand US\$)	\$262,971	\$99,374	\$494,251	\$176,421
Less: Interest expense from convertible bonds (in thousand US\$)	(6,149)	-	22,359	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousand US\$)	\$256,822	\$99,374	\$516,610	\$176,421
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	10,665,385	10,665,385	10,665,385	10,665,385
Effect of dilution:				
Convertible bonds (in thousands)	200,000	-	200,000	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	10,865,385	10,665,385	10,865,385	10,665,385
Diluted earnings per share (US\$)	\$0.02	\$0.01	\$0.05	\$0.02

A. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

B. The followings are the constructive amendments of earnings per share after the approval of increasing capital out of undistributed earnings from the Company:

	2013.4.1~ 2013.6.30	2012.4.1~ 2012.6.30	2013.1.1~ 2013.6.30	2013.1.1~ 2013.6.30
Basic earnings per share (NT dollar)	\$0.69	\$0.26	\$1.30	\$0.46
Diluted earnings per share (NT dollar)	\$0.66	\$0.26	\$1.30	\$0.46
Basic earnings per share (US dollar)	\$0.02	\$0.01	\$0.04	\$0.02
Diluted earnings per share (US dollar)	\$0.02	\$0.01	\$0.04	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

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

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.

The investment transactions of SBC Bank were classified as financial assets carried at cost since June 2013, and the details are disclosed in Note 4.(3).

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

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:

- Assist with drafting and executing the risk management policies set by the board of directors.

- , Assist to determine the risk quotas based on risk appetite.

- f** Summarize the risk information provided by all departments. Facilitate and communicate the execution of the policies as well as the risk quotas with departments.

- m** Periodically provide risk management related reports.

- n** Periodically monitor all operating department's risk quotas and manage the exceptions attributable to exceed the risk quotas granted.

- o** Assist with the pressure testing, execute back testing if necessary.

- p** Other risk management issues.

English Translation of Financial Statements Originally Issued in Chinese

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

d. Operating departments

(A) Managers of the operating departments:

- Responsible for the departments' daily risk management report and respond to issues if necessary.
- , Make sure to deliver risk management information periodically to the risk management department.

(B) Operating departments:

- Identify and measure risks and report the exposure and impact.
- , Periodically review risks and limits. If exception happens, report the exceptions as well as the responsive measures taken.
- f* 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.
- m* Ensure internal control operates effectively to comply with relevant regulation and Cathay Life's risk management policies.
- n* Assist with gathering risk management related data.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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 risk management standards including the definition and scope of risk, management structure, risk management indexes and other risk management measures.

English Translation of Financial Statements Originally Issued in Chinese

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

- (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 risk management committee.
- b. Ensure proper risk classification and underwriting policies of premium level:
- (A) Underwriters should ensure clients' financial underwriting, check insurance notification for exceptions, considering the amount insured, types of insurance, age, family members, reason for insurance, employment, etc. to confirm client's condition with respect to 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.
- 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.

English Translation of Financial Statements Originally Issued in Chinese

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

- (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's credit 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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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 Life's capital management and maintain its capital adequacy ratio, Cathay Life has 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.
- (C) Conduct scenario analysis for capital adequacy ratio focusing on Cathay Life's use of funding, changes of the financial environment including updates of laws and regulations.

English Translation of Financial Statements Originally Issued in Chinese

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

(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 exceeds the risk management standard or other exceptions occur, Cathay Life is required to notify the risk management department and financial department of Cathay Financial Holding with 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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

Information of insurance risk

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

a. Cathay Life

2013.1.1~2013.6.30 NT\$			
	Change in assumption	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 966,264	Decrease (increase) 801,999
Expense	×1.05 (×0.95)	Decrease (increase) 1,296,474	Decrease (increase) 1,076,074
Surrender rates	×1.05 (×0.95)	Increase (decrease) 152,681	Increase (decrease) 126,725
Investment return rate	+0.1%	Increase 1,622,308	Increase 1,346,515
Investment return rate	-0.1%	Decrease 1,623,111	Decrease 1,347,182

2013.1.1~2013.6.30 US\$			
	Change in assumption	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 32,252	Decrease (increase) 26,769
Expense	×1.05 (×0.95)	Decrease (increase) 43,273	Decrease (increase) 35,917
Surrender rates	×1.05 (×0.95)	Increase (decrease) 5,096	Increase (decrease) 4,230
Investment return rate	+0.1%	Increase 54,149	Increase 44,944
Investment return rate	-0.1%	Decrease 54,176	Decrease 44,966

2012.1.1~2012.6.30 NT\$			
	Change in assumption	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) 1,008,317	Decrease (increase) 836,903
Expense	×1.05 (×0.95)	Decrease (increase) 1,268,342	Decrease (increase) 1,052,724
Surrender rates	×1.05 (×0.95)	Increase (decrease) 161,125	Increase (decrease) 133,734
Investment return rate	+0.1%	Increase 1,470,082	Increase 1,220,168
Investment return rate	-0.1%	Decrease 1,470,810	Decrease 1,220,773

English Translation of Financial Statements Originally Issued in Chinese

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

		2012.1.1~2012.6.30	
		US\$	
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	33,836	28,084
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	42,562	35,326
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	5,407	4,488
Investment return rate	+0.1%	Increase 49,332	Increase 40,945
Investment return rate	-0.1%	Decrease 49,356	Decrease 40,966

b. Cathay Life (China)

		2013.1.1~2013.6.30	
		NT\$	
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	41,124	30,843
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	37,020	27,765
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	13,067	9,800
Investment return rate	+0.25%	Increase 158,192	Increase 118,644
Investment return rate	-0.25%	Decrease 143,174	Decrease 107,380

		2013.1.1~2013.6.30	
		US\$	
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	1,373	1,029
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,236	927
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	436	327
Investment return rate	+0.25%	Increase 5,280	Increase 3,960
Investment return rate	-0.25%	Decrease 4,779	Decrease 3,584

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30			
NT\$			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	34,026	25,519
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	32,720	24,540
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	17,491	13,118
Investment return rate	+0.25%	Increase 113,160	Increase 84,870
Investment return rate	-0.25%	Decrease 123,301	Decrease 92,476

2012.1.1~2012.6.30			
US\$			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	1,142	856
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,098	823
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	587	440
Investment return rate	+0.25%	Increase 3,797	Increase 2,848
Investment return rate	-0.25%	Decrease 4,138	Decrease 3,103

c. Cathay Life (Vietnam)

2013.1.1~2013.6.30			
NT\$			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	146	110
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	4,628	3,471
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	324	243
Investment return rate	+0.1%	Increase 1,194	Increase 896
Investment return rate	-0.1%	Decrease 1,194	Decrease 896

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30			
US\$			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	5	4
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	154	116
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	11	8
Investment return rate	+0.1%	Increase 40	Increase 30
Investment return rate	-0.1%	Decrease 40	Decrease 30

2012.1.1~2012.6.30			
NT\$			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	81	61
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	6,911	5,183
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	3,505	2,629
Investment return rate	+0.1%	Increase 774	Increase 581
Investment return rate	-0.1%	Decrease 774	Decrease 581

2012.1.1~2012.6.30			
US\$			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	3	2
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	232	174
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	118	88
Investment return rate	+0.1%	Increase 26	Increase 19
Investment return rate	-0.1%	Decrease 26	Decrease 19

English Translation of Financial Statements Originally Issued in Chinese

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

- (A) Changes in income before tax listed above refer to the effects of the assumed changes on income before tax for the six-month periods ended 30 June 2013 and. Equity changes of Cathay Life, Cathay Life (China) and Cathay Life (Vietnam) are based on assumed income tax rates of 17%, 25% and 25% , respectively.
- (B) Increase (decrease) of 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity and 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 multiplied by changes in assumption, in relation to the change in income before tax.
- (b) Expenses sensitivity is measured by all expenses listed in income statement (Remark 1) multiplied by changes in assumption, in relation to the change in income before tax.
- (c) Surrender rate sensitivity test is measured by surrender rate multiplied by changes in assumption, in relation to the changes in income before tax.
- (d) The rate of returns sensitivity test is measured by the rate of returns (Remark 2) increases (decreases) multiplied by changes in assumption, in relation to income before tax.

Remark 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.

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

English Translation of Financial Statements Originally Issued in Chinese

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

B. Explanation of insurance risk concentration

Cathay Life’s 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.

Furthermore, according to “Regulations 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 claims

a. Cathay Life

(A) Direct business loss trend

Accident year	Development period (years)							Expected future payment
	1	2	3	4	5	6	7	
2006Q3~2007Q2	12,336,380	14,502,340	14,632,397	14,678,842	14,712,774	14,769,456	14,776,158	-
2007Q3~2008Q2	12,562,311	14,951,930	15,117,368	15,170,737	15,224,557	15,248,250	15,255,072	6,822
2008Q3~2009Q2	13,615,581	16,157,704	16,359,090	16,445,402	16,499,836	16,540,216	16,547,698	47,862
2009Q3~2010Q2	14,369,300	17,331,855	17,588,505	17,676,347	17,729,838	17,772,884	17,780,834	104,487
2010Q3~2011Q2	14,582,924	17,837,368	18,127,956	18,204,101	18,259,664	18,303,196	18,311,401	183,445
2011Q3~2012Q2	14,768,726	18,234,468	18,461,078	18,536,419	18,590,001	18,631,169	18,639,302	404,834
2012Q3~2013Q2	13,685,926	16,384,332	16,576,360	16,637,616	16,676,716	16,712,075	16,718,808	3,032,882
	Expected future payment							\$3,780,332
	Less : Expected reported but not paid claim							175,975
	Add: Assumed reserve for incurred but not reported claim							44,813
	Reserve for unreported claim							3,649,170
	Add : Reported but not paid claim							509,738
	Reserve claim balance							<u>\$4,158,908</u>

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	
2006Q3~2007Q2	411,762	484,057	488,398	489,948	491,081	492,972	493,196	-
2007Q3~2008Q2	419,303	499,063	504,585	506,366	508,163	508,954	509,181	227
2008Q3~2009Q2	454,459	539,309	546,031	548,912	550,729	552,077	552,327	1,598
2009Q3~2010Q2	479,616	578,500	587,066	589,998	591,784	593,220	593,486	3,488
2010Q3~2011Q2	486,746	595,373	605,072	607,614	609,468	610,921	611,195	6,123
2011Q3~2012Q2	492,948	608,627	616,191	618,706	620,494	621,868	622,140	13,513
2012Q3~2013Q2	456,807	546,874	553,283	555,328	556,633	557,813	558,038	101,231

Expected future payment	\$126,180
Less : Expected reported but not paid claim	5,874
Add: Assumed reserve for incurred but not reported claim	1,496
Reserve for unreported claim	121,802
Add : Reported but not paid claim	17,013
Reserve claim balance	<u>\$138,815</u>

(B) Retained business trend of development

Accident year	Development period (years)							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q3~2007Q2	12,413,696	14,610,937	14,745,902	14,794,180	14,828,325	14,886,748	14,907,600	-
2007Q3~2008Q2	12,639,506	15,053,678	15,222,108	15,276,127	15,331,740	15,368,979	15,375,890	6,911
2008Q3~2009Q2	13,537,558	15,929,860	16,116,206	16,200,664	16,270,279	16,309,512	16,316,835	46,556
2009Q3~2010Q2	12,732,253	15,076,313	15,255,486	15,337,287	15,378,080	15,409,389	15,415,718	78,431
2010Q3~2011Q2	12,730,314	15,320,635	15,543,753	15,598,674	15,640,105	15,670,572	15,676,975	133,222
2011Q3~2012Q2	12,945,954	15,771,093	15,938,995	15,993,500	16,033,208	16,061,549	16,067,912	296,819
2012Q3~2013Q2	12,112,947	14,359,497	14,503,556	14,547,781	14,575,541	14,600,419	14,605,705	2,492,758

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

Expected future payment	\$3,054,697
Less : Expected reported but not paid claim	175,975
Add : Reported but not paid claim	509,738
Retained reserve claim balance	<u>\$3,388,460</u>

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	
2006Q3~2007Q2	414,342	487,681	492,186	493,798	494,937	496,887	497,583	-
2007Q3~2008Q2	421,879	502,459	508,081	509,884	511,740	512,983	513,214	231
2008Q3~2009Q2	451,854	531,704	537,924	540,743	543,067	544,376	544,621	1,554
2009Q3~2010Q2	424,975	503,215	509,195	511,925	513,287	514,332	514,543	2,618
2010Q3~2011Q2	424,910	511,370	518,817	520,650	522,033	523,050	523,264	4,447
2011Q3~2012Q2	432,108	526,405	532,009	533,828	535,154	536,100	536,312	9,907
2012Q3~2013Q2	404,304	479,289	484,097	485,573	486,500	487,330	487,507	83,203

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

Expected future payment	\$101,960
Less : Expected reported but not paid claim	5,874
Add : Reported but not paid claim	17,013
Retained reserve claim balance	<u>\$113,099</u>

b. Cathay Life (China)

(A) Direct business

Accident year	Development period (years)							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q3~2007Q2	28	54	55	55	55	55	55	-
2007Q3~2008Q2	822	3,306	3,318	3,318	3,318	3,318	3,318	-
2008Q3~2009Q2	9,442	18,186	18,991	18,991	18,991	18,991	18,991	-
2009Q3~2010Q2	52,029	117,636	123,810	123,810	123,810	123,810	123,810	-
2010Q3~2011Q2	97,862	195,850	208,386	208,386	208,386	208,386	208,386	-
2011Q3~2012Q2	131,722	362,578	381,814	381,814	381,814	381,814	381,814	19,236
2012Q3~2013Q2	149,742	528,804	546,800	577,909	577,909	577,909	577,909	428,167

Expected future payment	\$447,403
Less : Expected reported but not paid claim	32,494
Add : Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	414,909
Add : Reported but not paid claim	54,889
Reserve claim balance	<u>\$469,798</u>

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	
2006Q3~2007Q2	1	2	2	2	2	2	2	-
2007Q3~2008Q2	27	110	111	111	111	111	111	-
2008Q3~2009Q2	315	607	634	634	634	634	634	-
2009Q3~2010Q2	1,737	3,926	4,133	4,133	4,133	4,133	4,133	-
2010Q3~2011Q2	3,266	6,537	6,955	6,955	6,955	6,955	6,955	-
2011Q3~2012Q2	4,397	12,102	12,744	12,744	12,744	12,744	12,744	642
2012Q3~2013Q2	4,998	17,650	18,251	19,290	19,290	19,290	19,290	14,292

Expected future payment	\$14,934
Less : Expected reported but not paid claim	1,085
Add : Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	13,849
Add : Reported but not paid claim	1,832
Reserve claim balance	<u>\$15,681</u>

(B) Retained business trend

Accident year	Development period (years)							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q3~2007Q2	28	54	55	55	55	55	55	-
2007Q3~2008Q2	822	3,306	3,318	3,318	3,318	3,318	3,318	-
2008Q3~2009Q2	9,442	18,186	18,991	18,991	18,991	18,991	18,991	-
2009Q3~2010Q2	52,059	117,636	123,810	123,810	123,810	123,810	123,810	-
2010Q3~2011Q2	97,862	195,713	208,246	208,246	208,246	208,246	208,246	-
2011Q3~2012Q2	121,500	368,548	379,842	379,842	379,842	379,842	379,842	11,294
2012Q3~2013Q2	140,371	486,599	519,445	519,445	519,445	519,445	519,445	379,074

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

Expected future payment	\$390,368
Less : Expected reported but not paid claim	32,494
Add : Reported but not paid claim	54,889
Retained reserve claim balance	<u>\$412,763</u>

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	1	2	2	2	2	2	2	-
2007Q2~2008Q1	27	110	111	111	111	111	111	-
2008Q2~2009Q1	315	607	634	634	634	634	634	-
2009Q2~2010Q1	1,738	3,926	4,133	4,133	4,133	4,133	4,133	-
2010Q2~2011Q1	3,266	6,532	6,951	6,951	6,951	6,951	6,951	-
2011Q2~2012Q1	4,055	12,301	12,678	12,678	12,678	12,678	12,678	377
2012Q2~2013Q1	4,685	16,242	17,338	17,338	17,338	17,338	17,338	12,653

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

Expected future payment	\$13,030
Less : Expected reported but not paid claim	(1,085)
Add : Reported but not paid claim	1,832
Retained reserve claim balance	<u>\$13,777</u>

Cathay Life and Cathay Life (China) record and recognize reserve for claim for anticipated payment of reported and unreported claims. 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. When making claim estimates of unreported cases, subjective judgment and historical experiences are involved. Thus, uncertainty exists that the estimated reserve for claim in balance sheet date will be not equal to the final settled amount of claim. The reserve for claim recorded on the book is estimated based upon the currently available information. However, the settled amount probably will deviate from the original estimates because of the follow-up events.

The chart above has shown the development trend of claims. The accident year is the actual year for the occurrence of the claimed accident; The x axis is the year of the development for the settlement cases; the dollar amount showing above the diagonal line represents the settlement cases in that specific accident year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount shown below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each accident year as time passes. 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 to be paid for the settlement cases cannot be determined from this chart.

English Translation of Financial Statements Originally Issued in Chinese

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

(C) Cathay Life (Vietnam)

Direct business trend (and retained business trend)

Accident year	Development period (years)			
	NT\$			
	1	2	3	4
2008Q3~2009Q2	3	6	6	6
2009Q3~2010Q2	202	212	212	212
2010Q3~2011Q2	145	224	224	224
2011Q3~2012Q2	807	1,007	1,007	1,007
2012Q3~2013Q2	1,027	1,287	1,287	1,287

Accident year	Development period (years)			
	US \$			
	1	2	3	4
2008Q3~2009Q2	-	-	-	-
2009Q3~2010Q2	7	7	7	7
2010Q3~2011Q2	5	7	7	7
2011Q3~2012Q2	27	34	34	34
2012Q3~2013Q2	34	43	43	43

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

Cathay Life (Vietnam) records and recognizes reserve for anticipated payment of reported claim and unreported claim compensations. The estimation method of unreported claim is earned premium reserve multiplied by claim rate based upon the past indemnity experiences instead of loss triangle method, which was approved by Vietnam local authorities. Thus, the anticipated dollar amounts need to be paid for the settlement cases cannot be determined from this chart. When making claim estimates of unreported cases, subjective judgment and historical experiences are involved. Thus, uncertainty exists that the estimated reserve for claim in balance sheet date will be not equal to the final settled amount of claim

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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 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 the 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 of Cathay Life's reinsurer is satisfactory and above certain level, complying with Cathay Life's internal rules and 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.

30 June 2013			Unit: Billion
NT\$	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	(592)	1,321	102,119

2013.6.30			Unit: Billion
US\$	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	(20)	44	3,409

Remark: Separate account products are not included.

English Translation of Financial Statements Originally Issued in Chinese

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

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 Life's valid insurance contracts have slight impact on profit and loss or equity. When the competent authority changes the discount rate assumption possibly and reasonably, this change will have the impact of different range on profit and loss or equity depending upon the level of change it has been made and the overall 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.

(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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

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:
 - To assist in drafting risk management policies and the execution when ratified by the board of directors.
 - , To assist in setting up risk limits according to the risk appetite.
 - f* To compile risk information from various departments, coordinate and communicate with them to execute policies and limits.
 - m* To propose risk management related reports on a regular basis.
 - n* To supervise risk limit and its use in each business unit on a regular basis.
 - o* To assist in stress tests and conduct back-testing when necessary.
 - p* To conduct other risk management related tasks.

English Translation of Financial Statements Originally Issued in Chinese

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

d. Business unit

(A) The responsibilities of business's risk management are as follows:

- To supervise the daily risk management and report of the responsible unit and take necessary responsive actions.
- , 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:

- To identify risk and report risk exposure.
- , To evaluate (quantitative or qualitative) the degree of influence when risks occur and pass the risk information in a timely and correct manner.
- l** To review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.
- m** To oversee risk exposure and report when over-limit occur, including measures taken against it.
- n** 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.
- o** To assure effective execution of internal control within business unit to comply with relevant regulations and risk management policies of Cathay Century.
- p** To assist in collecting information regarding operation risk.

(C) Internal audit room

Review the execution of risk management of each unit in Cathay Century according to the existing relevant regulations.

C. 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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

D. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business. Policy in underwriting to assure proper risk categorization and fee standard.

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.

E. 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.

F. Methods with which property insurance business limit insurance risk exposure and improper risk concentration

English Translation of Financial Statements Originally Issued in Chinese

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

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:

Item	2013		2012	
	NT\$	US\$	NT\$	US\$
Fire insurance	\$673,000	\$22,463	\$613,000	\$20,570
Marine insurance	673,000	22,463	613,000	20,570
Engineering insurance	673,000	22,463	613,000	20,570
Other property insurance	673,000	22,463	613,000	20,570
Automobile insurance	673,000	22,463	613,000	20,570
Health and injury insurance	673,000	22,463	613,000	20,570

G. 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

H. 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.

(3) Receivables and payables of insurance contracts

A. Receivables of insurance contracts

Item	NT\$			
	2013.6.30	2012.12.31	2012.6.30	2012.1.1
Fire insurance	\$868,624	\$665,154	\$1,063,083	\$342,994
Marine insurance	336,313	369,048	372,049	477,307
Land and air insurance	698,453	748,157	554,728	638,561
Liability insurance	162,705	217,416	176,485	135,547
Bonding insurance	25,548	13,983	23,898	11,456
Other property insurance	437,668	345,181	410,997	440,887
Accident insurance	331,333	288,526	278,997	235,275
Health insurance	23,167	22,994	6,088	87,566
Compulsory automobile liability insurance	297,701	268,872	266,706	251,058
Total	3,181,512	2,939,331	3,153,031	2,620,651
Less: Allowance for bad debts	(64,294)	(69,978)	(68,830)	(78,752)
Net	<u>\$3,117,218</u>	<u>\$2,869,353</u>	<u>\$3,084,201</u>	<u>\$2,541,899</u>

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

Item	Premiums receivable(Note)			
	US\$			
	2013.6.30	2012.12.31	2012.6.30	2012.1.1
Fire insurance	\$28,993	\$22,897	\$35,674	\$11,331
Marine insurance	11,225	12,704	12,485	15,768
Land and air insurance	23,313	25,754	18,615	21,096
Liability insurance	5,431	7,484	5,922	4,478
Bonding insurance	853	481	802	378
Other property insurance	14,608	11,882	13,792	14,565
Accident insurance	11,059	9,932	9,362	7,773
Health insurance	773	792	204	2,893
Compulsory automobile liability insurance	9,937	9,255	8,950	8,294
Total	106,192	101,181	105,806	86,576
Less: Allowance for bad debts	(2,146)	(2,408)	(2,310)	(2,602)
Net	\$104,046	\$98,773	\$103,496	\$83,974

Note : As of June 30, 2013, 2012.12.31, June 30, 2012 and January 1, 2012, the receivables included overdue receivables amounted to NT\$449,447 (US\$15,002), NT\$497,914(US\$17,140), NT\$256,978 (US\$8,623) and NT\$281,695 (US\$9,306), the allowance for bad debts amounted to NT\$19,487 (US\$650), NT\$31,767 (US\$1,094), NT\$12,401 (US\$416) and NT\$42,183 (US\$1,394).

B. Claims recoverable from reinsurers for policyholder with reported and paid off claims

Item	Claims reported and paid off			
	NT\$			
	2013.6.30	2012.12.31	2012.6.30	2012.1.1
Fire insurance	\$18,017	\$241,267	\$15,340	\$76,577
Marine insurance	27,836	42,699	59,154	58,775
Land and air insurance	21,037	40,214	22,036	18,463
Liability insurance	8,377	13,506	12,585	14,907
Bonding insurance	42	8	(415)	2,406
Other property insurance	12,180	8,231	9,745	25,509
Accident insurance	12,269	23,435	20,190	17,873
Health insurance	-	-	-	-
Compulsory automobile liability insurance	142,823	144,232	92,815	53,741
Total	242,581	513,592	231,450	268,251
Less: Allowance for bad debts	-	-	-	-
Net	\$242,581	\$513,592	\$231,450	\$268,251

English Translation of Financial Statements Originally Issued in Chinese

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

Item	Claims reported and paid off			
	US\$			
	2013.6.30	2012.12.31	2012.6.30	2012.1.1
Fire insurance	\$601	\$8,305	\$515	\$2,530
Marine insurance	929	1,470	1,985	1,942
Land and air insurance	702	1,385	739	610
Liability insurance	280	465	422	493
Bonding insurance	1	-	(14)	79
Other property insurance	407	283	327	843
Accident insurance	410	807	678	590
Health insurance	-	-	-	-
Compulsory automobile liability insurance	4,767	4,965	3,115	1,775
Total	8,097	17,680	7,767	8,862
Less: Allowance for bad debts	-	-	-	-
Net	\$8,097	\$17,680	\$7,767	\$8,862

C. Payables of insurance contract

Item	2013.6.30					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$20,075	\$670	\$7,526	\$251	\$27,601	\$921
Marine insurance	924	31	3,203	107	4,127	138
Land and air insurance	19,325	645	92,652	3,093	111,977	3,738
Liability insurance	2,545	85	5,192	173	7,737	258
Bonding insurance	47	1	89	3	136	4
Other property insurance	33,827	1,129	6,405	214	40,232	1,343
Accident insurance	407	14	32,832	1,096	33,239	1,110
Health insurance	150	5	8,994	300	9,144	305
Compulsory automobile liability insurance	98,459	3,286	-	-	98,459	3,286
Total	\$175,759	5,866	\$156,893	5,237	\$332,652	11,103

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2012.12.31					
	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
Total	\$112,371	\$3,868	\$130,267	\$4,484	\$242,638	\$8,352

Item	2012.6.30					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$19,168	\$643	\$7,140	\$239	\$26,308	\$882
Marine insurance	8,383	282	5,721	192	14,104	474
Land and air insurance	2,028	68	78,935	2,649	80,963	2,717
Liability insurance	5,477	184	4,895	164	10,372	348
Bonding insurance	1,965	66	51	2	2,016	68
Other property insurance	6,206	208	8,076	271	14,282	479
Accident insurance	-	-	31,852	1,069	31,852	1,069
Health insurance	-	-	7,009	235	7,009	235
Compulsory automobile liability insurance	87,944	2,951	-	-	87,944	2,951
Total	\$131,171	\$4,402	\$143,679	\$4,821	\$274,850	\$9,223

Item	2012.1.1					
	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
Total	\$135,923	\$4,490	\$174,625	\$5,769	\$310,548	\$10,259

English Translation of Financial Statements Originally Issued in Chinese

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

D. Due from (to) reinsurers and ceding companies- reinsurance

Item	2013.6.30			
	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	\$62,413	\$2,083	\$235,225	7,851
Best Re	57,041	1,904	12,020	401
Central Re	4,074	136	69,050	2,305
Cosmos	27,472	917	4,743	158
Cubic	21,082	704	67	2
Elite	36,418	1,215	31,291	1,045
FP Marine	30,947	1,033	50,825	1,696
Guy Carpenter	41,172	1,374	129,320	4,317
Hannover Re	21,632	722	70,619	2,357
Korean Re	68,230	2,277	81,301	2,714
Marsh	8,566	286	228,851	7,639
Swiss Re	3,225	108	97,516	3,255
Zurich	-	-	58,161	1,941
Others	284,794	9,506	490,755	16,380
Total	667,066	22,265	1,559,744	52,061
Less: Allowance for bad debts	(4,507)	(150)	-	-
Net	\$662,559	\$22,115	\$1,559,744	\$52,061

Item	2012.12.31			
	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	-	-	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 thousands of dollars except for share and per share data and unless otherwise stated)

Item	2012.6.30			
	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	\$75,129	\$2,521	\$210,637	\$7,069
Taian	39,552	1,327	11,988	402
Fubon	57,581	1,932	6,364	214
AON	10,978	368	179,791	6,033
Best Re	27,729	931	26,019	873
Central Re	26,021	873	109,222	3,665
Elite	18,215	611	49,360	1,657
FP Marine	29,005	973	59,752	2,005
Korean Re	46,583	1,563	82,673	2,774
Marsh	1,294	44	231,080	7,754
Swiss Re	2,165	73	67,700	2,272
Willis Re	789	27	77,252	2,592
Zurich	-	-	62,526	2,098
Guy Carpenter	4,639	156	111,224	3,732
Others	287,790	9,657	342,667	11,499
Total	627,470	21,056	1,628,255	54,639
Less: Allowance for bad debts	(46,458)	(1,559)	-	-
Net	\$581,012	\$19,497	\$1,628,255	\$54,639

Item	2012.1.1			
	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

English Translation of Financial Statements Originally Issued in Chinese

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

Remark: As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the due from reinsurers and ceding companies included overdue receivables amounted to NT\$45,074 (US\$1,504), NT\$54,939 (US\$1,891), NT\$46,458 (US\$1,559) and NT\$52,091 (US\$1,721), the allowance for bad debts amounted to NT\$4,507 (US\$150), NT\$5,494 (US\$189), NT\$46,458 (US\$1,559) and NT\$52,091 (US\$1,721).

(4) Information of management achievements

A. Acquisition cost for insurance contracts

Item	2013.4.1~2013.6.30					
	NT\$					
	Commission expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$23,736	\$2,234	\$6,214	\$1,433	\$23,821	\$57,438
Marine insurance	2,333	492	2,110	556	10,587	16,078
Land and air insurance	25,013	911	-	649	191,206	217,779
Liability insurance	6,939	695	10,756	131	15,673	34,194
Bonding insurance	659	20	41	-	271	991
Other property insurance	4,308	445	49,768	2,061	17,148	73,730
Accident insurance	4,127	368	-	12	85,214	89,721
Health insurance	4,628	280	-	-	7,555	12,463
Compulsory automobile liability insurance	-	-	119,834	-	3,284	123,118
Total	\$71,743	\$5,445	\$188,723	\$4,842	\$354,759	\$625,512

Item	2013.4.1~2013.6.30					
	US\$					
	Commission expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$792	\$75	\$207	\$48	\$795	\$1,917
Marine insurance	78	16	71	18	354	537
Land and air insurance	835	30	-	22	6,382	7,269
Liability insurance	232	23	359	4	523	1,141
Bonding insurance	22	1	1	-	9	33
Other property insurance	144	15	1,661	69	572	2,461
Accident insurance	138	12	-	-	2,845	2,995
Health insurance	154	10	-	-	252	416
Compulsory automobile liability insurance	-	-	4,000	-	109	4,109
Total	\$2,395	\$182	\$6,299	\$161	\$11,841	\$20,878

English Translation of Financial Statements Originally Issued in Chinese

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

2012.4.1~2012.6.30

NT\$

Item	Commission			Reinsurance commission		Total
	expense	Agency fee	Surcharge	expense	Other cost	
Fire insurance	\$3,866	\$1,070	\$9,332	\$25	22,177	\$36,470
Marine insurance	2,645	945	2,019	1,289	28,144	35,042
Land and air insurance	7,985	457	-	298	158,096	166,836
Liability insurance	5,830	511	8,485	(222)	13,796	28,400
Bonding insurance	128	18	469	-	702	1,317
Other property insurance	3,579	815	24,162	(4,685)	18,913	42,784
Accident insurance	3,944	368	4	411	80,049	84,776
Health insurance	721	44	-	-	4,231	4,996
Compulsory automobile liability insurance	-	-	98,183	-	2,808	100,991
Total	\$28,698	\$4,228	\$142,654	\$(2,884)	\$328,916	\$501,612

2012.4.1~2012.6.30

US\$

Item	Commission			Reinsurance commission		Total
	expense	Agency fee	Surcharge	expense	Other cost	
Fire insurance	\$130	\$36	\$313	\$1	\$744	\$1,224
Marine insurance	89	32	68	43	944	1,176
Land and air insurance	268	16	-	10	5,305	5,599
Liability insurance	196	17	285	(8)	463	953
Bonding insurance	4	\$1	15	-	24	44
Other property insurance	119	27	811	(157)	635	1,435
Accident insurance	132	12	-	14	2,687	2,845
Health insurance	25	1	-	-	142	168
Compulsory automobile liability insurance	-	-	3,295	-	94	3,389
Total	\$963	\$142	\$4,787	\$(97)	\$11,038	\$16,833

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30						
NT\$						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$36,202	\$3,284	\$15,519	\$1,584	\$42,712	\$99,301
Marine insurance	5,622	1,215	3,039	1,574	27,830	39,280
Land and air insurance	30,878	1,609	-	1,007	391,481	424,975
Liability insurance	14,160	1,211	27,780	159	29,732	73,042
Bonding insurance	985	28	148	-	664	1,825
Other property insurance	6,844	810	82,100	3,979	36,765	130,498
Accident insurance	7,620	873	-	18	166,226	174,737
Health insurance	6,944	481	-	-	10,506	17,931
Compulsory automobile liability insurance	-	-	232,551	-	4,944	237,495
Total	\$109,255	\$9,511	\$361,137	\$8,321	\$710,860	1,199,084

2013.1.1~2013.6.30						
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)
Marine insurance	188	40	102	52	929	1,311
Land and air insurance	1,030	54	-	34	13,067	14,185
Liability insurance	474	40	927	5	992	2,438
Bonding insurance	33	1	5	-	22	61
Other property insurance	228	27	2,740	133	1,227	4,355
Accident insurance	254	29	-	1	5,548	5,832
Health insurance	232	16	-	-	351	599
Compulsory automobile liability insurance	-	-	7,762	-	165	7,927
Total	\$3,647	\$317	\$12,054	\$278	\$23,727	\$40,023

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30						
NT\$						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$4,441	\$2,137	\$19,708	\$486	\$42,827	\$69,599
Marine insurance	4,756	1,169	3,992	1,541	40,824	52,282
Land and air insurance	14,725	849	-	879	327,275	343,728
Liability insurance	7,765	714	14,539	83	26,863	49,964
Bonding insurance	605	10	757	(2)	950	2,320
Other property insurance	13,038	1,990	35,419	(3,971)	37,239	83,715
Accident insurance	6,029	451	6	464	157,463	164,413
Health insurance	1,296	96	-	-	8,327	9,719
Compulsory automobile liability insurance	-	-	190,747	-	4,501	195,248
Total	\$52,655	\$7,416	\$265,168	\$(520)	\$646,269	\$970,988

2012.1.1~2012.6.30						
US\$						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$149	\$72	\$661	\$16	\$1,437	\$2,335
Marine insurance	160	39	134	52	1,370	1,755
Land and air insurance	494	29	-	29	10,982	11,534
Liability insurance	261	24	488	3	902	1,678
Bonding insurance	20	-	25	-	32	77
Other property insurance	435	67	1,189	(133)	1,250	2,808
Accident insurance	202	15	-	16	5,284	5,517
Health insurance	43	3	-	-	279	325
Compulsory automobile liability insurance	-	-	6,401	-	151	6,552
Total	\$1,764	\$249	\$8,898	\$(17)	\$21,687	\$32,581

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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

Item	2013.4.1~2013.6.30					
	NT\$					
	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	\$1,086,237	\$(208,490)	\$(56,005)	\$(182,662)	\$28,346	\$667,426
Marine insurance	207,313	(10,198)	(15,522)	(49,480)	111,390	243,503
Land and air insurance	1,385,047	(20,508)	(217,130)	(841,369)	(55,002)	251,038
Liability insurance	272,363	(21,554)	(34,063)	(101,355)	14,247	129,638
Bonding insurance	13,736	1,162	(991)	(3,517)	(1,683)	8,707
Other property insurance	589,633	(152,595)	(71,669)	(181,184)	(26,423)	157,762
Accident insurance	643,429	12,318	(89,709)	(233,623)	(206,124)	126,291
Health insurance	42,346	(5,416)	(12,463)	(24,629)	(18,680)	(18,842)
Compulsory automobile liability insurance	853,461	(97,764)	(123,118)	(492,750)	(112,011)	27,818
Total	\$5,093,565	\$(503,045)	\$(620,670)	\$(2,110,569)	\$(265,940)	\$1,593,341

Item	2013.4.1~2013.6.30					
	US\$					
	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	\$36,256	\$(6,959)	\$(1,869)	\$(6,097)	\$946	\$22,277
Marine insurance	6,920	(340)	(518)	(1,652)	3,718	8,128
Land and air insurance	46,230	(685)	(7,247)	(28,083)	(1,836)	8,379
Liability insurance	9,091	(719)	(1,137)	(3,383)	476	4,328
Bonding insurance	458	39	(33)	(117)	(56)	291
Other property insurance	19,681	(5,093)	(2,392)	(6,047)	(882)	5,267
Accident insurance	21,476	411	(2,994)	(7,798)	(6,880)	4,215
Health insurance	1,413	(181)	(416)	(822)	(623)	(629)
Compulsory automobile liability insurance	28,487	(3,263)	(4,109)	(16,447)	(3,739)	929
Total	\$170,012	\$(16,790)	\$(20,715)	\$(70,446)	\$(8,876)	\$53,185

English Translation of Financial Statements Originally Issued in Chinese

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

2012.4.1~2012.6.30						
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	\$1,172,906	\$(540,759)	\$(36,445)	\$(289,275)	\$142,974	\$449,401
Marine insurance	243,558	(34,709)	(33,753)	(94,094)	151,624	232,626
Land and air insurance	1,170,676	(71,825)	(166,538)	(708,633)	(146,491)	77,189
Liability insurance	231,406	(27,798)	(28,622)	(110,465)	(14,820)	49,701
Bonding insurance	17,617	(3,870)	(1,317)	(2,161)	(954)	9,315
Other property insurance	339,743	(92,678)	(47,469)	(82,016)	(8,713)	108,867
Accident insurance	611,504	(53,196)	(84,365)	(249,001)	(10,626)	214,316
Health insurance	24,542	4,018	(4,996)	(39,428)	(135)	(15,999)
Compulsory automobile liability insurance	703,320	(17,255)	(100,991)	(428,605)	10,338	166,807
Total	\$4,515,272	\$(838,072)	\$(504,496)	\$(2,003,678)	\$123,197	\$1,292,223

2012.4.1~2012.6.30						
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	\$39,359	\$(18,146)	\$(1,223)	\$(9,707)	\$4,798	\$15,081
Marine insurance	8,173	(1,165)	(1,133)	(3,158)	5,088	7,805
Land and air insurance	39,285	(2,410)	(5,589)	(23,780)	(4,916)	2,590
Liability insurance	7,765	(933)	(961)	(3,707)	(497)	1,667
Bonding insurance	591	(130)	(44)	(72)	(32)	313
Other property insurance	11,401	(3,110)	(1,592)	(2,752)	(292)	3,655
Accident insurance	20,520	(1,785)	(2,831)	(8,356)	(357)	7,191
Health insurance	824	135	(168)	(1,323)	(6)	(538)
Compulsory automobile liability insurance	23,601	(579)	(3,389)	(14,383)	347	5,597
Total	\$151,519	\$(28,123)	\$(16,930)	\$(67,238)	\$4,133	\$43,361

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30						
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	\$1,588,526	\$55,919	\$(97,717)	\$(599,400)	\$438,064	\$1,385,392
Marine insurance	374,023	13,573	(37,706)	(155,147)	32,553	227,296
Land and air insurance	2,942,885	(390,883)	(423,968)	(1,587,824)	(182,797)	357,413
Liability insurance	521,581	(25,204)	(72,883)	(201,879)	(77,483)	144,132
Bonding insurance	36,080	(5,381)	(1,825)	(4,754)	12,243	36,363
Other property insurance	943,353	(153,762)	(126,519)	(319,339)	(40,083)	303,650
Accident insurance	1,266,085	(24,272)	(174,719)	(427,831)	(60,784)	578,479
Health insurance	77,493	(6,747)	(17,931)	(66,814)	(2,657)	(16,656)
Compulsory automobile liability insurance	1,655,154	(173,479)	(237,495)	(961,910)	(170,694)	111,576
Total	\$9,405,180	\$(710,236)	\$(1,190,763)	\$(4,324,898)	\$(51,638)	\$3,127,645

2013.1.1~2013.6.30						
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	\$53,022	\$1,866	\$(3,262)	\$(20,007)	\$14,622	\$46,241
Marine insurance	12,484	453	(1,259)	(5,178)	1,087	7,587
Land and air insurance	98,227	(13,047)	(14,151)	(52,998)	(6,101)	11,930
Liability insurance	17,409	(841)	(2,433)	(6,738)	(2,586)	4,811
Bonding insurance	1,204	(180)	(61)	(159)	409	1,213
Other property insurance	31,487	(5,132)	(4,222)	(10,659)	(1,338)	10,136
Accident insurance	42,259	(810)	(5,831)	(14,280)	(2,029)	19,309
Health insurance	2,587	(225)	(599)	(2,230)	(89)	(556)
Compulsory automobile liability insurance	55,246	(5,790)	(7,927)	(32,106)	(5,698)	3,725
Total	\$313,925	\$(23,706)	\$(39,745)	\$(144,355)	\$(1,723)	\$104,396

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30						
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	\$1,686,542	\$(415,160)	\$(69,113)	\$(552,231)	\$274,091	\$924,039
Marine insurance	432,778	(12,953)	(50,741)	(162,827)	62,790	269,047
Land and air insurance	2,317,891	(266,907)	(342,849)	(1,340,863)	(61,058)	306,214
Liability insurance	488,721	(93,116)	(49,881)	(151,919)	(36,061)	157,744
Bonding insurance	38,733	(8,764)	(2,322)	(2,849)	(566)	24,232
Other property insurance	608,629	(133,297)	(87,686)	(143,461)	(43,259)	200,926
Accident insurance	1,168,331	(29,862)	(163,949)	(467,279)	(76,989)	430,252
Health insurance	51,464	26,632	(9,719)	(81,314)	(27,826)	(40,763)
Compulsory automobile liability insurance	1,368,701	(25,851)	(195,248)	(844,730)	20,407	323,279
Total	\$8,161,790	\$(959,278)	\$(971,508)	\$(3,747,563)	\$111,529	\$2,594,970

2012.1.1~2012.6.30						
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	\$56,595	\$(13,932)	\$(2,319)	\$(18,534)	\$9,198	\$31,008
Marine insurance	14,523	(435)	(1,703)	(5,464)	2,107	9,028
Land and air insurance	77,781	(8,957)	(11,505)	(44,995)	(2,049)	10,275
Liability insurance	16,400	(3,125)	(1,675)	(5,098)	(1,210)	5,292
Bonding insurance	1,300	(294)	(77)	(96)	(19)	814
Other property insurance	20,424	(4,473)	(2,944)	(4,814)	(1,452)	6,741
Accident insurance	39,206	(1,002)	(5,501)	(15,680)	(2,584)	14,439
Health insurance	1,727	894	(325)	(2,729)	(933)	(1,366)
Compulsory automobile liability insurance	45,930	(867)	(6,552)	(28,347)	685	10,849
Total	\$273,886	\$(32,191)	\$(32,601)	\$(125,757)	\$3,743	\$87,080

English Translation of Financial Statements Originally Issued in Chinese

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

b. Recognized gain (loss) for reinsurance contract purchased

2013.4.1~2013.6.30						
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	\$18,798	\$410	\$(1,433)	\$(1,598)	\$3	\$16,180
Marine insurance	8,183	5,888	(556)	(4,730)	12,399	21,184
Land and air insurance	4,005	1,692	(649)	(1,405)	(1,524)	2,119
Liability insurance	405	(52)	(131)	(9)	84	297
Bonding insurance	146	(56)	-	3	3	96
Other property insurance	10,810	2,399	(2,061)	(6,087)	(2,087)	2,974
Accident insurance	1,298	654	(12)	(1,680)	1,846	2,106
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	70,563	185	-	(67,725)	403	3,426
Total	\$114,208	\$11,120	\$(4,842)	\$(83,231)	\$11,127	\$48,382

2013.4.1~2013.6.30						
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	\$627	\$14	\$(48)	(53)	\$-	\$540
Marine insurance	273	197	(18)	(158)	414	708
Land and air insurance	134	56	(22)	(47)	(51)	70
Liability insurance	14	(2)	(4)	-	3	11
Bonding insurance	5	(2)	-	-	-	3
Other property insurance	361	80	(69)	(203)	(71)	98
Accident insurance	43	22	-	(56)	62	71
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,355	6	-	(2,261)	13	113
Total	\$3,812	\$371	\$(161)	\$(2,778)	\$370	\$1,614

English Translation of Financial Statements Originally Issued in Chinese

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

2012.4.1~2012.6.30						
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	\$25,359	\$(6,501)	\$(25)	\$(1,063)	\$20,932	\$38,702
Marine insurance	16,146	(5,695)	(1,289)	(1,460)	25,637	33,339
Land and air insurance	2,781	(790)	(298)	(3,154)	13,997	12,536
Liability insurance	22	55	222	(14)	(117)	168
Bonding insurance	346	(1)	-	(36)	5	314
Other property insurance	7,145	(2,248)	4,685	(4,375)	(96)	5,111
Accident insurance	2,641	6,706	(411)	(1,053)	(1,619)	6,264
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	70,877	(2,804)	-	(77,801)	1,963	(7,765)
Total	\$125,317	\$(11,278)	\$2,884	\$(88,956)	\$60,702	\$88,669

2012.4.1~2012.6.30						
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	\$851	\$(218)	\$(1)	\$(35)	\$702	\$1,299
Marine insurance	542	(191)	(43)	(49)	860	1,119
Land and air insurance	93	(27)	(10)	(106)	470	420
Liability insurance	1	2	8	(1)	(4)	6
Bonding insurance	11	-	-	(1)	-	10
Other property insurance	240	(76)	157	(147)	(3)	171
Accident insurance	89	225	(14)	(35)	(54)	211
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,378	(94)	-	(2,611)	66	(261)
Total	\$4,205	\$(379)	\$97	\$(2,985)	\$2,037	\$2,975

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30						
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	\$42,210	\$(4,006)	\$(1,584)	\$(1,711)	\$(149)	\$34,760
Marine insurance	21,062	2,755	(1,574)	(49,948)	23,758	(3,947)
Land and air insurance	4,933	5,027	(1,007)	(4,580)	(4,762)	(389)
Liability insurance	406	38	(159)	(23)	55	317
Bonding insurance	625	(44)	-	(8)	23	596
Other property insurance	19,484	5,565	(3,979)	(9,073)	(2,109)	9,888
Accident insurance	2,907	837	(18)	(1,686)	3,416	5,456
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	138,592	(931)	-	(148,125)	(3,636)	(14,100)
Total	\$230,219	\$9,241	\$(8,321)	\$(215,154)	\$16,596	\$32,581

2013.1.1~2013.6.30						
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	\$1,409	\$(134)	\$(53)	\$(57)	\$(5)	\$1,160
Marine insurance	703	92	(52)	(1,667)	793	(131)
Land and air insurance	165	168	(34)	(153)	(159)	(13)
Liability insurance	13	1	(5)	(2)	2	9
Bonding insurance	21	(2)	-	-	1	20
Other property insurance	650	186	(133)	(303)	(71)	329
Accident insurance	97	28	(1)	(56)	114	182
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	4,626	(31)	-	(4,944)	(121)	(470)
Total	\$7,684	\$308	\$(278)	\$(7,182)	\$554	\$1,086

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30						
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	\$41,645	\$(6,290)	\$(486)	\$(1,136)	\$1,118	\$34,851
Marine insurance	19,527	(7,414)	(1,541)	(5,964)	20,430	25,038
Land and air insurance	4,451	484	(879)	(4,319)	1,135	872
Liability insurance	350	(75)	(83)	(127)	1,041	1,106
Bonding insurance	695	(152)	2	(44)	13	514
Other property insurance	10,121	2,346	3,971	(5,399)	(72)	10,967
Accident insurance	4,899	21,052	(464)	(3,639)	(8,215)	13,633
Health insurance	-	-	-	-	114	114
Compulsory automobile liability insurance	136,256	(780)	-	(121,490)	(17,818)	(3,832)
Total	\$217,944	\$9,171	\$520	\$(142,118)	\$(2,254)	\$83,263

2012.1.1~2012.6.30						
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	\$1,398	\$(211)	\$(16)	\$(38)	\$38	\$1,171
Marine insurance	655	(249)	(52)	(200)	686	840
Land and air insurance	149	16	(29)	(145)	38	29
Liability insurance	12	(2)	(3)	(5)	35	37
Bonding insurance	23	(5)	-	(2)	-	16
Other property insurance	340	79	133	(181)	(3)	368
Accident insurance	164	706	(16)	(122)	(276)	456
Health insurance	-	-	-	-	4	4
Compulsory automobile liability insurance	4,572	(26)	-	(4,077)	(597)	(128)
Total	\$7,313	\$308	\$17	\$(4,770)	\$(75)	\$2,793

English Translation of Financial Statements Originally Issued in Chinese

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

c. Recognized gain (loss) for reinsurance contract purchased

2013.1.1~2013.6.30						
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	\$663,208	\$(137,810)	\$(27,474)	\$(62,128)	\$19,647	\$455,443
Marine insurance	164,104	2,385	(19,611)	(45,484)	98,199	199,593
Land and air insurance	56,731	4,820	(15,547)	(22,362)	(13,477)	10,165
Liability insurance	91,517	(10,892)	(26,055)	(22,508)	(10,438)	21,624
Bonding insurance	7,220	66	(1,412)	(43)	(362)	5,469
Other property insurance	170,563	(26,995)	(27,095)	(13,749)	20,230	122,954
Accident insurance	48,654	(7,054)	(14,706)	(15,696)	(7,976)	3,222
Health insurance	134	184	(64)	-	(10,191)	(9,937)
Compulsory automobile liability insurance	203,848	(7,289)	-	(189,501)	(36,962)	(29,904)
Total	\$1,405,979	\$(182,585)	\$(131,964)	\$(371,471)	\$58,670	\$778,629

2013.1.1~2013.6.30						
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	\$22,136	\$(4,600)	\$(917)	\$(2,074)	\$656	\$15,201
Marine insurance	5,477	80	(655)	(1,518)	3,278	6,662
Land and air insurance	1,894	161	(519)	(746)	(450)	340
Liability insurance	3,055	(364)	(870)	(751)	(348)	722
Bonding insurance	241	2	(47)	(2)	(12)	182
Other property insurance	5,693	(901)	(904)	(459)	675	4,104
Accident insurance	1,624	(235)	(491)	(524)	(266)	108
Health insurance	5	6	(2)	-	(340)	(331)
Compulsory automobile liability insurance	6,804	(243)	-	(6,325)	(1,234)	(998)
Total	\$46,929	\$(6,094)	\$(4,405)	\$(12,399)	\$1,959	\$25,990

English Translation of Financial Statements Originally Issued in Chinese

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

For the three-month periods ended June 30,2012

NT\$

Item	Net change					
	Reinsurance expense	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	\$720,979	\$(343,697)	\$(34,768)	\$(136,736)	\$130,506	\$336,284
Marine insurance	204,004	(34,136)	(17,494)	(55,335)	84,402	181,441
Land and air insurance	41,391	5,927	(9,710)	(18,390)	(3,533)	15,685
Liability insurance	73,818	(13,744)	(19,171)	(29,132)	19,170	30,941
Bonding insurance	8,134	(2,821)	(1,578)	(5,355)	(103)	(1,723)
Other property insurance	93,946	(9,438)	(15,700)	(17,559)	12,861	64,110
Accident insurance	30,154	13,666	(12,907)	(29,219)	7,028	8,722
Health insurance	409	863	(146)	(550)	(570)	6
Compulsory automobile liability insurance	191,174	(6,164)	-	(170,033)	4,141	19,118
Total	\$1,364,009	\$(389,544)	\$(111,474)	\$(462,309)	\$253,902	\$654,584

For the three-month periods ended June 30,2012

US\$

Item	Net change					
	Reinsurance expense	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	\$24,194	\$(11,533)	\$(1,167)	\$(4,588)	\$4,379	\$11,285
Marine insurance	6,846	(1,146)	(587)	(1,857)	2,832	6,088
Land and air insurance	1,389	199	(326)	(617)	(119)	526
Liability insurance	2,477	(461)	(643)	(978)	643	1,038
Bonding insurance	273	(95)	(53)	(180)	(3)	(58)
Other property insurance	3,152	(317)	(527)	(589)	432	2,151
Accident insurance	1,012	459	(433)	(981)	236	293
Health insurance	14	29	(5)	(18)	(19)	1
Compulsory automobile liability insurance	6,415	(207)	-	(5,706)	139	641
Total	\$45,772	\$(13,072)	\$(3,741)	\$(15,514)	\$8,520	\$21,965

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30

NT\$

Item	Net change for unearned premiums		Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
	Reinsurance expense	reserve ceded				
Fire insurance	\$1,039,459	\$(24,722)	\$(73,801)	\$(208,965)	\$239,510	\$971,481
Marine insurance	285,315	25,314	(38,311)	(171,395)	74,709	175,632
Land and air insurance	114,837	13,007	(32,771)	(45,122)	(27,024)	22,927
Liability insurance	167,942	2,100	(47,255)	(52,087)	(10,750)	59,950
Bonding insurance	21,739	(7,697)	(4,321)	(196)	4,496	14,021
Other property insurance	240,905	(21,626)	(37,620)	(31,084)	29,644	180,219
Accident insurance	84,466	(1,374)	(25,003)	(27,168)	14,715	45,636
Health insurance	435	582	(174)	(160)	(9,019)	(8,336)
Compulsory automobile liability insurance	408,779	(19,051)	-	(374,412)	(59,505)	(44,189)
Total	\$2,363,877	\$(33,467)	\$(259,256)	\$(910,589)	\$256,776	\$1,417,341

2013.1.1~2013.6.30

US\$

Item	Net change for unearned premiums		Reinsurance commission earned	Claims recovered from reinsurers	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
	Reinsurance expense	reserve ceded				
Fire insurance	\$34,695	\$(825)	\$(2,463)	\$(6,975)	\$7,994	\$32,426
Marine insurance	9,523	845	(1,279)	(5,721)	2,494	5,862
Land and air insurance	3,833	434	(1,094)	(1,506)	(902)	765
Liability insurance	5,605	70	(1,577)	(1,738)	(359)	2,001
Bonding insurance	726	(257)	(144)	(7)	150	468
Other property insurance	8,041	(722)	(1,256)	(1,037)	990	6,016
Accident insurance	2,819	(46)	(835)	(907)	491	1,522
Health insurance	15	20	(6)	(5)	(301)	(277)
Compulsory automobile liability insurance	13,644	(636)	-	(12,497)	(1,986)	(1,475)
Total	\$78,901	\$(1,117)	\$(8,654)	\$(30,393)	\$8,571	\$47,308

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30						
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	\$1,030,996	\$(264,733)	\$(55,630)	\$(251,501)	\$176,248	\$635,380
Marine insurance	362,136	(21,370)	(48,335)	(79,141)	54,294	267,584
Land and air insurance	61,397	30,822	(16,551)	(36,615)	(11,734)	27,319
Liability insurance	168,491	(43,202)	(43,571)	(32,161)	6,299	55,856
Bonding insurance	20,415	(8,383)	(4,094)	(3,281)	378	5,035
Other property insurance	209,033	(18,729)	(36,630)	(21,036)	14,901	147,539
Accident insurance	77,044	4,837	(22,224)	(46,815)	(11,051)	1,791
Health insurance	1,363	932	(481)	(950)	(1,744)	(880)
Compulsory automobile liability insurance	374,556	(10,447)	-	(332,929)	8,139	39,319
Total	\$2,305,431	\$(330,273)	\$(227,516)	\$(804,429)	\$235,730	\$1,178,943

2012.1.1~2012.6.30						
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	\$34,597	\$(8,884)	\$(1,867)	\$(8,439)	\$5,914	\$21,321
Marine insurance	12,152	(717)	(1,622)	(2,656)	1,822	8,979
Land and air insurance	2,060	1,034	(555)	(1,229)	(394)	916
Liability insurance	5,654	(1,450)	(1,462)	(1,079)	211	1,874
Bonding insurance	685	(281)	(137)	(110)	13	170
Other property insurance	7,015	(628)	(1,229)	(706)	500	4,952
Accident insurance	2,585	162	(746)	(1,571)	(371)	59
Health insurance	46	31	(16)	(32)	(58)	(29)
Compulsory automobile liability insurance	12,569	(350)	-	(11,172)	273	1,320
Total	\$77,363	\$(11,083)	\$(7,634)	\$(26,994)	\$7,910	\$39,562

English Translation of Financial Statements Originally Issued in Chinese

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

(5) Sensitivity of insurance risk

A. Cathay Century

Insurance type	Premium income		Expected loss ratio	The impact on profit and loss when the expected loss ratio increases 5%			
	NT\$	US\$		Before reinsurance		After reinsurance	
				NT\$	US\$	NT\$	US\$
Fire insurance	\$1,418,794	\$47,356	63.79	\$70,940	\$2,368	\$35,659	\$1,190
Marine insurance	352,461	11,764	64.69	17,623	588	3,751	125
Land and air insurance	2,926,747	97,688	65.06	146,337	4,884	91,395	3,051
Liability insurance	366,073	12,219	67.97	18,304	611	9,928	331
Bonding insurance	34,233	1,143	68.43	1,711	57	374	12
Other property insurance	386,199	12,890	62.09	19,310	645	8,536	285
Accident insurance	1,263,156	42,161	72.27	63,158	2,108	41,993	1,402
Health insurance	77,493	2,587	69.8	3,875	129	2,686	90
Compulsory automobile liability insurance	1,484,488	49,549	NA	NA	NA	NA	NA

Remark: 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 Cathay Century, 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 Century (China)

Insurance type	Premium income		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	\$146,354	\$4,885	\$7,318	\$244	\$3,213	\$107
Marine insurance	19,759	660	988	33	815	27
Liability insurance	155,056	5,175	7,753	259	4,850	162
Bonding insurance	1,847	62	92	3	73	2
Other property insurance	552,454	18,440	27,623	922	27,546	919
Accident insurance	-	-	-	-	1	-
Compulsory automobile liability insurance	170,666	5,696	8,533	285	8,533	285

According to the above chart, with every 5% increase in the ending loss rate of every insurance contract of Cathay Century (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.

English Translation of Financial Statements Originally Issued in Chinese

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

(6) Concentration Risk

A. Cathay Century

a. Situations that might cause concentration of insurance risk:

(A) Single insurance contract or few related contracts

For the six month ended June 30, 2013, Cathay Century undertook 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) exposure to unanticipated change in trend

For the six month ended June 30, 2013, the loss rate of health insurance is high due to several large claim cases. Other than these, the loss rates of the other insurance categories are still within reasonable range.

(C) Material litigious or legal risks that could lead to huge losses in a single contract or have an extensive impact on a number of contracts.

“Regulations for Assisting Lawsuit Cases of Cathay Century Insurance” is set up to safeguard the rights of Cathay Century and the insured and to implement process control of litigation cases of insurance claim. In addition, each compliance department of Cathay Century will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the six months ended June 30, 2013, no material litigious or legal risks have taken place.

(D) Correlation and mutual influence between different risks ◦

In case of a catastrophe, in addition to huge claims of the insured case, other risks such as market risk, credit risk, liquidity risk, can also incur. To avoid the operation of Cathay Century being severely impaired by these risks, Cathay Century has established “Operation standards under crisis” that set up crisis team to respond to the event. The team will execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to maintain financial order. For the six months ended June 30, 2013, no catastrophe has taken place.

English Translation of Financial Statements Originally Issued in Chinese

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

- (E) When a certain key variable has approached a significantly non-linear level that could dramatically influence its future cash flow

Since the 3rd 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 the regulation. A 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 the 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 floods are concentrated in Taipei, Taoyuan, Hsinchu, Chiayi, Tainan, Kaohsiung and Pingtung.

- b. The following table summarizes the concentration risk of Cathay Century before and after reinsurance by types of insurance:

Insurance type	2013.4.1~2013.6.30 (NT\$)				2013.4.1~2013.6.30 (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	\$2,359,669	\$72,517	\$247,604	\$2,184,582	\$78,761	\$2,420	\$8,264	\$72,917
Fire insurance	1,019,789	19,599	633,324	406,064	34,038	654	21,139	13,553
Marine insurance	203,145	5,614	171,180	37,579	6,781	188	5,714	1,255
Engineering insurance	204,582	4,167	150,944	57,805	6,828	139	5,038	1,929
Health and injury insurance	399,869	1,234	36,709	364,394	13,347	41	1,225	12,163
Other insurance	273,097	3,216	93,389	182,924	9,115	107	3,117	6,105
Total	\$4,460,151	\$106,347	\$1,333,150	\$3,233,348	148,870	3,549	44,497	107,922

English Translation of Financial Statements Originally Issued in Chinese

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

Insurance type	2013.1.1~2013.6.30 (NT\$)				2013.1.1~2013.6.30 (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	\$4,926,290	\$141,768	\$507,766	\$4,560,292	164,429	4,732	16,948	152,213
Fire insurance	1,430,182	42,246	935,779	536,649	47,736	1,410	31,234	17,912
Marine insurance	362,184	16,965	289,891	89,258	12,089	566	9,676	2,979
Engineering insurance	329,072	7,848	200,119	136,801	10,984	262	6,680	4,566
Health and injury insurance	730,368	2,740	64,654	668,454	24,378	92	2,158	22,312
Other insurance	528,968	5,434	179,940	354,462	17,656	181	6,006	11,831
Total	\$8,307,064	\$217,001	\$2,178,149	\$6,345,916	277,272	7,243	72,702	211,813

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 Cathay Century in the past would be the 2000 Typhoon Fanatic and the fire that 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 NT\$342 million.

B. Cathay Century (China)

a. Situations that might cause concentration of insurance risk:

(A) The exposure of unanticipated change in trend

Cathay Century (China) reduces the impact of unexpected risk changes in daily operating activities by formulating intensive underwriting and claim policy, entering into proper reinsurance agreements and inspecting and analyzing claims data periodically.

English Translation of Financial Statements Originally Issued in Chinese

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

(B) The correlation and cross effect between different risks

When significant incidents happened, Cathay Century (China) may face huge claim loss for the insured cases or the impairment loss of 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 Century (China) established “Notice for Significant Incidents Handling Process”. If necessary, the general manager or assigned personnel will hold the emergency response team to ensure rights and operation of Cathay Century (China) and protect the safety of policyholders’ property. No significant incident occurred for the year ended December 31, 2013.

b. The following tables summarizes the concentration before and after reinsurance by types of insurance risk of Cathay Century (China):

Insurance type	2013.4.1~2013.6.30 (NT\$)				2013.4.1~2013.6.30 (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	\$453,864	\$3,521	\$346	\$457,039	\$15,149	\$118	\$12	\$15,255
Fire insurance	61,781	3,109	22,801	42,089	2,062	104	761	1,405
Marine insurance	12,323	4,621	4,842	12,102	411	154	162	403
Engineering insurance	3,037	124	(110)	3,271	101	4	(4)	109
Health and injury insurance	-	-	-	-	-	-	-	-
Other insurance	72,964	397	31,686	41,675	2,436	13	1,057	1,392
Total	\$603,969	\$11,772	\$59,565	\$556,176	20,159	393	1,988	18,564

Insurance type	2013.1.1~2013.6.30 (NT\$)				2013.1.1~2013.6.30 (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	\$702,447	\$6,856	\$1,205	\$708,098	\$23,446	\$229	\$40	\$23,635
Fire insurance	150,861	3,832	88,781	65,912	5,035	128	2,963	2,200
Marine insurance	19,759	5,856	9,308	16,307	660	195	311	544
Engineering insurance	9,560	124	4,253	5,431	319	4	142	181
Health and injury insurance	-	23	-	23	-	1	-	1
Other insurance	163,509	397	59,052	104,854	5,458	13	1,971	3,500
Total	\$1,046,136	\$17,088	\$162,599	\$900,625	34,918	570	5,427	30,061

English Translation of Financial Statements Originally Issued in Chinese

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

(7) Claim development table

A. Cathay Century

Underwriting Year (NT\$)	2008.4.1- 2008.6.30	2008.7.1- 2009.6.30	2009.7.1- 2010.6.30	2010.7.1- 2011.6.30	2011.7.1- 2012.6.30	2012.7.1- 2013.6.30	Total
Estimate of cumulative claims incurred:							
At end of underwriting year	\$3,062,273	\$3,322,792	\$3,931,646	\$5,408,275	\$4,851,463	\$5,581,533	
One year later	4,080,849	4,039,173	4,872,374	5,667,748	5,606,250		
Two year later	4,184,209	4,142,479	4,895,061	5,851,146			
Three year later	4,048,332	4,178,118	4,903,626				
Four year later	4,058,322	4,241,307					
Five year later	4,189,671						
Estimate of cumulative claims incurred	4,189,671	4,241,307	4,903,626	5,851,146	5,606,250	5,581,533	30,373,533
Cumulative payment to date	4,007,384	4,179,414	4,770,665	5,481,319	4,981,456	3,275,606	26,695,844
Subtotal	182,287	61,893	132,961	369,827	624,794	2,305,927	3,677,689
Reconciliation	-	-	-	-	-	60,579	60,579
Recorded in balance sheet	\$182,287	\$61,893	\$132,961	\$369,827	\$624,794	\$2,366,506	\$3,738,268

Underwriting Year (US\$)	2008.4.1- 2008.6.30	2008.7.1- 2009.6.30	2009.7.1- 2010.6.30	2010.7.1- 2011.6.30	2011.7.1- 2012.6.30	2012.7.1- 2013.6.30	Total
Estimate of cumulative claims incurred:							
At end of underwriting year	\$102,212	\$110,908	\$131,230	\$180,517	\$161,931	\$186,299	
One year later	136,210	134,819	162,629	189,177	187,124	-	
Two year later	139,660	138,267	163,387	195,299	-	-	
Three year later	135,125	139,457	163,672	-	-	-	
Four year later	135,458	141,566	-	-	-	-	
Five year later	139,842	-	-	-	-	-	
Estimate of cumulative claims incurred	139,842	141,566	163,672	195,299	187,124	186,229	1,013,802
Cumulative payment to date	133,758	139,500	159,234	182,955	166,270	109,333	891,050
Subtotal	6,084	2,066	4,438	12,344	20,854	76,966	122,752
Reconciliation	-	-	-	-	-	2,022	2,022
Recorded in balance sheet	\$6,084	\$2,066	\$4,438	\$12,344	\$20,854	\$78,988	\$124,774

Remark: The upper part of this chart is to explain the amount of claim for property insurance of each underwriting year estimated through time. It's excluded claim reserve of compulsory automobile liability insurance NT\$924,304 (US\$30,851) and assumed reinsurance from the upper table (except compulsory automobile liability insurance) NT\$221,510 (US\$7,394).

English Translation of Financial Statements Originally Issued in Chinese

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

B. Cathay Century (China)

NT\$	For the first quarter of						Total
	2008.1.1-	2009.1.1-	2010.1.1-	2011.1.1-	2012.1.1-	2013.1.1-	
	2008.12.31	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.6.30	
Estimated accumulation amount of claim							
As to 2008/12/31	2,686						
As to 2009/12/31	2,560	155,855					
As to 2010/12/31	2,555	149,776	333,303				
As to 2011/12/31	2,583	146,760	330,133	358,690			
As to 2012/12/31	1,342	127,398	296,479	321,241	997,744		
As to 2013/3/31	1,342	127,399	296,704	330,426	812,939	681,744	
Estimated accumulation of claim	1,342	127,399	296,704	330,426	812,939	681,744	2,250,554
Accumulated claim paid	1,342	127,264	293,812	289,047	502,927	126,519	1,340,911
Subtotal	-	135	2,892	41,379	310,012	555,225	909,643
Indirect claim expense, discount and risk margin							41,647
Recognized amount on balance sheet							<u>\$951,290</u>

US\$	For the first quarter of						Total
	2008.1.1-	2009.1.1-	2010.1.1-	2011.1.1-	2012.1.1-	2013.1.1-	
	2008.12.31	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.6.30	
Estimated accumulation amount of claim							
As to 2008/12/31	90						
As to 2009/12/31	85	5,202					
As to 2010/12/31	85	4,999	11,125				
As to 2011/12/31	86	4,899	11,019	11,972			
As to 2012/12/31	45	4,252	9,896	10,722	33,303		
As to 2013/3/31	45	4,252	9,904	11,029	27,134	22,755	
Estimated accumulation of claim	45	4,252	9,904	11,029	27,134	22,755	75,119
Accumulated claim paid	45	4,248	9,807	9,648	16,786	4,223	44,757
Subtotal	-	4	97	1,381	10,348	18,532	30,362
Indirect claim expense, discount and risk margin							1,390
Recognized amount on balance sheet							<u>\$31,752</u>

English Translation of Financial Statements Originally Issued in Chinese

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

C. Cathay Century (Vietnam)

As Cathay Century (Vietnam) is still just being set up , there is no historical data for loss trends. Cathay Century (Vietnam) has adopted the suggestion from Vietnamese Ministry of Finance 2842/BTC/QLBH for loss reserving method with incurred but not reported claims, which is calculated at a rate of 5% of its annual retained premiums.

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	"
Seaward Card	"
Cathay Futures	"
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	"
Vietinbank	Other related parties
Cathay Dragon Fund etc.	"
Lin Yuan Property Management Co., Ltd.	"
Cathay General Hospital	"
Cathay Real Estate Development Co., Ltd.	"
San Ching Engineering Co., Ltd.	"
Cathay Healthcare Inc.	"
Cathay Hospitality Management	"
SBC Bank	"
Others	"

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	<u>\$6,238,460</u>	<u>\$208,226</u>	<u>\$6,376,067</u>	<u>\$219,486</u>	<u>\$3,229,568</u>	<u>\$108,375</u>	<u>\$5,731,948</u>	<u>\$189,361</u>

Name	Interest income							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	<u>\$50,858</u>	<u>\$1,698</u>	<u>\$15,349</u>	<u>\$515</u>	<u>\$115,892</u>	<u>\$3,868</u>	<u>\$103,574</u>	<u>\$3,476</u>

b. Due from commercial banks

Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	<u>\$5,592</u>	<u>\$187</u>	<u>\$5,722</u>	<u>\$197</u>	<u>\$14,732</u>	<u>\$494</u>	<u>\$23,666</u>	<u>\$782</u>

Name	Interest income							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	<u>\$-</u>	<u>\$-</u>	<u>\$2</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6</u>	<u>\$-</u>

c. Call loans from banks

Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	<u>\$3,579,578</u>	<u>\$119,479</u>	<u>\$2,797,772</u>	<u>\$96,309</u>	<u>\$9,987</u>	<u>\$335</u>	<u>\$1,395</u>	<u>\$46</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Interest revenue							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	\$82,166	\$2,743	\$-	\$-	\$145,906	\$4,870	\$72,992	\$2,449

d. Due to commercial banks

Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties								
Vietinbank	\$33,521	\$1,119	\$5,722	\$197	\$-	\$-	\$4,072,018	\$134,523

B. Financial assets at fair value through profit or loss

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$1,976,270	\$65,964	\$2,319,889	\$79,858

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$1,791,540	\$60,119	\$1,676,355	\$55,380

C. Receivables

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	\$7,582	\$253	\$-	\$-
Associates				
Taiwan Finance Corp.	27,899	931	-	-
Other related parties				
Cathay General Hospital	4,267	142	1,039	36
Cathay Dragon Fund etc.	78,442	2,618	76,453	2,632
Total	\$118,190	\$3,944	\$77,492	\$2,668

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	\$2,424	\$81	\$1,035	\$34
Associates				
Taiwan Finance Corp.	22,828	766	-	-
Other related parties				
Cathay General Hospital	1,563	52	1,847	61
Cathay Dragon Fund etc.	70,169	2,355	68,121	2,250
Total	\$96,984	\$3,254	\$71,003	\$2,345

D. Loans

Name	Ending balance			
	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Associates				
Taiwan Real-estate Management Corp.	\$60,000	\$2,003	\$65,000	\$2,238
Other related parties				
Cathay Real Estate Development Co., Ltd.	970,000	32,377	-	-
Cathay General Hospital	3,169,405	105,788	3,313,519	114,063
Others	1,476,015	49,266	890,843	30,666
Total	\$5,675,420	\$189,434	\$4,269,362	\$146,967

Name	Ending balance			
	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Associates				
Taiwan Real-estate Management Corp.	\$75,000	\$2,517	\$80,000	\$2,643
Other related parties				
Cathay Real Estate Development Co., Ltd.	50,000	1,678	-	-
Cathay General Hospital	3,451,900	115,836	3,588,571	118,552
Others	645,817	21,672	692,627	22,882
Total	\$4,222,717	\$141,703	\$4,361,198	\$144,077

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Interest income			
	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Associates				
Taiwan Real-estate Management Corp.	\$287	\$10	\$373	\$13
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,837	161	200	7
Cathay General Hospital	20,034	669	21,792	731
Others	7,837	262	3,710	124
Total	\$32,995	\$1,102	\$26,075	\$875

Name	Interest revenue			
	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Associates				
Taiwan Real-estate Management Corp.	\$594	\$20	\$765	\$26
Other related parties				
Cathay Real Estate Development Co., Ltd.	5,698	190	282	9
Cathay General Hospital	40,525	1,353	44,007	1,477
Others	13,125	438	6,267	210
Total	\$59,942	\$2,001	\$51,321	\$1,722

E. Available-for-sale financial assets

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$164,977	\$5,507	\$236,464	\$8,140

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$731,344	\$24,542	\$209,614	\$6,925

English Translation of Financial Statements Originally Issued in Chinese

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

F. Deposit

Name	Ending balance			
	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$249,993	\$8,344	\$279,019	\$9,605
Cathay Dragon Fund etc.	1,814,812	60,574	3,258,081	112,154
Others	8,784,991	293,224	7,234,987	249,053
Total	<u>\$10,849,796</u>	<u>\$362,142</u>	<u>\$10,772,087</u>	<u>\$370,812</u>

Name	Ending balance			
	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$81,599	\$2,738	\$215,767	\$7,128
Cathay Dragon Fund etc.	2,113,147	70,911	3,533,073	116,719
Others	6,894,165	231,348	6,719,624	221,990
Total	<u>\$9,088,911</u>	<u>\$304,997</u>	<u>\$10,468,464</u>	<u>\$345,837</u>

Name	Interest income			
	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$53	\$2	\$69	\$2
Cathay Dragon Fund etc.	4,738	158	4,178	140
Others	26,050	869	17,641	592
Total	<u>\$30,841</u>	<u>\$1,029</u>	<u>\$21,888</u>	<u>\$734</u>

Name	Interest income			
	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$112	\$4	\$100	\$3
Cathay Dragon Fund etc.	8,740	292	11,472	385
Others	52,528	1,753	34,367	1,153
Total	<u>\$61,380</u>	<u>\$2,049</u>	<u>\$45,939</u>	<u>\$1,541</u>

English Translation of Financial Statements Originally Issued in Chinese

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

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	2013.1.1~2013.6.30	
		(NT\$)	(US\$)
Other related parties			
Cathay Real Estate			
Development Co., Ltd.	Cathay Land Mark, etc.	\$6,290	\$210
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,018,531	33,996
Lin Yuan Property			
Management Co., Ltd.	Cathay Cosmos Building, etc.	9,992	334
Total		<u>\$1,034,813</u>	<u>\$34,540</u>

Name	Item	2012.1.1~2012.6.30	
		(NT\$)	(US\$)
Other related parties			
Cathay Real Estate			
Development Co., Ltd.	Cathay Land Mark, etc.	\$22,043	\$740
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	665,323	22,326
Lin Yuan Property			
Management Co., Ltd.	Cathay Cosmos Building, etc.	8,996	302
Total		<u>\$696,362</u>	<u>\$23,368</u>

The total amounts of contracted projects for real estate as of 30 June 2013 , 31 December 2012 , 30 June 2012 and 1 January 2012, between Cathay Life and Lin Yuan Property Management Co., Ltd. were NT\$12,189 (US\$407) thousands , NT\$3,408 (US\$117) thousands, NT\$0 (US\$0) thousands and NT\$0 (US\$0) thousands, respectively.

The total amounts of contracted projects for real estate as of 30 June 2013 , 31 December 2012 , 30 June 2012 and 1 January 2012, between Cathay Life and San Ching Engineering Co., Ltd. were NT\$5,493,034 (US\$183,346) thousands , NT\$5,483,615 (US\$188,765) thousands , NT\$5,483,615 (US\$184,014) thousands and NT\$5,483,615 (US\$181,157) thousands, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

The total amounts of contracted projects for real estate as of 30 June 2013 , 31 December 2012 , 30 June 2012 and 1 January 2012, between Cathay Life and Cathay Real Estate Development Co., Ltd. were NT\$49,306 (US\$1,646) thousands , NT\$49,306 (US\$1,697) thousands , NT\$49,306 (US\$1,629) thousands and NT\$49,306 (US\$1,1629) thousands, respectively.

b. Real estate rental income from Cathay Life:

Name	Rental income			
	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	\$2,181	\$73	\$2,074	\$70
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,343	145	4,323	145
San Ching Engineering Co., Ltd.	1,508	50	1,537	52
Cathay General Hospital	43,552	1,454	43,552	1,461
Cathay Healthcare Inc.	8,586	287	14,805	497
Total	<u>\$60,170</u>	<u>\$2,009</u>	<u>\$66,291</u>	<u>\$2,225</u>

Name	Rental income			
	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	\$4,382	\$146	\$4,628	\$155
Other related parties				
Cathay Real Estate Development Co., Ltd.	8,686	290	8,655	290
San Ching Engineering Co., Ltd.	3,017	101	3,074	103
Cathay General Hospital	87,104	2,907	87,352	2,931
Cathay Healthcare Inc.	17,189	574	14,805	497
Total	<u>\$120,378</u>	<u>\$4,018</u>	<u>\$118,514</u>	<u>\$3,976</u>

Name	Guarantee deposits received			
	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,028	\$134	\$4,028	\$139
Cathay General Hospital	10,166	339	10,166	350
Cathay Healthcare Inc.	8,012	267	8,012	276
Total	<u>\$22,206</u>	<u>\$740</u>	<u>\$22,206</u>	<u>\$765</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Guarantee deposits received			
	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,028	\$135	\$4,028	\$133
Cathay General Hospital	10,166	341	13,194	436
Cathay Healthcare Inc.	8,373	281	6,894	228
Total	<u>\$22,567</u>	<u>\$757</u>	<u>\$24,116</u>	<u>\$797</u>

Lease terms are usually between 2 to 5 years and rental incomes are collected monthly.

c. Real estate rental expense from Cathay Life and Cathay United Bank:

Name	Rental expense			
	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	<u>\$17,771</u>	<u>\$593</u>	<u>\$8,719</u>	<u>\$293</u>

Name	Rental income			
	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	<u>\$36,946</u>	<u>\$1,233</u>	<u>\$16,980</u>	<u>\$570</u>

Name	Guarantee deposits paid			
	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	<u>\$13,932</u>	<u>\$465</u>	<u>\$13,932</u>	<u>\$480</u>

Name	Guarantee deposits paid			
	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Real Estate Development Co., Ltd.	<u>\$3,786</u>	<u>\$127</u>	<u>\$3,786</u>	<u>\$125</u>

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

H. Guarantee deposits

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Healthcare Inc.	\$3,534	\$118	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	167	5,000	172
Total	<u>\$8,534</u>	<u>\$285</u>	<u>\$5,000</u>	<u>\$172</u>

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	<u>\$5,000</u>	<u>\$168</u>	<u>\$5,000</u>	<u>\$165</u>

I. Futures traders' equity

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	<u>\$166,726</u>	<u>\$5,565</u>	<u>\$166,848</u>	<u>\$5,743</u>

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	<u>\$94,632</u>	<u>\$3,176</u>	<u>\$-</u>	<u>\$-</u>

J. Payables

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	\$14,109	\$471	\$-	\$-
Seaward Card	25,497	851	26,131	900
Other related parties				
Lin Yuan Property Management Co., Ltd.	30,600	1,021	3,580	123
San Ching Engineering Co., Ltd.	13,939	465	326	11
Vietinbank	572,280	19,101	407,904	14,041
Total	<u>\$656,425</u>	<u>\$21,909</u>	<u>\$437,941</u>	<u>\$15,075</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	\$64	\$2	\$64	\$2
Seaward Card	26,579	892	27,223	899
Other related parties				
Lin Yuan Property Management Co., Ltd.	7,674	258	5,294	175
San Ching Engineering Co., Ltd.	43,035	1,444	23,331	771
Vietinbank	418,600	14,047	-	-
Total	<u>\$495,952</u>	<u>\$16,643</u>	<u>\$55,912</u>	<u>\$1,847</u>

K. Net commission and handling fees

a. Handling fee income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	<u>\$5,490</u>	<u>\$183</u>	<u>\$1,304</u>	<u>\$44</u>

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	<u>\$10,911</u>	<u>\$364</u>	<u>\$2,355</u>	<u>\$79</u>

b. Reinsurance handling fee paid

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$1,607</u>	<u>\$54</u>	<u>\$1,622</u>	<u>\$54</u>

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$5,645</u>	<u>\$188</u>	<u>\$5,732</u>	<u>\$192</u>

English Translation of Financial Statements Originally Issued in Chinese

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

L. Net premiums from insurance business

a. Insurance income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay General Hospital	\$9,858	\$329	\$9,895	\$332
Others	24,869	830	31,382	1,053
Total	<u>\$34,727</u>	<u>\$1,159</u>	<u>\$41,277</u>	<u>\$1,385</u>

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay General Hospital	\$19,830	\$662	\$19,983	\$671
Others	59,293	1,979	59,496	1,997
Total	<u>\$79,123</u>	<u>\$2,641</u>	<u>\$79,479</u>	<u>\$2,668</u>

b. Reinsurance income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$29,916</u>	<u>\$999</u>	<u>\$28,989</u>	<u>\$973</u>

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	<u>\$70,082</u>	<u>\$2,339</u>	<u>\$63,460</u>	<u>\$2,130</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 six-month periods ended 2013 and 2012, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

English Translation of Financial Statements Originally Issued in Chinese

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

c. Reinsurance claims payment

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	\$73,242	\$2,445	\$25,325	\$850

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Insurance (Bermuda)	\$103,263	\$3,447	\$58,724	\$1,971

M.Net other non-interest income

a. Sales

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay General Hospital	\$57,154	\$1,908	\$6,021	\$202

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay General Hospital	\$57,660	\$1,925	\$32,144	\$1,079

b. Management fee income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$252,176	\$8,417	\$211,704	\$7,104

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$508,475	\$16,972	\$424,313	\$14,239

English Translation of Financial Statements Originally Issued in Chinese

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

N. Operating expense

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	\$6,340	\$212	\$6,340	\$213
Seaward Card	73,863	2,465	97,534	3,273
Other related parties				
Cathay Real Estate Development Co., Ltd.	5,127	171	6,427	216
Lin Yuan Property Management Co., Ltd.	265,147	8,850	153,598	5,154
Cathay Healthcare Inc.	2,637	88	-	-
Total	\$353,114	\$11,786	\$263,899	\$8,856

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Consulting	\$12,679	\$423	\$12,679	\$425
Seaward Card	173,764	5,800	180,636	6,062
Other related parties				
Cathay Real Estate Development Co., Ltd.	9,154	306	9,757	327
Lin Yuan Property Management Co., Ltd.	435,013	14,520	306,923	10,299
Cathay Healthcare Inc.	3,384	113	-	-
Total	\$633,994	\$21,162	\$509,995	\$17,113

O. Key management personnel compensation

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Short-term employee benefits	\$95,095	\$3,174	\$68,535	\$2,300
Post-employment pension	2,398	80	1,896	64
Termination benefits	-	-	-	-
Total	\$97,493	\$3,254	\$70,431	\$2,364

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Short-term employee benefits	\$246,575	\$8,230	\$182,803	\$6,134
Post-employment pension	5,416	181	3,709	124
Termination benefits	2,708	90	-	-
Total	\$254,699	\$8,501	\$186,512	\$6,258

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

(3) The Company

Significant intercompany transactions within the Group have been eliminated upon consolidation.

A. Cash in bank

Name	Item	Ending balance			
		2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$140,058	\$4,675	\$87,408	\$3,009
	Cash in bank	9,421	314	5,981	206
		<u>\$149,479</u>	<u>\$4,989</u>	<u>\$93,389</u>	<u>\$3,215</u>

Name	Item	Ending balance			
		2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$-	\$-	\$-	\$-
	Cash in bank	4,458	150	60,579	2,001
		<u>\$4,458</u>	<u>\$150</u>	<u>\$60,579</u>	<u>\$2,001</u>

As of the three-month periods ended 30 June 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$232(US\$8) thousands and NT\$19(US\$1) thousands, respectively. As of the six-month periods ended 30 June 2013 and 2012, they were NT\$469(US\$16) thousands and NT\$27(US\$1) thousands, respectively.

B. Receivables

Name	Item	2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay Life	Interest	\$3,001,263	\$100,176	\$2,550,995	\$87,814
Cathay Century	Receivables due to consolidated income tax and interest	118,260	3,947	172,887	5,951
Cathay Securities	Receivables due to consolidated income tax	7,838	262	113,915	3,921
Cathay Securities Investment Trust	Receivables due to consolidated income tax	36,064	1,204	19,154	659
Total		<u>\$3,163,425</u>	<u>\$105,589</u>	<u>\$2,856,951</u>	<u>\$98,345</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Item	2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay Life	Interest	\$2,094,514	\$70,286	\$1,642,995	\$54,278
Cathay Century	Receivables due to consolidated income tax and interest	64,913	2,178	103,717	3,426
Cathay Securities	Receivables due to consolidated income tax	285,166	9,569	-	-
Cathay Securities Investment Trust	Receivables due to consolidated income tax	28,717	964	-	-
Total		<u>\$2,473,310</u>	<u>\$82,997</u>	<u>\$1,746,712</u>	<u>\$57,704</u>

C. Guarantee deposits paid

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	<u>\$7,115</u>	<u>\$237</u>	<u>\$6,604</u>	<u>\$227</u>

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	<u>\$6,254</u>	<u>\$210</u>	<u>\$5,816</u>	<u>\$192</u>

D. Held-to-maturity financial asset

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$30,000,000	\$1,001,335	\$30,000,000	\$1,032,702
Cathay Century	1,000,000	33,378	1,000,000	34,423
Total	<u>\$31,000,000</u>	<u>\$1,034,713</u>	<u>\$31,000,000</u>	<u>\$1,067,125</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$30,000,000	\$1,006,711	\$30,000,000	\$991,080
Cathay Century	1,000,000	33,557	1,000,000	33,036
Total	<u>\$31,000,000</u>	<u>\$1,040,268</u>	<u>\$31,000,000</u>	<u>\$1,024,116</u>

E. Payables

Name	Item	2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$6,487,242	\$216,530	\$5,235,287	\$180,216
Cathay United Bank	Payable due to consolidated income tax	375,330	12,528	246,573	8,488
Cathay Securities	Payable due to consolidated income tax	14,199	474	-	-
Total		<u>\$6,876,771</u>	<u>\$229,532</u>	<u>\$5,481,860</u>	<u>\$188,704</u>

Name	Item	2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$5,335,029	\$179,028	\$3,055,618	\$100,945
Cathay United Bank	Payable due to consolidated income tax	826,430	27,733	554,163	18,307
Cathay Securities	Payable due to consolidated income tax	-	-	152,759	5,047
Total		<u>\$6,161,459</u>	<u>\$206,761</u>	<u>\$3,762,540</u>	<u>\$124,299</u>

F. Interest income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$226,378	\$7,556	\$225,759	\$7,576
Cathay Century	4,638	155	4,625	155
Total	<u>\$231,016</u>	<u>\$7,711</u>	<u>\$230,384</u>	<u>\$7,731</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$450,268	\$15,029	\$451,519	\$15,152
Cathay Century	9,224	308	9,249	310
Total	\$459,492	\$15,337	\$460,768	\$15,462

G. Operating expenses

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$7,871	\$263	\$6,922	\$232

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$15,567	\$520	\$13,685	\$459

(4) Subsidiaries' significant transactions with related parties are follows:

A. Cathay Life and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$44,631,382	\$1,489,699	\$57,341,698	\$1,973,897
	Cash in bank	8,616,270	287,592	15,791,905	543,611
	Check deposit	485,240	16,196	954,116	32,844
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	39,662	1,324	471	16
	Cash in bank	145,939	4,871	2,737	94
		\$53,918,499	\$1,799,682	\$74,090,933	\$2,550,462

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Item	Ending balance			
		2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$41,500,098	\$1,392,621	\$53,383,921	\$1,763,592
	Cash in bank	15,416,052	517,317	8,973,412	296,446
	Check deposit	1,091,993	36,644	638,623	21,098
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	4,140	139	32,811	1,084
	Cash in bank	3,706	124	1,622	54
		<u>\$58,015,995</u>	<u>\$1,946,845</u>	<u>\$63,030,395</u>	<u>\$2,082,274</u>

As of the three-month period ended 30 June 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$151,883(US\$5,070) thousands and NT\$105,540 (US\$3,542) thousands, respectively. As of the six-month periods ended 30 June 2013 and 2012, they were NT\$280,253(US\$9,354) thousands and NT\$219,460(US\$7,364) thousands, respectively.

As of the three-month period ended 30 June 2013 and 2012, interest revenue earned from deposits in Indovina Bank described above were NT\$1,620(US\$54) thousands and NT\$554 (US\$19) thousands, respectively. As of the six-month periods ended 30 June 2013 and 2012, they were NT\$3,057(US\$102) thousands and NT\$1,415(US\$47) thousands, respectively.

b. Other receivables

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding (Note)	\$6,487,242	\$216,530	\$5,235,287	\$180,216
Subsidiaries				
Cathay Century	188,771	6,301	141,412	4,868
Total	<u>\$6,676,013</u>	<u>\$222,831</u>	<u>\$5,376,699</u>	<u>\$185,084</u>

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding (Note)	\$5,335,029	\$179,028	\$3,055,618	\$100,945
Subsidiaries				
Cathay Century	171,995	5,772	217,861	7,197
Total	<u>\$5,507,024</u>	<u>\$184,800</u>	<u>\$3,273,479</u>	<u>\$108,142</u>

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

English Translation of Financial Statements Originally Issued in Chinese

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

c. Secured loans

2013.1.1~2013.6.30							
Name	Maximum amount		Interest Income		Rate	Ending balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Other related parties							
Cathay General Hospital	\$3,120,519	\$104,156	\$39,048	\$1,303	2.43%~2.55%	\$3,070,405	\$102,483
Others	595,109	19,863	4,174	139	1.34%~3.88%	583,396	19,472
Total			<u>\$43,222</u>	<u>\$1,442</u>		<u>\$3,653,801</u>	<u>\$121,955</u>

2012.1.1~2012.6.30							
Name	Maximum amount		Interest income		Rate	Ending balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Other related parties							
Cathay General Hospital	\$3,485,571	\$116,965	\$42,492	\$1,426	2.43%~2.55%	\$3,348,900	\$112,379
Others	331,242	11,116	2,400	81	1.53%~3.78%	317,872	10,667
Total			<u>\$44,892</u>	<u>\$1,507</u>		<u>\$3,666,772</u>	<u>\$123,046</u>

d. Financial assets at fair value through profit or loss-beneficiary certificates

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	<u>\$1,976,270</u>	<u>\$65,964</u>	<u>\$2,319,889</u>	<u>\$79,858</u>

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	<u>\$1,671,540</u>	<u>\$56,092</u>	<u>\$1,666,355</u>	<u>\$55,050</u>

English Translation of Financial Statements Originally Issued in Chinese

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

e. Guarantee deposits paid

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Futures	\$660,047	\$22,031	\$364,739	\$12,556

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Futures	\$413,418	\$13,873	\$511,844	\$16,909

The guarantee deposits are futures margins of Cathay Futures. As of the three-month periods ended 30 June 2013 and 2012, interest revenue earned from guarantee deposits were NT\$275(US\$9) thousands and NT\$125 (US\$4) thousands, respectively, as of the six-month periods ended 30 June 2013 and 2012, they were NT\$431(US\$14) thousands and NT\$238 (US\$8) thousands, respectively.

f. Other payables

Name	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding(Note)	\$3,001,263	\$100,176	\$2,550,995	\$87,814

Name	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding(Note)	\$2,094,514	\$70,286	\$1,642,995	\$54,278

Remark: Interest payable accrued from preferred stock liability.

g. Preferred stock liability

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	\$30,000,000	\$1,001,335	\$30,000,000	\$1,032,702

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,006,711</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 projects of Cathay Life:

Name	Item	2013.1.1~2013.6.30	
		(NT\$)	(US\$)
Other related parties			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	<u>\$1,018,531</u>	<u>\$33,996</u>

Name	Item	2012.1.1~2012.6.30	
		(NT\$)	(US\$)
Other related parties			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	<u>\$665,323</u>	<u>\$22,326</u>

As of 30 June , 2013, December 31, 2012, 30 June , 2012 and January 1, 2012, the prices of construction contracts between Cathay Life and San Ching Engineering Co., Ltd. are in the amount of NT\$5,493,034 (US\$183,345), NT\$5,483,615 (US\$188,765), NT\$5,483,615 (US\$184,014) and NT\$5,483,615 (US\$181,157) thousands, respectively.

i. Real estate rental income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay United Bank	<u>\$92,891</u>	<u>\$3,101</u>	<u>\$87,221</u>	<u>\$2,927</u>

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

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay United Bank	\$188,193	\$6,281	\$174,843	\$5,867

j. Premium income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay United Bank	\$174,847	\$5,836	\$160,187	\$5,375

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay United Bank	\$345,487	\$11,532	\$320,224	\$10,746

k. Reinsurance claims payment

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay Insurance (Bermuda)	\$73,242	\$2,445	\$25,325	\$850

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay Insurance (Bermuda)	\$103,263	\$3,447	\$58,724	\$1,971

l. Other revenues

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay United Bank	\$100,161	\$3,343	\$102,978	\$3,456

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

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay United Bank	\$206,968	\$6,908	\$213,882	\$7,177

m. Miscellaneous income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay Century	\$306,983	\$10,246	\$281,488	\$9,446

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay Century	\$628,154	\$20,966	\$569,034	\$19,095

n. Operating expense

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay United Bank	\$535,495	\$17,874	\$807,381	\$27,093
Lin Yuan Property Management Co., Ltd.	262,767	8,771	152,154	5,106
Total	\$798,262	\$26,645	\$959,535	\$32,199

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary				
Cathay United Bank	\$1,079,052	\$36,016	\$1,345,681	\$45,157
Lin Yuan Property Management Co., Ltd.	430,965	14,385	303,526	10,185
Total	\$1,510,017	\$50,401	\$1,649,207	\$55,342

English Translation of Financial Statements Originally Issued in Chinese

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

o. Non-operating expenses and losses

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding (Note)	\$226,378	\$7,556	\$225,759	\$7,576

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding (Note)	\$450,268	\$15,029	\$451,519	\$15,152

Remark: Non-operating expenses and losses are interest expenses accrued from preferred stock liability.

p. Other disclosures

As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

Item	2013.6.30	2012.12.31	2012.6.30	2012.1.1
CS contracts	USD885,000	USD985,000	USD1,771,000	USD1,900,000

B. Cathay United Bank and its subsidiaries

a. Loans and deposits

Account/Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Loans</u>								
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	\$970,000	\$32,377	\$-	\$-	\$50,000	\$1,678	\$-	\$-
Cathay General Hospital	99,000	3,304	103,000	3,546	103,000	3,456	103,000	3,403
Others	856,509	28,588	385,830	13,282	288,023	9,665	363,719	12,016
Total	\$1,925,509	\$64,269	\$488,830	\$16,828	\$441,023	\$14,799	\$466,719	\$15,419

English Translation of Financial Statements Originally Issued in Chinese

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

Account/Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Deposits</u>								
The Company								
Cathay Financial Holding	\$149,479	\$4,989	\$93,389	\$3,215	\$4,458	\$150	\$60,579	\$2,001
Subsidiary								
Cathay Life	53,630,146	1,790,058	73,919,996	2,544,578	57,794,645	1,939,418	62,695,468	2,071,208
Cathay Century	1,447,888	48,327	1,285,715	44,259	1,334,249	44,773	1,335,125	44,107
Cathay Securities	1,224,490	40,871	1,797,618	61,880	843,090	28,292	746,384	24,658
Cathay Futures	2,238,094	74,703	1,978,796	68,117	1,946,704	65,326	2,289,023	75,620
Cathay Securities Investment								
Trust	755,049	25,202	1,745,795	60,096	1,565,469	52,533	1,695,233	56,004
Symphox Information	102,752	3,430	167,730	5,774	213,504	7,165	277,215	9,158
Cathay Life (Vietnam)	185,594	6,195	1,595	55	8,846	297	57,752	1,908
Cathay Century (Vietnam)	319,876	10,677	326,295	11,232	346,944	11,642	433,340	14,316
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	249,993	8,344	279,019	9,605	81,599	2,738	215,767	7,128
Cathay Dragon Fund etc.	1,814,812	60,574	3,258,081	112,154	2,113,147	70,911	3,533,073	116,719
Others	8,784,991	293,224	7,234,987	249,053	6,894,165	231,348	6,719,624	221,990
Total	\$70,903,164	\$2,366,594	\$92,089,016	\$3,170,018	\$73,146,820	\$2,454,593	\$80,058,583	\$2,644,817

Account/Name	Interest income							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Loans</u>								
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	\$4,837	\$161	\$200	\$7	\$5,698	\$190	\$282	\$9
Cathay General Hospital	728	24	758	25	1,477	49	1,515	51
Others	4,298	143	1,681	56	8,598	287	3,461	116
Total	\$9,863	\$328	\$2,639	\$88	\$15,773	\$526	\$5,258	\$176

English Translation of Financial Statements Originally Issued in Chinese

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

Account/Name	Interest expense							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Deposits</u>								
The Company								
Cathay Financial Holding	\$232	\$8	\$19	\$1	\$469	\$16	\$27	\$1
Subsidiary								
Cathay Life	151,317	5,051	104,866	3,519	279,271	9,321	218,184	7,322
Cathay Century	2,403	80	2,924	98	4,737	158	5,910	198
Cathay Securities	2,459	82	1,374	46	4,853	162	2,777	93
Cathay Futures	7,179	240	5,409	182	13,610	454	9,566	321
Cathay Securities Investment								
Trust	2,710	90	3,040	102	5,143	172	6,414	215
Symphox Information	402	13	615	21	831	28	1,217	41
Cathay Life (Vietnam)	1,731	58	612	21	3,205	107	1,473	49
Cathay Century (Vietnam)	7,480	250	17,973	603	16,433	548	28,245	948
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	53	2	69	2	112	4	100	3
Cathay Dragon Fund etc.	4,738	158	4,178	140	8,740	292	11,472	385
Others	26,050	869	17,641	592	52,528	1,753	34,367	1,153
Total	\$206,754	\$6,901	\$158,720	\$5,327	\$389,932	\$13,015	\$319,752	\$10,729

Account/Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Call loans to banks</u>								
Other related parties								
Vietinbank	\$6,238,460	\$208,226	\$6,376,067	\$219,486	\$3,229,568	\$108,375	\$5,731,948	\$189,361
<u>Call loans from banks</u>								
Other related parties								
Vietinbank	3,579,578	119,479	2,797,772	96,309	9,987	335	1,395	46
<u>Due from commercial banks</u>								
Other related parties								
Vietinbank	33,521	1,119	5,722	197	-	-	4,072,018	134,523

English Translation of Financial Statements Originally Issued in Chinese

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

Account/Name	Interest income							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Call loans to banks								
Other related parties								
Vietinbank	\$50,858	\$1,698	\$15,349	\$515	\$115,892	\$3,868	\$103,574	\$3,476

Account/Name	Interest expense							
	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Call loans from banks								
Other related parties								
Vietinbank	\$82,166	\$2,743	\$-	\$-	\$145,906	\$4,870	\$72,992	\$2,449

Transaction terms with related parties are similar to those with third parties

b. Securities sold under agreements to repurchase

Name	Ending balance			
	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Trust	\$425,000	\$14,186	\$20,000	\$688
Other related parties				
Others	-	-	60,081	2,068
Total	\$425,000	\$14,186	\$80,081	\$2,756

Name	Ending balance			
	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Trust	\$-	\$-	\$61,010	\$2,016
Other related parties				
Others	-	-	1,300,456	42,962
Total	\$-	\$-	\$1,361,466	\$44,978

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Interest expense			
	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Trust	\$507	\$17	\$263	\$9
Other related parties				
Others	31	1	-	-
Total	\$538	\$18	\$263	\$9

Name	Interest expense			
	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Securities Investment Trust	\$572	\$19	\$342	\$11
Other related parties				
Others	121	4	138	5
Total	\$693	\$23	\$480	\$16

c. Receivables due to consolidated income tax

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	\$375,330	\$12,528	\$246,573	\$8,488

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	\$826,430	\$27,733	\$554,163	\$18,307

d. Preferred stock liability

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Vietinbank	\$572,280	\$19,101	\$407,904	\$14,041

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Vietinbank	\$418,600	\$14,047	\$-	\$-

e. Rental expense

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$92,891	\$3,101	\$87,221	\$2,927

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$188,193	\$6,281	\$174,843	\$5,867

f. Handling fees income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$535,495	\$17,874	\$807,381	\$27,093

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$1,079,052	\$36,016	\$1,345,681	\$45,157

g. Accrued insurance expense

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$174,847	\$5,836	\$160,187	\$5,375

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$345,487	\$11,532	\$302,224	\$10,142

h. General expense

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Symphox Information	\$100,161	\$3,343	\$102,978	\$3,456
Seaward Card	46,819	1,563	64,179	2,154
Total	\$146,980	\$4,906	\$167,157	\$5,610

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Symphox Information	\$206,968	\$6,908	\$213,882	\$7,177
Seaward Card	117,390	3,918	127,934	4,293
Total	\$324,358	\$10,826	\$341,816	\$11,470

C. Cathay Century and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$650,200	\$21,702	\$695,800	\$23,952
	Cash in bank	609,060	20,329	416,944	14,353
	Check deposits	188,628	6,296	172,971	5,954
		\$1,447,888	\$48,327	\$1,285,715	\$44,259

English Translation of Financial Statements Originally Issued in Chinese

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

Name	Item	Ending balance			
		2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$830,900	\$27,883	\$915,000	\$30,228
	Cash in bank	362,693	12,171	305,576	10,095
	Check deposits	140,656	4,720	114,549	3,784
		<u>\$1,334,249</u>	<u>\$44,774</u>	<u>\$1,335,125</u>	<u>\$44,107</u>

As of the three-month period ended 30 June 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$2,404(US\$80) thousands and NT\$2,924(US\$98) thousands, respectively. As of the six-month periods ended 30 June 2013 and 2012, they were NT\$4,737(US\$158) thousands and NT\$5,910(US\$198) thousands, respectively.

b. Available-for-sale financial assets

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	<u>\$21,006</u>	<u>\$701</u>	<u>\$67,557</u>	<u>\$2,326</u>

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	<u>\$551,505</u>	<u>\$18,507</u>	<u>\$50,845</u>	<u>\$1,680</u>

c. Other payables

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding (Note 1)	\$118,260	\$3,947	\$172,887	\$5,951
Subsidiaries				
Cathay Life	<u>188,771</u>	<u>6,301</u>	<u>141,412</u>	<u>4,868</u>
Total	<u>\$307,031</u>	<u>\$10,248</u>	<u>\$314,299</u>	<u>\$10,819</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding (Note 1)	\$64,913	\$2,178	\$103,717	\$3,426
Subsidiaries				
Cathay Life	171,995	5,772	217,861	7,197
Total	\$236,908	\$7,950	\$321,578	\$10,623

d. Preferred stock liability

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	\$1,000,000	\$33,378	\$1,000,000	\$34,423

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The Company				
Cathay Financial Holding	\$1,000,000	\$33,557	\$1,000,000	\$33,036

e. Operating expense

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$306,983	\$10,246	\$281,488	\$9,446

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$628,154	20,966	\$569,034	19,095

f. Other disclosures

As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
CS contracts	USD	72,250	USD	75,250	USD	49,050	USD	41,050
IRS	NTD	400,000	NTD	400,000	NTD	600,000	NTD	600,000

D. Cathay Securities and its subsidiaries

a. Cash in bank

Name	Item	Ending balance			
		2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$1,000,000	\$33,378	\$1,000,000	\$34,423
	Cash in bank	586,853	19,588	1,690,322	58,187
		<u>\$1,586,853</u>	<u>\$52,966</u>	<u>\$2,690,322</u>	<u>\$92,610</u>

Name	Item	Ending balance			
		2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$500,000	\$16,779	\$587,900	\$19,422
	Cash in bank	707,838	23,753	523,889	17,307
		<u>\$1,207,838</u>	<u>\$40,532</u>	<u>\$1,111,789</u>	<u>\$36,729</u>

As of the three-month period ended 30 June 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$9,638(US\$322) thousands and NT\$6,783(US\$228) thousands, respectively. As of the six-month periods ended 30 June 2013 and 2012, they were NT\$18,463(US\$616) thousands and NT\$12,343(US\$414) thousands, respectively.

b. Customer's margin accounts

Name	Ending balance							
	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiary								
Cathay United Bank	<u>\$1,875,731</u>	<u>\$62,608</u>	<u>\$1,086,092</u>	<u>\$37,387</u>	<u>\$1,581,956</u>	<u>\$53,086</u>	<u>\$1,923,618</u>	<u>\$63,549</u>

English Translation of Financial Statements Originally Issued in Chinese

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

c. Open-ended funds and money market instruments

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$-	\$-	\$-	\$-

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$120,000	\$4,027	\$10,000	\$330

d. Other receivables

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The company				
Cathay Financial Holding (Note)	\$14,199	\$474	\$-	\$-

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The company				
Cathay Financial Holding (Note)	\$-	\$-	\$152,759	\$5,047

Note : Receivable are refundable tax under system.

e. Other payables

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The company				
Cathay Financial Holding	\$7,838	\$262	\$113,915	\$3,921

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
The company				
Cathay Financial Holding	\$285,166	\$9,569	\$-	\$-

English Translation of Financial Statements Originally Issued in Chinese

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

f. Futures trader's equity

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$660,047	\$22,031	\$364,739	\$12,556
Other related parties				
Cathay Dragon Fund etc.	166,726	5,565	166,848	5,743
Total	\$826,773	\$27,596	\$531,587	\$18,299

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries				
Cathay Life	\$413,418	\$13,873	\$511,844	\$16,909
Other related parties				
Cathay Dragon Fund etc.	94,632	3,176	-	-
Total	\$508,050	\$17,049	\$511,844	\$16,909

E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Guarantee deposit

Name	Item	Ending balance			
		2013.6.30		2012.12.31	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$740,250	\$24,708	\$1,720,550	\$59,227
	Cash in bank	409	14	28	1
	Check deposits	14,390	480	25,217	868
		\$755,049	\$25,202	\$1,745,795	\$60,096

Name	Item	Ending balance			
		2012.6.30		2012.1.1	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Subsidiaries					
Cathay United Bank	Time deposit	\$1,558,050	\$52,284	\$1,679,450	\$55,482
	Cash in bank	28	1	27	1
	Check deposits	7,391	248	15,756	521
		\$1,565,469	\$52,533	\$1,695,233	\$56,004

English Translation of Financial Statements Originally Issued in Chinese

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

As of the three-month period ended 30 June 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$2,710(US\$90) thousands and NT\$3,040(US\$102) thousands, respectively. As of the six-month periods ended 30 June 2013 and 2012, they were NT\$5,143(US\$172) thousands and NT\$6,414(US\$215) thousands, respectively.

Remark: As of 30 June , 2013, December 31, 2012, 30 June , 2012 and January 1, 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\$1,669) thousands, NT\$50,000 (US\$1,721) thousands, NT\$50,000 (US\$1,677) thousands and NT\$50,000 (US\$1,652) thousands respectively of its time deposits in Cathay United Bank as operating deposit. In addition, Cathay Securities Investment Trust reserved NT\$158,500 (US\$5,291) thousands, NT\$145,000 (US\$4,991) thousands, NT\$162,500 (US\$5,453) thousands and NT\$128,500 (US\$4,245) thousands, respectively, as performance bond according to Discretionary Investment Services Contract.

b. Available-for-sale financial assets

Name	2013.6.30		2012.12.31	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$143,971	\$4,805	\$128,032	\$4,407

Name	2012.6.30		2012.1.1	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$139,091	\$4,667	\$118,147	\$3,903

c. Securities sold under agreements to repurchase

Name	2013.1.1~2013.6.30						
	Maximum balance		Ending balance		Rate	Interest income	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Subsidiaries							
Cathay United							
Bank	\$1,475,128	\$49,237	\$425,000	\$14,186	0.46%~0.50%	\$572	\$19

English Translation of Financial Statements Originally Issued in Chinese

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

Name	2012.1.1~2012.6.30						
	Maximum balance		Ending balance		Rate	Interest income	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Subsidiaries							
Cathay United Bank	\$778,000	\$26,107	\$-	\$-	0.42%~0.46%	\$342	\$11

d. Management fee income

Name	2013.4.1~2013.6.30		2012.4.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$252,176	\$8,417	\$211,704	\$7,104

Name	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Other related parties				
Cathay Dragon Fund etc.	\$508,475	\$16,972	\$424,313	\$14,239

36. Pledged assets

As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, the Company and its subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		30 June 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	\$2,900,098	\$96,799	\$2,559,994	\$88,124
Guarantee deposits paid	Government bonds	10,671,459	356,190	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	47,491	1,585	45,103	1,552
Available-for-sale financial assets	Business reserves and guarantees	1,540,371	51,414	1,603,158	55,186
Held-to-maturity financial assets	Business reserves and guarantees	807,435	26,951	610,570	21,018
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,672,230	50,100,000	1,724,613
Other financial assets	Business reserves and guarantees	699	23	10	-
Total		\$66,067,553	\$2,205,192	\$65,196,285	\$2,244,278

English Translation of Financial Statements Originally Issued in Chinese

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

Item	Guarantee purpose	Carrying amount			
		30 June 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	\$2,100,378	\$70,483	\$2,194,023	\$72,482
Guarantee deposits paid	Government bonds	11,387,218	382,121	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	44,918	1,507	39,313	1,299
Available-for-sale financial assets	Business reserves and guarantees	1,687,630	56,632	1,504,328	49,697
Held-to-maturity financial assets	Business reserves and guarantees	577,318	19,373	635,080	20,980
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,681,208	38,500,000	1,271,886
Total		\$65,897,462	\$2,211,324	\$54,026,743	\$1,784,828

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 30 June 2013, Cathay Securities requested financial institutions issue letters of guarantees for security borrowing of NT\$785,000 (US\$26,202) thousands.

English Translation of Financial Statements Originally Issued in Chinese

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

- (3) As of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, Cathay United Bank had the following commitments and contingent liabilities, which were not reflected in the financial statements:

Item	30 June 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Trust and security held for safekeeping	\$395,752,086	\$13,209,349	\$337,334,621	\$11,612,207
Travelers checks for sale	472,990	15,787	462,167	15,909
Bills for collection	42,506,808	1,418,785	39,523,311	1,360,527
Book-entry for government bonds and depository for short-term marketable securities under management	564,703,900	18,848,595	564,494,500	19,431,824
Entrusted financial management business	4,262,909	142,287	2,385,838	82,129
Guarantees on duties and contracts	10,711,299	357,520	12,081,454	415,885
Unused commercial letters of credit	5,004,103	167,026	4,933,417	169,825
Irrevocable loan commitments	63,943,341	2,134,290	34,415,264	1,184,691
Credit card lines commitments	301,187,898	10,053,001	295,794,164	10,182,243
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	35
Financial guarantee contracts	660,688	22,052	852,596	29,349
Item	30 June 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Trust and security held for safekeeping	\$285,916,707	\$9,594,520	\$283,313,658	\$9,359,553
Travelers checks for sale	435,621	14,618	419,563	13,861
Bills for collection	45,784,675	1,536,398	46,271,479	1,528,625
Book-entry for government bonds and depository for short-term marketable securities under management	531,974,700	17,851,500	548,802,600	18,130,248
Entrusted financial management business	2,536,040	85,102	2,670,038	88,207
Guarantees on duties and contracts	14,962,008	502,081	13,245,165	437,567
Unused commercial letters of credit	7,547,552	253,274	5,477,941	180,969
Irrevocable loan commitments	51,671,365	1,733,938	51,897,159	1,714,475
Credit card lines commitments	289,669,033	9,720,437	282,315,962	9,326,593
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	33
Financial guarantee contracts	663,282	22,258	643,612	21,262

English Translation of Financial Statements Originally Issued in Chinese

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

- (4) According to the effective operating leases agreement (the longest lease term being 5 years), rentals for the next five years are as follows:

	30 June 2013		31 December 2012	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$963,939	\$32,174	\$879,398	\$30,272
1 to 5 years	1,707,169	56,982	1,228,925	42,304
Over 5 year	76,174	2,542	-	-
	<u>\$2,747,282</u>	<u>\$91,698</u>	<u>\$2,108,323</u>	<u>\$72,576</u>

	30 June 2012		1 January 2012	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$957,392	\$32,127	\$1,223,780	\$40,429
1 to 5 years	1,227,757	41,200	1,396,152	46,123
Over 5 year	-	-	-	-
	<u>\$2,185,149</u>	<u>\$73,327</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	2013.6.30			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$293,907,544	\$293,907,544	\$9,809,998	\$9,809,998
Due from the Central Bank and call loans to banks	96,294,885	96,294,885	3,214,115	3,214,115
Financial assets at fair value through profit or loss	188,012,542	188,012,542	6,275,452	6,275,452
Available-for-sale financial assets	1,333,391,213	1,333,391,213	44,505,715	44,505,715
Derivative financial assets for hedging	1,793,051	1,793,051	59,848	59,848
Repurchase bonds and bond investment notes	14,389,293	14,389,293	480,283	480,283
Receivables, net	138,772,681	138,772,681	4,631,932	4,631,932
Discounts and loans-net	1,577,827,835	1,577,827,835	52,664,480	52,664,480
Held-to-maturity financial assets	52,323,584	53,124,823	1,746,448	1,773,192
Other financial assets - Investments in debt securities with no active market	1,315,596,975	1,296,108,311	43,911,782	43,261,292
Other financial assets	387,690,222	387,690,222	12,940,261	12,940,261
Guarantee deposits paid	78,960,506	78,960,506	2,635,531	2,635,531
<u>Liabilities</u>				

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.6.30			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Due to the Central Bank and call loans from banks	46,082,011	46,082,011	1,538,118	1,538,118
Funds borrowed from the Central Bank				
and other banks	1,506,000	1,506,000	50,267	50,267
Financial liabilities at fair value through profit or loss	29,918,963	29,918,963	998,630	998,630
Securities sold under agreements to repurchase	57,979,446	57,979,446	1,935,229	1,935,229
Payables	54,031,335	54,031,335	1,803,449	1,803,449
Deposits and remittances	1,510,325,450	1,510,325,450	50,411,397	50,411,397
Financial debentures payable	100,240,287	100,240,287	3,345,804	3,345,804
Other financial liabilities	373,640,105	373,640,105	12,471,299	12,471,299
Guarantee deposits received	2,994,277	2,994,277	99,942	99,942
	2012.12.31			
Item	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
	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	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>				
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

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.6.30			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
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
	2012.6.30			
Item	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$331,245,587	\$331,245,587	\$11,115,624	\$11,115,624
Due from the Central Bank and call loans to banks	112,798,754	112,798,754	3,785,193	3,785,193
Financial assets at fair value through profit or loss	72,494,999	72,494,999	2,432,718	2,432,718
Available-for-sale financial assets	1,322,654,645	1,322,654,645	44,384,384	44,384,384
Derivative financial assets for hedging	2,953,872	2,953,872	99,123	99,123
Repurchase bonds and bond investment notes	17,667,901	17,667,901	592,882	592,882
Receivables, net	101,249,362	101,249,362	3,397,629	3,397,629
Discounts and loans-net	1,530,141,189	1,530,141,189	51,347,020	51,347,020
Held-to-maturity financial assets, net	24,694,512	26,185,668	828,675	878,714
Other financial assets - Investments in debt				
securities with no active market	1,093,363,820	1,094,046,788	36,690,061	36,712,979
Other financial assets	329,829,261	329,829,261	11,068,096	11,068,096
Guarantee deposits paid	68,482,615	68,482,615	2,298,074	2,298,074
<u>Liabilities</u>				
Due to the Central Bank and call loans from banks	63,492,065	63,492,065	2,130,606	2,130,606
Funds borrowed from the Central Bank				
and other banks	1,495,000	1,495,000	50,168	50,168
Financial liabilities at fair value through profit or loss	14,454,530	14,454,530	485,051	485,051

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.6.30			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Securities sold under agreements to repurchase	16,356,889	16,356,889	548,889	548,889
Payables	59,474,715	59,474,715	1,995,796	1,995,796
Deposits and remittances	1,411,377,909	1,411,377,909	47,361,675	47,361,675
Financial debentures payable	80,198,567	80,198,567	2,691,227	2,691,227
Other financial liabilities	313,697,523	313,697,523	10,526,763	10,526,763
Guarantee deposits received	3,082,830	3,082,830	103,451	103,451
Item	2012.1.1			
	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

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.6.30			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
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:

- a. For short-term financial instruments, their book value shown on consolidated balance statement was used to estimate the 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.
- b. 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.
- c. 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.
- d. The fair value of bonds payables are calculated from the discounted value of expected cash flows, equaling its book value.
- e. 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:

English Translation of Financial Statements Originally Issued in Chinese

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

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.

a. 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	2013.6.30							
	Total		1 st Level		2 nd Level		3 rd 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:								
Stocks	\$17,351,072	\$579,141	\$17,351,072	\$579,141	\$-	\$-	\$-	\$-
Bonds	18,142,387	605,554	16,531,894	551,799	1,610,493	53,755	-	-
Others	136,775,492	4,565,270	52,343,653	1,747,118	84,431,839	2,818,152	-	-
Available-for-sale financial assets:								
Stocks	379,259,049	12,658,847	368,537,871	12,300,997	10,721,178	357,850	-	-
Bonds	824,577,745	27,522,622	56,338,829	1,880,468	768,238,916	25,642,154	-	-
Others	129,554,418	4,324,246	96,812,664	3,231,397	23,009,852	768,019	9,731,902	324,830
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,087,462	36,297	1,087,462	36,297	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	15,743,591	525,487	86,620	2,891	15,656,971	522,596	-	-
Other financial assets:								
Derivatives financial assets for hedging	1,793,051	59,848	1,029,364	34,358	763,687	25,490	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	28,831,501	962,333	20,414,699	681,398	8,416,802	280,935	-	-
Financial instruments measured at fair value item	2012.12.31							
	Total		1 st Level		2 nd Level		3 rd 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:								
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:								

English Translation of Financial Statements Originally Issued in Chinese

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

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

Liabilities

Financial liabilities at fair value through profit or loss	1,503,682	51,762	1,503,682	51,762	-	-	-	-
--	-----------	--------	-----------	--------	---	---	---	---

Derivative financial instruments

Assets

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	-	-
--	-----------	---------	--------	-------	-----------	---------	---	---

Liabilities

Financial liabilities at fair value through profit or loss	7,582,664	261,021	203,241	6,996	7,379,423	254,025	-	-
--	-----------	---------	---------	-------	-----------	---------	---	---

2012.6.30

Financial instruments measured at fair value item	Total		1 st Level		2 nd Level		3 rd Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)

Non-derivative financial instruments

Assets

Financial assets at fair value through profit or loss:

Stocks	\$15,888,908	\$533,185	\$15,888,908	\$533,185	\$-	\$-	\$-	\$-
Bonds	6,869,047	230,505	6,721,107	225,541	147,940	4,964	-	-
Others	40,081,169	1,345,006	34,620,740	1,161,770	5,460,429	183,236	-	-

Available-for-sale financial assets:

Stocks	300,583,270	10,086,687	288,593,191	9,684,335	11,990,079	402,352	-	-
Bonds	923,215,965	30,980,401	34,296,650	1,150,894	888,919,315	29,829,507	-	-
Others	98,855,410	3,317,296	73,686,694	2,472,708	19,101,592	640,993	6,067,124	203,595

Liabilities

Financial liabilities at fair value through profit or loss	1,460,089	48,996	1,460,089	48,996	-	-	-	-
--	-----------	--------	-----------	--------	---	---	---	---

Derivative financial instruments

Assets

Financial assets at fair value through profit or loss	9,655,875	324,022	3,616,178	121,348	6,039,697	202,674	-	-
---	-----------	---------	-----------	---------	-----------	---------	---	---

Other financial assets:

Derivatives financial assets for hedging	2,953,872	99,123	1,561,602	52,403	1,392,270	46,720	-	-
--	-----------	--------	-----------	--------	-----------	--------	---	---

Liabilities

Financial liabilities at fair value through profit or loss	12,994,441	436,055	8,575,385	287,765	4,419,056	148,290	-	-
--	------------	---------	-----------	---------	-----------	---------	---	---

2012.1.1

Financial instruments measured at fair value item	Total		1 st Level		2 nd Level		3 rd Level	
	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)	NT(\$)	US(\$)

Non-derivative financial instruments

Assets

Financial assets at fair value through profit or loss:

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:

English Translation of Financial Statements Originally Issued in Chinese

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

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	-	-

b. Statements of changes in financial assets measured at fair value classified as 3rd level are summarized as follows:

(a) The statement of changes in financial assets whose fair value measurement was attributed to 3rd level.

2013.1.1~2013.6.30(NT\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	
Available-for-sale financial assets	\$7,640,615	\$75,553	\$675,139	\$3,106,367	\$-	\$(1,765,772)	\$-	\$9,731,902

2013.1.1~2013.6.30(US\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	
Available-for-sale financial assets	\$255,027	\$2,522	\$22,535	\$103,684	\$-	\$(58,938)	\$-	\$324,830

2012.1.1~2012.6.30(NT\$)					
Item	Beginning	Total gains and losses	Increase	Decrease	Ending

English Translation of Financial Statements Originally Issued in Chinese

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

	balance	recognized						balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	
Available-for-sale financial assets	\$5,216,315	\$116,153	\$79,189	\$2,200,834	\$-	\$(1,545,367)	\$-	\$6,067,124

2012.1.1~2012.6.30(US\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount recognized in profit or loss	Amount recognized in OCI	Acquisition or issues	Transfer into Level 3	Disposal or settlements	Transfer out of Level 3	
Available-for-sale financial assets	\$175,044	\$3,898	\$2,657	\$73,854	\$-	\$(51,858)	\$-	\$203,595

(b)The transition between 1st level and 2nd level:

During current year, the transition of financial assets and liabilities between 1st level and 2nd level did not occur in the Group.

(2) Management on financial risks

A. Cathay Life and its subsidiaries

a. Credit risk analysis

(a)Credit risk

Anticipated credit risks due to financial transactions conducted included 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.

English Translation of Financial Statements Originally Issued in Chinese

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

- 1 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:

30 June 2013

NT\$

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

30 June 2013

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$5,693,347	\$-	\$-	\$1,971,891	\$2,163,219	\$9,828,457
Financial assets at fair value through profit or loss	1,060,998	32,612	127,209	87,111	-	1,307,930
Available-for-sale financial	15,119,827	560,349	2,317,820	6,749,409	1,161,956	25,909,361

English Translation of Financial Statements Originally Issued in Chinese

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

assets						
Derivative financial assets for hedging	6,699	774	14,561	3,456	-	25,490
Bond investments for which no active market exists	1,317,900	1,270,836	7,168,889	11,106,947	8,144,937	29,009,509
Other financial assets	997,997	-	116,823	-	-	1,114,820
Total	\$24,196,768	\$1,864,571	\$9,745,302	\$19,918,814	\$11,470,112	\$67,195,567
Proportion	36.0%	2.8%	14.5%	29.6%	17.1%	100.0%

31 December 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$258,608,542	\$584,173	\$-	\$58,326,827	\$45,054,311	\$362,573,853
Financial assets at fair value through profit or loss	21,526,712	539,836	2,428,269	1,266,554	-	25,761,371
Available-for-sale financial assets	459,194,110	17,971,724	101,366,905	224,125,202	37,659,604	840,317,545
Derivative financial assets for hedging	292,518	33,903	661,251	154,422	-	1,142,094
Bond investments for which no active market exists	46,944,287	45,480,295	198,308,459	288,690,084	235,030,705	814,453,830
Other financial assets	19,000,000	-	4,500,000	-	-	23,500,000
Total	\$805,566,169	\$64,609,931	\$307,264,884	\$572,563,089	\$317,744,620	\$2,067,748,693
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

31 December 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,902,188	\$20,109	\$-	\$2,007,808	\$1,550,923	\$12,481,028
Financial assets at fair value through profit or loss	741,023	18,583	83,589	43,599	-	886,794
Available-for-sale financial	15,807,026	618,648	3,489,394	7,715,153	1,296,372	28,926,593

English Translation of Financial Statements Originally Issued in Chinese

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

assets						
Derivative financial assets for hedging	10,069	1,167	22,763	5,316	-	39,315
Bond investments for which no active market exists	1,615,982	1,565,587	6,826,453	9,937,696	8,090,558	28,036,276
Other financial assets	654,045	-	154,905	-	-	808,950
Total	\$27,730,333	\$2,224,094	\$10,577,104	\$19,709,572	\$10,937,853	\$71,178,956
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

30 June 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$275,484,206	\$-	\$598,146	\$35,499,083	\$53,344,725	\$364,926,160
Financial assets at fair value through profit or loss	14,347,535	106,523	2,264,724	1,253,151	92,133	18,064,066
Available-for-sale financial assets	446,881,828	10,126,739	105,086,983	258,930,210	46,746,290	867,772,050
Derivative financial assets for hedging	387,837	4,023	913,771	213,597	42,374	1,561,602
Bond investments for which no active market exists	37,807,287	30,918,348	182,552,126	255,194,298	209,651,500	716,123,559
Other financial assets	22,000,000	-	2,500,000	-	-	24,500,000
Total	\$796,908,693	\$41,155,633	\$293,915,750	\$551,090,339	\$309,877,022	\$1,992,947,437
Proportion	40.0%	2.1%	14.7%	27.6%	15.6%	100.0%

30 June 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$9,244,436	\$-	\$20,073	\$1,191,244	\$1,790,091	\$12,245,844
Financial assets at fair value through profit or loss	481,461	3,575	75,997	42,052	3,092	606,177
Available-for-sale financial	14,996,035	339,824	3,526,409	8,688,933	1,568,667	29,119,868

English Translation of Financial Statements Originally Issued in Chinese

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

assets						
Derivative financial assets for hedging	13,015	135	30,663	7,168	1,422	52,403
Bond investments for which no active market exists	1,268,701	1,037,528	6,125,910	8,563,567	7,035,286	24,030,992
Other financial assets	738,255	-	83,892	-	-	822,147
Total	\$26,741,903	\$1,381,062	\$9,862,944	\$18,492,964	\$10,398,558	\$66,877,431
Proportion	40.0%	2.1%	14.7%	27.6%	15.6%	100.0%

1 January 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$249,558,854	\$2,272,850	\$-	\$77,704,927	\$42,321,940	\$371,858,571
Financial assets at fair value through profit or loss	13,226,453	149,567	3,082,507	1,772,838	-	18,231,365
Available-for-sale financial assets	425,780,216	17,290,834	141,002,858	319,162,107	59,602,578	962,838,593
Derivative financial assets for hedging	476,092	58,573	1,153,942	269,239	-	1,957,846
Bond investments for which no active market exists	19,908,000	31,273,782	161,572,591	177,478,409	121,571,482	511,804,264
Other financial assets	10,800,000	-	2,500,000	-	-	13,300,000
Total	\$719,749,615	\$51,045,606	\$309,311,898	\$576,387,520	\$223,496,000	\$1,879,990,639
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

1 January 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,244,428	\$75,086	\$-	\$2,567,061	\$1,398,148	\$12,284,723
Financial assets at fair value through profit or loss	436,949	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	15,728	1,935	38,121	8,895	-	64,679

English Translation of Financial Statements Originally Issued in Chinese

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

for hedging						
Bond investments for which no active market exists	657,681	1,033,161	5,337,713	5,863,178	4,016,237	16,907,970
Other financial assets	356,789	-	82,590	-	-	439,379
Total	\$23,777,654	\$1,686,343	\$10,218,430	\$19,041,543	\$7,383,416	\$62,107,386
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:

30 June 2013

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non- investment grade and unrated				
Cash and cash equivalents	\$294,458,515	\$2,070	\$-	\$-	\$-	\$294,460,585
Financial assets at fair value through profit or loss	38,087,631	1,097,973	-	-	-	39,185,604
Available-for-sale financial assets	767,169,442	8,989,544	-	820,462	(735,000)	776,244,448
Derivative financial assets for hedging	763,686	-	-	-	-	763,686
Bond investments for which no active market exists	865,719,219	3,405,668	-	391,560	(391,560)	869,124,887
Other financial assets	33,400,000	-	-	-	-	33,400,000
Total	\$1,999,598,493	\$13,495,255	\$-	\$1,212,022	\$(1,126,560)	\$2,013,179,210
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100.0%

30 June 2013

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$9,828,388	\$69	\$-	\$-	\$-	\$9,828,457
Financial assets at fair value through profit or loss	1,271,282	36,648	-	-	-	1,307,930

English Translation of Financial Statements Originally Issued in Chinese

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

Available-for-sale financial assets	25,606,457	300,052	-	27,385	(24,533)	25,909,361
Derivative financial assets for hedging	25,490	-	-	-	-	25,490
Bond investments for which no active market exists	28,895,835	113,673	-	13,070	(13,069)	29,009,509
Other financial assets	1,114,820	-	-	-	-	1,114,820
Total	\$66,742,272	\$450,442	\$-	\$40,455	\$(37,602)	\$67,195,567
Proportion	99.3%	0.7%	-	0.1%	(0.1)%	100.0%

31 December 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$362,571,784	\$2,069	\$-	\$-	\$-	\$362,573,853
Financial assets at fair value through profit or loss	25,123,049	638,322	-	-	-	25,761,371
Available-for-sale financial assets	828,187,237	12,024,780	-	840,528	(735,000)	840,317,545
Derivative financial assets for hedging	1,142,094	-	-	-	-	1,142,094
Bond investments for which no active market exists	809,745,213	4,708,617	-	378,768	(378,768)	814,453,830
Other financial assets	23,500,000	-	-	-	-	23,500,000
Total	\$2,050,269,377	\$17,373,788	\$-	\$1,219,296	\$(1,113,768)	\$2,067,748,693
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

31 December 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$12,480,957	\$71	\$-	\$-	\$-	\$12,481,028
Financial assets at fair value through profit or loss	864,821	21,973	-	-	-	886,794

English Translation of Financial Statements Originally Issued in Chinese

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

loss						
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	27,874,189	162,087	-	13,038	(13,038)	28,036,276
Other financial assets	808,950	-	-	-	-	808,950
Total	\$70,577,259	\$598,065	\$-	\$41,972	\$(38,340)	\$71,178,956
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

30 June 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$364,924,092	\$2,068	\$-	\$-	\$-	\$364,926,160
Financial assets at fair value through profit or loss	17,700,391	363,675	-	-	-	18,064,066
Available-for-sale financial assets	858,421,880	9,220,176	-	864,994	(735,000)	867,772,050
Derivative financial assets for hedging	1,561,602	-	-	-	-	1,561,602
Bond investments for which no active market exists	708,496,543	7,627,016	-	388,700	(388,700)	716,123,559
Other financial assets	24,500,000	-	-	-	-	24,500,000
Total	\$1,975,604,508	\$17,212,935	\$-	\$1,253,694	\$(1,123,700)	\$1,992,947,437
Proportion	99.1%	0.9%	-	0.1%	(0.1)%	100.0%

30 June 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$12,245,775	\$69	\$-	\$-	\$-	\$12,245,844
Financial assets at fair	593,973	12,204	-	-	-	606,177

English Translation of Financial Statements Originally Issued in Chinese

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

value through profit or loss						
Available-for-sale financial assets	28,806,103	309,402	-	29,027	(24,664)	29,119,868
Derivative financial assets for hedging	52,403	-	-	-	-	52,403
Bond investments for which no active market exists	23,775,052	255,941	-	13,043	(13,044)	24,030,992
Other financial assets	822,147	-	-	-	-	822,147
Total	\$66,295,453	\$577,616	\$-	\$42,070	\$(37,708)	\$66,877,431
Proportion	99.1%	0.9%	-	0.1%	(0.1)%	100.0%

1 January 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$371,856,505	\$2,066	\$-	\$-	\$-	\$371,858,571
Financial assets at fair value through profit or loss	17,427,130	804,235	-	-	-	18,231,365
Available-for-sale financial assets	953,687,768	9,010,797	-	875,028	(735,000)	962,838,593
Derivative financial assets for hedging	1,957,846	-	-	-	-	1,957,846
Bond investments for which no active market exists	499,911,200	11,893,064	-	393,770	(393,770)	511,804,264
Other financial assets	13,300,000	-	-	-	-	13,300,000
Total	\$1,858,140,449	\$21,710,162	\$-	\$1,268,798	\$(1,128,770)	\$1,879,990,639
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

1 January 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provisions for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash	\$12,284,654	\$69	\$-	\$-	\$-	\$12,284,723

English Translation of Financial Statements Originally Issued in Chinese

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

equivalents						
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	392,899	-	13,009	(13,009)	16,907,970
Other financial assets	439,379	-	-	-	-	439,379
Total	\$61,385,544	\$717,217	\$-	\$41,916	\$(37,291)	\$62,107,386
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

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:

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

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

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

Proportion	67%	12%	21%	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%

30 June 2012				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$191,388,050	\$43,102,713	\$81,729,307	\$316,220,070
Overdue receivables	86,565	75,191	100,822	262,578
Total	\$191,474,615	\$43,177,904	\$81,830,129	\$316,482,648
Proportion	60%	14%	26%	100%

30 June 2012				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$6,422,418	\$1,446,400	\$2,742,594	\$10,611,412
Overdue receivables	2,905	2,523	3,383	8,811
Total	\$6,425,323	\$1,448,923	\$2,745,977	\$10,620,223

English Translation of Financial Statements Originally Issued in Chinese

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

Proportion	60%	14%	26%	100%
------------	-----	-----	-----	------

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

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

(e) Secured loans and overdue receivables

30 June 2013

NT\$

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

30 June 2013

US\$

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

English Translation of Financial Statements Originally Issued in Chinese

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

Consumer finance	\$6,209,727	\$4,319,810	\$1,209,077	\$3,865	\$147,514	\$11,889,993	\$55,255	\$11,834,738
Corporate finance	1,261,481	134,403	54,563	-	225,634	1,676,081	57,503	1,618,578
Total	\$7,471,208	\$4,454,213	\$1,263,640	\$3,865	\$373,148	\$13,566,074	\$112,758	\$13,453,316

31 December 2012

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provisions 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)	Provisions 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

30 June 2012

NT\$

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

English Translation of Financial Statements Originally Issued in Chinese

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

Consumer finance	\$148,573,480	\$103,355,465	\$28,928,296	\$604,216	\$3,498,822	\$284,960,279	\$998,530	\$283,961,749
Corporate finance	13,999,266	6,527,907	3,335,959	-	7,659,237	31,522,369	1,119,757	30,402,612
Total	\$162,572,746	\$109,883,372	\$32,264,255	\$604,216	\$11,158,059	\$316,482,648	\$2,118,287	\$314,364,361

30 June 2012

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provisions for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$4,985,687	\$3,468,304	\$970,748	\$20,276	\$117,410	\$9,562,425	\$33,507	\$9,528,918
Corporate finance	469,774	219,057	111,945	-	257,022	1,057,798	37,576	1,020,222
Total	\$5,455,461	\$3,687,361	\$1,082,693	\$20,276	\$374,432	\$10,620,223	\$71,083	\$10,549,140

1 January 2012

NT\$

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

1 January 2012

US\$

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

English Translation of Financial Statements Originally Issued in Chinese

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

receivables								
Consumer finance	\$4,833,700	\$3,362,574	\$941,155	\$5,932	\$120,102	\$9,263,463	\$26,244	\$9,237,219
Corporate finance	140,878	227,900	117,274	-	255,162	741,214	20,020	721,194
Total	\$4,974,578	\$3,590,474	\$1,058,429	\$5,932	\$375,264	\$10,004,677	\$46,264	\$9,958,413

(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
30 June 2013	\$101,687	\$14,122	\$115,809
31 December 2012	157,700	26,242	183,942
30 June 2012	589,115	15,101	604,216
1 January 2012	162,914	16,656	179,570

Past due but not impaired

US\$

	Due in 1~2 months	Due in 2~3 months	Total
30 June 2013	\$3,394	\$471	\$3,865
31 December 2012	5,429	903	6,332
30 June 2012	19,769	507	20,276
1 January 2012	5,382	550	5,932

b. Liquidity risk analysis

(a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified into “capital liquidity risk”

English Translation of Financial Statements Originally Issued in Chinese

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

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 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.

30 June 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$277,269	\$9,255	\$-	\$-	\$-	\$-
Payables	14,593,581	487,102	3,001,263	100,176	198	6
Preferred stock liability	-	-	457,732	15,278	908,000	30,307

30 June 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$277,269	\$9,255
Payables	-	-	-	-	17,595,042	587,284
Preferred stock liability	26,361,254	879,882	5,080,005	169,560	32,806,991	1,095,027

English Translation of Financial Statements Originally Issued in Chinese

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

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	35,522,453	1,222,804	-	-	2,551,202	87,821
Preferred stock liability	-	-	-	-	908,000	31,257

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	27,176,254	935,499	5,173,005	178,072	33,257,259	1,144,828

30 June 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$341,620	\$11,463	\$-	\$-	\$-	\$-
Payables	28,333,710	950,796	-	-	2,094,829	70,296
Preferred stock liability	-	-	456,481	15,318	908,000	30,470

30 June 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$341,620	\$11,463
Payables	-	-	-	-	30,428,539	1,021,092
Preferred stock liability	27,176,254	911,955	5,173,005	173,591	33,713,740	1,131,334

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	20,967,886	692,708	-	-	1,643,365	54,278
Preferred stock liability	-	-	-	-	908,000	29,997

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	27,713,931	915,558	5,543,328	183,129	34,165,259	1,128,684

English Translation of Financial Statements Originally Issued in Chinese

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

d. Maturity analysis of derivative financial liability:

30 June 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$53,669	\$1,791	\$52,914	\$1,766	\$48,722	\$1,626
Forward	1,499,177	50,039	5,388,726	179,864	-	-
CS	10,076,795	336,342	2,736,471	91,337	2,246,921	74,997

30 June 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$5,574	186	\$-	\$-	\$160,879	\$5,369
Forward	-	-	-	-	6,887,903	229,903
CS	-	-	-	-	15,060,187	502,676

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

30 June 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$127,377	\$4,274	\$72,330	\$2,427	\$96,089	\$3,224
Forward	1,203,779	40,395	46,855	1,572	-	-
CS	6,820,447	228,874	1,224,719	41,098	513,980	17,248

30 June 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$64,037	\$2,149	\$-	\$-	\$359,833	\$12,074
Forward	-	-	-	-	1,250,634	41,967
CS	-	-	-	-	8,559,146	287,220

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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\$
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

c. 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 rates, product prices, interest rates, credit price differences, and stock prices.

(b) Cathay Life assesses, monitors, and manages market risks completely and effectively by applying Value at Risk (“VaR”) and stress testing consistently.

- 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%.

- , 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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:

(A) Simple Sensitivity

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

(B) 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:

i. 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.

ii. 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.

For the six-month period ended 30 June 2013

Table of Stress Testing

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(41,479,717)	\$(1,384,503)

English Translation of Financial Statements Originally Issued in Chinese

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

Interest rate risk (Yield curve)	+20bps	(8,946,327)	(298,609)
Exchange risk (Foreign Exchange rate)	USD weakens against NTD by \$1	(22,995,204)	(767,530)
Product risk (Price)	-10%	-	-

For the six-month period ended 30 June 2012

Table of Stress Testing

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(33,962,752)	\$(1,139,690)
Interest rate risk (Yield curve)	+20bps	(10,213,544)	(342,736)
Exchange risk (Foreign Exchange rate)	USD weakens against NTD by \$1	(21,352,147)	(716,515)
Product risk (Price)	-10%	-	-

d. Sensitivity analysis

For the six-month period ended 30 June 2013

Summary of Sensitivity analysis

NT\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$4,806,626	\$2,077,394
	CNY appreciates 1%	1,208,361	64,550
	HKD appreciates 1%	14,150	397,854
	EUR appreciates 1%	291,047	119,479
	GBP appreciates 1%	264,167	25,108
Interest rate risk	Yield curve (USD) shifts up by 1 bp	-	(167,897)
	Yield curve (AUD) shifts up by 1 bp	-	(1,004)
	Yield curve (EUR) shifts up by 1 bp	-	(2,322)
	Yield curve (NTD) shifts up by 1 bp	(321)	(273,818)
Equity price risk	Equity price increases 1%	172,825	3,975,138

For the six-month period ended 30 June 2013

Summary of Sensitivity analysis

US\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$160,435	\$69,339

English Translation of Financial Statements Originally Issued in Chinese

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

	CNY appreciates 1%	40,332	2,155
	HKD appreciates 1%	472	13,280
	EUR appreciates 1%	9,715	3,988
	GBP appreciates 1%	8,817	838
Interest rate risk	Yield curve (USD) shifts up by 1 bp	-	(5,604)
	Yield curve (AUD) shifts up by 1 bp	-	(34)
	Yield curve (EUR) shifts up by 1 bp	-	(78)
	Yield curve (NTD) shifts up by 1 bp	(11)	(9,139)
Equity price risk	Equity price increases 1%	5,769	132,682

For the six-month period ended 30 June 2012

Summary of Sensitivity analysis

NT\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$5,096,266	\$1,299,501
	CNY appreciates 1%	816,288	6,347
	HKD appreciates 1%	23,338	328,502
	EUR appreciates 1%	219,029	38,908
	GBP appreciates 1%	198,010	40,487
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(269,892)
	Yield curve (AUD) shifts up 1 bp	-	(2,577)
	Yield curve (EUR) shifts up 1 bp	-	(1,055)
	Yield curve (NTD) shifts up 1 bp	(464)	(234,535)
Equity price risk	Equity price increases 1%	160,096	3,236,179

For the six-month period ended 30 June 2012

Summary of Sensitivity analysis

US\$

Risk Factors	Variables (+/-)	Change in income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$171,016	\$43,607
	CNY appreciates 1%	27,392	213
	HKD appreciates 1%	783	11,024
	EUR appreciates 1%	7,350	1,306
	GBP appreciates 1%	6,645	1,359
Interest rate risk	Yield curve (USD) shifts up by 1 bp	-	(9,057)
	Yield curve (AUD) shifts up by 1 bp	-	(86)
	Yield curve (EUR) shifts up by 1 bp	-	(34)
	Yield curve (NTD) shifts up by 1 bp	(16)	(7,870)
Equity price risk	Equity price increases 1%	5,372	108,597

e. Hedged accounting disclosures

Cash flow hedges

The following table summarizes the terms of Cathay Life's interest rate swaps for

English Translation of Financial Statements Originally Issued in Chinese

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

bonds used as hedging instruments as at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012:

(a) 30 June 2013

Par value		Exchange rate	Payment term	Maturity date
NT\$	US\$			
\$2,700,000	\$90,120	90DCP+25bps	Quarterly	2013.8.24
3,000,000	100,134	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	66,756	90DCP	Yearly	2013.11.3
1,000,000	33,378	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,689	90DCP+23bps	Yearly	2013.12.14
1,500,000	50,067	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,378	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,040	90DCP	Yearly	2014.3.12
1,000,000	33,378	90DCP	Yearly	2014.6.12
3,000,000	100,134	90DCP	Quarterly	2014.6.25
1,810,000	60,414	90DCP	Quarterly	2014.6.26
2,000,000	66,756	90DCP	Yearly	2014.6.29
5,000,000	166,889	90DCP	Yearly	2014.8.23
1,000,000	33,378	90DCP	Yearly	2014.9.20
3,200,000	106,809	90DCP	Yearly	2014.9.27
2,000,000	66,756	90DCP	Quarterly	2014.9.28
1,500,000	50,067	90DCP	Yearly	2014.9.29
2,500,000	83,445	90DCP	Yearly	2014.12.20
2,000,000	66,756	90DCP	Yearly	2014.12.24
2,300,000	76,769	90DCP	Quarterly	2015.3.25
1,500,000	50,067	90DCP	Quarterly	2015.5.9
2,543,500	84,897	90DCP	Quarterly	2016.10.23
900,000	30,040	90DCP	Quarterly	2016.10.24
1,200,000	40,053	90DCP	Quarterly	2017.10.25
1,400,000	46,729	90DCP	Quarterly	2017.12.9
600,000	20,027	90DCP	Quarterly	2020.9.23

(b) 31 December 2012

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			

English Translation of Financial Statements Originally Issued in Chinese

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

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$2,000,000	68,847	90DCP	Yearly	2013.3.26
2,425,000	83,477	90DCP	Quarterly	2013.4.24
3,600,000	123,924	90DCP	Quarterly	2013.6.8
2,700,000	92,943	90DCP+25bps	Quarterly	2013.8.24
3,000,000	103,270	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	68,847	90DCP	Yearly	2013.11.3
1,000,000	34,423	90DCP+26.5bps	Yearly	2013.12.14
500,000	17,212	90DCP+23bps	Yearly	2013.12.14
1,500,000	51,635	90DCP+23bps	Yearly	2013.12.16
1,000,000	34,423	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,981	90DCP	Yearly	2014.3.12
1,000,000	34,423	90DCP	Yearly	2014.6.12
3,000,000	103,270	90DCP	Quarterly	2014.6.25
1,810,000	62,306	90DCP	Quarterly	2014.6.26
2,000,000	68,847	90DCP	Yearly	2014.6.29
5,000,000	172,117	90DCP	Yearly	2014.8.23
1,000,000	34,423	90DCP	Yearly	2014.9.20
3,200,000	110,155	90DCP	Yearly	2014.9.27
2,000,000	68,847	90DCP	Quarterly	2014.9.28
1,500,000	51,635	90DCP	Yearly	2014.9.29
2,500,000	86,059	90DCP	Yearly	2014.12.20
2,000,000	68,847	90DCP	Yearly	2014.12.24
2,300,000	79,174	90DCP	Quarterly	2015.3.25
1,500,000	51,635	90DCP	Quarterly	2015.5.9
2,543,500	87,556	90DCP	Quarterly	2016.10.23
900,000	30,981	90DCP	Quarterly	2016.10.24
1,200,000	41,308	90DCP	Quarterly	2017.10.25
1,400,000	48,193	90DCP	Quarterly	2017.12.9
600,000	20,654	90DCP	Quarterly	2020.9.23

(c)30 June 2012

English Translation of Financial Statements Originally Issued in Chinese

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

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$2,000,000	67,114	90DCP	Quarterly	2012.9.9
2,000,000	67,114	90DCP	Quarterly	2012.10.11
700,000	23,490	90DCP	Quarterly	2012.11.24
2,000,000	67,114	90DCP	Yearly	2013.3.26
2,425,000	81,376	90DCP	Quarterly	2013.4.24
3,600,000	120,805	90DCP	Quarterly	2013.6.8
2,700,000	90,604	90DCP+25bps	Quarterly	2013.8.24
3,000,000	100,671	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	67,114	90DCP	Yearly	2013.11.3
1,000,000	33,557	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,779	90DCP+23bps	Yearly	2013.12.14
1,500,000	50,336	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,557	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,201	90DCP	Yearly	2014.3.12
1,000,000	33,557	90DCP	Yearly	2014.6.12
3,000,000	100,671	90DCP	Quarterly	2014.6.25
1,810,000	60,738	90DCP	Quarterly	2014.6.26
2,000,000	67,114	90DCP	Yearly	2014.6.29
5,000,000	167,785	90DCP	Yearly	2014.8.23
1,000,000	33,557	90DCP	Yearly	2014.9.20
3,200,000	107,383	90DCP	Yearly	2014.9.27
2,000,000	67,114	90DCP	Quarterly	2014.9.28
1,500,000	50,336	90DCP	Yearly	2014.9.29
2,500,000	83,893	90DCP	Yearly	2014.12.20
2,000,000	67,114	90DCP	Yearly	2014.12.24
2,300,000	77,181	90DCP	Quarterly	2015.3.25
1,500,000	50,336	90DCP	Quarterly	2015.5.9
2,543,500	85,352	90DCP	Quarterly	2016.10.23
900,000	30,201	90DCP	Quarterly	2016.10.24
1,200,000	40,268	90DCP	Quarterly	2017.10.25
1,400,000	46,980	90DCP	Quarterly	2017.12.9
600,000	20,134	90DCP	Quarterly	2020.9.23

(d)1 January 2012

English Translation of Financial Statements Originally Issued in Chinese

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

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$1,000,000	33,036	90DCP	Quarterly	2012.6.26
2,000,000	66,072	90DCP	Quarterly	2012.9.9
2,000,000	66,072	90DCP	Quarterly	2012.10.11
700,000	23,125	90DCP	Quarterly	2012.11.24
2,000,000	66,072	90DCP	Yearly	2013.3.26
2,425,000	80,112	90DCP	Quarterly	2013.4.24
3,600,000	118,930	90DCP	Quarterly	2013.6.8
2,700,000	89,197	90DCP+25bps	Quarterly	2013.8.24
3,000,000	99,108	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	66,072	90DCP	Yearly	2013.11.3
500,000	16,518	90DCP+23bps	Yearly	2013.12.14
1,000,000	33,036	90DCP+26.5bps	Yearly	2013.12.14
1,500,000	49,554	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,036	90DCP+26.5bps	Yearly	2013.12.16
900,000	29,732	90DCP	Yearly	2014.3.12
1,000,000	33,036	90DCP	Yearly	2014.6.12
3,000,000	99,108	90DCP	Quarterly	2014.6.25
1,810,000	59,795	90DCP	Quarterly	2014.6.26
2,000,000	66,072	90DCP	Yearly	2014.6.29
5,000,000	165,180	90DCP	Yearly	2014.8.23
1,000,000	33,036	90DCP	Yearly	2014.9.20
3,200,000	105,715	90DCP	Yearly	2014.9.27
2,000,000	66,072	90DCP	Quarterly	2014.9.28
1,500,000	49,554	90DCP	Yearly	2014.9.29
2,500,000	82,590	90DCP	Yearly	2014.12.20
2,000,000	66,072	90DCP	Yearly	2014.12.24
2,300,000	75,983	90DCP	Quarterly	2015.3.25
1,500,000	49,554	90DCP	Quarterly	2015.5.9
2,543,500	84,027	90DCP	Quarterly	2016.10.23
900,000	29,732	90DCP	Quarterly	2016.10.24
1,200,000	39,643	90DCP	Quarterly	2017.10.25
1,400,000	46,250	90DCP	Quarterly	2017.12.9
600,000	19,822	90DCP	Quarterly	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 thousands 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 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, unrealized gains from these financial instruments recognized in equity were NT\$638,470 (US\$21,311) thousands, NT\$959,547 (US\$33,031) thousands, NT\$1,317,519 (US\$44,212) thousands and NT\$1,657,687 (US\$54,763) thousands, respectively.

B. Cathay United Bank and its subsidiaries

a. 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 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.

b. Market risk management process

- (a) Identification and measurement

English Translation of Financial Statements Originally Issued in Chinese

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

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, equity securities...etc, including position, gain and loss, the loss of stress test, sensitivity (DVO1, Delta, Vega, Gamma) and Value at Risk (VaR)...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 to the board of directors the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities, and help the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a defined reporting process. Each transaction is regulated by 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 actin and the responding plan to the executive management for approval and report the same to the board of directors regularly.

Risk management policy of trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or hedge on the trading book. Portfolio held for trading is which intended to earn profit from bid-ask spread. Banking book shall refer to positions excluding the above trading 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

English Translation of Financial Statements Originally Issued in Chinese

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

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

- The assumption and calculation of VaR: see VaR paragraph.
- , 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

(a) 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.

(b) 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.

(c) Method of measurement

English Translation of Financial Statements Originally Issued in Chinese

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

- The assumption and calculation of VaR: see VaR paragraph.
- , 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.

(a) 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..

(b) 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.

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.

(c) 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

English Translation of Financial Statements Originally Issued in Chinese

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

(a) 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,...etc. The principle of executing the foreign exchange transaction is to offset clients' position. Thus, Cathay United Bank suffers insignificant foreign exchange risk.

(b) 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.

Risk management of equity price

(a) 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.

(b) 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.

(c) Procedure of risk management of equity prices

English Translation of Financial Statements Originally Issued in Chinese

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

Cathay United Bank sets investment limit for industries, using the β 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.

(d) Measurement 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.

2013.6.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$605,836	\$20,221	\$876,417	\$29,253	\$457,036	\$15,255
Foreign exchange	150,046	5,008	154,844	5,168	145,275	4,849
Equity Securities price	189,667	6,331	352,855	11,778	133,386	4,452

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

2012.6.30						
-----------	--	--	--	--	--	--

English Translation of Financial Statements Originally Issued in Chinese

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

Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$531,841	\$17,847	\$876,417	\$29,410	\$296,744	\$9,958
Foreign exchange	158,216	5,309	177,844	5,968	231,154	7,757
Equity Securities price	130,161	4,368	207,076	6,949	60,704	2,037

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.

Stress Test					
Market/ Product	Scenarios	2012.6.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$1,072,390	\$35,794	\$1,025,960	\$35,317
	Major Stock Exchanges -15%	(1,072,390)	(35,794)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,177,943)	(139,451)	(2,812,676)	(96,822)
	Major Interest Rate - 100bp	4,405,332	147,040	2,496,083	85,924
Foreign Exchange Market	Major Currencies +3%	1,897,167	63,323	1,450,437	49,929
	Major Currencies -3%	(1,896,990)	(63,317)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(3,353,166)	(111,921)	(2,397,199)	(82,520)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

Stress Test

English Translation of Financial Statements Originally Issued in Chinese

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

Market/ Product	Scenarios	2012.6.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$1,876,450	\$62,968	\$656,831	\$21,699
	Major Stock Exchanges -15%	(1,676,450)	(62,968)	(656,831)	(21,699)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(3,108,839)	(104,323)	(2,034,384)	(67,208)
	Major Interest Rate - 100bp	2,603,266	87,358	2,018,467	66,682
Foreign Exchange Market	Major Currencies +3%	1,729,298	58,030	1,331,737	43,995
	Major Currencies -3%	(1,628,561)	(54,650)	(1,254,207)	(41,434)
Composite	Major Stock Exchanges -15%	(3,255,991)	(109,261)	(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.

(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.

2013.6.30

English Translation of Financial Statements Originally Issued in Chinese

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

	Income		Equity	
	NT	US	NT	US
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$434,178	\$14,492	\$12	\$0.4
HKD+1%	35,094	1,171	88,389	2,950
JPY+1%	-	-	3,872	129
NTD+1%	(555,794)	(8,551)	(14,518)	(485)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(166)	(6)	(13,110)	(438)
Yield curves (HKD) parallel shift+1bp	-	-	(23)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(402)	(13)	(1,175)	(39)
Equity securities price factor sensitivity (Equity Delta)	2,547	85	68,946	2,301

2012.12.31

	Sensitivity of profit or loss		Sensitivity of 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

2012.6.30

	Income		Equity	
	NT	US	NT	US
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$517,605	\$17,369	\$3,543	\$119
HKD+1%	3,146	106	-	-
JPY+1%	5,664	190	-	-
NTD+1%	(549,926)	(18,454)	(3,679)	(123)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(341)	(11)	(22,063)	(740)
Yield curves (HKD) parallel shift+1bp	-	-	(46)	(2)
Yield curves (JPY) parallel shift+1bp	-	-	(12)	-
Yield curves (NTD) parallel shift+1bp	(385)	(13)	(8,301)	(277)
Equity securities price factor sensitivity (Equity Delta)	-	-	125,097	4,198

English Translation of Financial Statements Originally Issued in Chinese

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

	2012.1.1			
	Sensitivity of profit or loss		Sensitivity of 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

c. 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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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 follows:

(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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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

- 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.

, 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.

English Translation of Financial Statements Originally Issued in Chinese

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

I 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			
	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$63,943,341	\$2,134,291	\$34,415,264	\$1,184,691
Credit card commitments	338,520,949	11,299,097	328,719,949	11,315,661
Unused commercial letters of credit	3,695,483	123,347	4,281,218	147,374
Guarantees on duties and contracts	10,711,299	357,520	12,081,454	415,885
Total	\$416,871,072	\$13,914,255	\$379,497,885	\$13,063,611

Off balance sheet items	Maximum exposure to credit risk			
	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$51,671,365	\$1,733,938	\$51,897,159	\$1,714,475
Credit card commitments	322,853,605	10,834,014	316,507,785	10,456,154
Unused commercial letters of credit	6,008,821	201,638	4,308,561	142,338
Guarantees on duties and contracts	14,962,008	502,081	13,245,165	437,567
Total	\$395,495,779	\$13,271,671	\$385,958,670	\$12,750,534

, Indovina Bank

Off balance sheet items	Maximum credit risk exposed amount			
	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$660,668	\$22,052	\$852,596	\$29,349
Unused commercial letters of credit	1,308,620	43,679	652,199	22,451
Total	\$1,969,308	\$65,731	\$1,504,795	\$51,800

English Translation of Financial Statements Originally Issued in Chinese

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

Off balance sheet items	Maximum credit risk exposed amount			
	2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$663,282	\$22,258	\$643,612	\$21,262
Unused commercial letters of credit	1,538,731	51,635	1,169,380	38,632
Total	\$2,202,013	\$73,893	\$1,812,992	\$59,894

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 periodically.

(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	2013.6.30			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$103,364,239	\$3,450,075	10.10	\$125,610,955	\$4,323,957	12.20
Financial institutions and insurance	42,788,604	1,428,191	4.18	29,912,516	1,029,691	2.90
Leasing and real estate	82,064,530	2,739,136	8.02	83,834,530	2,885,870	8.14
Individuals	485,736,800	16,212,844	47.47	492,107,196	16,940,007	47.77
Others	309,339,369	10,325,079	32.23	298,671,240	10,281,282	28.99
Total	\$1,023,293,542	\$34,155,325	100.00	\$1,030,136,437	\$35,460,807	100.00

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2012.6.30			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$142,869,751	\$4,794,287	13.50	\$138,134,019	\$4,563,397	13.47
Financial institutions and insurance						
Leasing and real estate	93,968,120	3,153,293	8.88	90,742,485	2,997,769	8.85
Individuals	492,380,537	16,522,837	46.51	484,825,562	16,016,702	47.26
Others	291,371,975	9,777,583	27.52	280,810,821	9,276,869	27.37
Total	\$1,058,614,487	\$35,523,976	100.00	\$1,025,802,916	\$33,888,435	100.00

Item	2013.6.30			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$860,353,954	\$28,716,751	84.08	\$876,857,476	\$30,184,423	85.12
Asia	77,816,626	2,597,351	7.60	69,497,214	2,392,331	6.75
America	23,460,756	783,069	2.29	22,560,687	776,616	2.19
Others	61,662,206	2,058,151	6.03	61,221,060	2,107,437	5.94
Total	\$1,023,293,542	\$34,155,325	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2012.6.30			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$919,570,105	\$30,858,057	86.87	\$891,970,478	\$29,467,145	86.95
Asia	53,295,426	1,788,437	5.03	44,761,460	1,478,740	4.37
America	24,374,029	817,921	2.30	15,206,114	502,350	1.48
Others	61,374,927	2,059,561	5.80	73,864,864	2,440,200	7.20
Total	\$1,058,614,487	\$35,523,976	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.

English Translation of Financial Statements Originally Issued in Chinese

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

In addition to all of the above, the credit quality analysis of the financial assets was shown as follows:

- Credit quality analysis to loans and receivables of Cathay United Bank

2013.6.30 (NT\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Loss provisioning		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit business	\$30,634,215	\$5,952,062	\$2,873,727	\$39,460,004	\$107,001	\$132,166	\$39,699,171	\$109,865	\$1,662,817	\$37,926,489
Others	42,883,644	3,697,142	43,019	46,623,805	3,307	58,860	46,685,972	14,230	154,573	46,517,169
Discounts and loans	667,718,404	257,848,115	38,485,944	964,052,463	632,758	29,711,197	994,396,418	4,717,165	9,415,788	980,263,465

2013.6.30 (US\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Loss provisioning		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit business	\$1,022,504	\$198,667	\$95,919	\$1,317,091	\$3,571	\$4,411	\$1,325,072	\$3,667	\$55,501	\$1,265,904
Others	1,431,363	123,403	1,436	1,556,202	110	1,965	1,558,277	475	5,160	1,552,642
Discounts and loans	22,286,996	8,606,412	1,284,578	32,177,986	21,120	991,696	33,190,802	157,449	314,279	32,719,074

2012.12.31 (NT\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Impairment allowances		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
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

English Translation of Financial Statements Originally Issued in Chinese

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

2012.12.31 (US\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Impairment allowances		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				With objective evidence of individual impairment	Without 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

2012.6.30 (NT\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Loss provisioning		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit business	\$28,199,190	\$6,351,288	\$3,012,632	\$37,563,110	\$97,381	\$115,546	\$37,776,037	\$97,855	\$1,808,869	\$35,869,313
Others	8,917,081	1,817,629	49,832	10,784,542	7,242	49,543	10,841,327	8,000	97,503	10,735,824
Discounts and loans	688,380,175	266,065,323	43,788,066	998,233,564	988,713	25,840,259	1,025,062,536	3,586,277	7,020,409	1,014,455,850

2012.6.30 (US\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Loss provisioning		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				Objective evidence of individual impairment	No objective evidence of individual impairment	
Receivables										
Credit business	\$946,282	\$213,130	\$101,095	\$1,260,507	\$3,268	\$3,877	\$1,267,652	\$3,284	\$60,700	\$1,203,668
Others	299,231	60,994	1,672	361,897	243	1,663	363,803	268	3,272	360,263
Discounts and loans	23,100,006	8,928,367	1,469,398	33,497,771	33,178	867,123	34,398,072	120,345	235,584	34,042,143

2012.1.1 (NT\$)	Neither past due nor impaired				Past due but not impaired	Impaired	Total (A)+(B)+(C)	Impairment allowances		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				With objective evidence of individual impairment	Without 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	10,926,713	2,128,310	97,277	13,152,300	6,987	35,839	13,195,126	7,600	86,025	13,101,501
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

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1 (US\$)	The parts amount of neither past				The parts amount of past due but not impaired	The parts amount of impaired	Total (A)+(B)+(C)	Provide loss amount		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	General	Subtotal				Objective evidence of impairment individual	No objective evidence of impairment individual	
Receivables										
Credit card business	\$824,989	\$220,903	\$106,685	\$1,152,577	\$3,669	\$4,651	\$1,160,897	\$4,039	\$83,866	\$1,072,992
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

, The credit quality analysis on neither past due nor impaired discounts and loans

2013.6.30	Excellent		Good		General		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$197,528,492	\$6,593,074	\$42,854,582	\$1,430,393	\$7,863,061	\$262,452	\$248,246,135	\$8,285,919
Unsecured								
personal loans	6,223,017	207,711	2,739,931	91,453	1,000,281	33,387	9,963,229	332,551
Other	169,264,522	5,649,683	31,490,968	1,051,101	5,699,679	190,243	206,455,169	6,891,027
Corporate banking								
Secured	117,956,529	3,937,134	86,570,986	2,889,552	15,230,682	508,367	219,758,197	7,335,053
Unsecured	176,745,844	5,899,394	94,191,648	3,143,913	8,692,241	290,129	279,629,733	9,333,436
Total	\$667,718,404	\$22,286,996	\$257,848,115	\$8,606,412	\$38,485,944	\$1,284,578	\$964,052,463	\$32,177,986

2012.12.31	Excellent		Good		General		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
Total	\$670,693,846	\$23,087,568	\$255,821,555	\$8,806,250	\$44,369,776	\$1,527,359	\$970,885,177	\$33,421,177

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30	Excellent		Good		General		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$211,805,754	\$7,107,576	\$60,767,939	\$2,039,192	\$11,863,649	\$398,109	\$284,437,342	\$9,544,877
Unsecured								
personal loans	4,528,461	151,962	2,087,352	70,045	996,304	33,433	7,612,117	255,440
Other	104,705,140	3,513,595	37,547,464	1,259,982	6,533,912	219,259	148,786,516	4,992,836
Corporate banking								
Secured	124,400,792	4,174,523	89,920,941	3,017,481	14,873,120	499,098	229,194,853	7,691,102
Unsecured	242,940,028	8,152,350	75,741,627	2,541,666	9,521,081	319,499	328,202,736	11,013,515
Total	\$688,380,175	\$23,100,006	\$266,065,323	\$8,928,366	\$43,788,066	\$1,469,398	\$998,233,564	\$33,497,770

2012.1.1	Excellent		Good		General		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
Total	\$683,187,435	\$22,569,787	\$234,443,058	\$7,745,063	\$58,306,958	\$1,926,229	\$975,937,451	\$32,241,079

I Credit quality analysis on securities investment

2013.6.30 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Total 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	\$42,201,211	\$2,209,208	\$44,410,419	\$-	\$-	\$44,410,419	\$-	\$44,410,419
Stocks	4,142,286	8,805,444	12,947,730	-	189,435	13,137,165	189,435	12,947,730
Others	154,584	628,961	783,545	-	-	783,545	-	783,545
Held-to-maturity financial assets								
Bonds	48,197,659	597,487	48,795,146	-	-	48,795,146	-	48,795,146
Investments in debt securities with no active market								
Bonds	8,047,026	639,366	8,686,392	-	1,212,419	9,898,811	1,212,419	8,686,392
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	432,900,000	-	432,900,000	-	-	432,900,000	-	432,900,000

English Translation of Financial Statements Originally Issued in Chinese

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

2013.6.30 (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	\$1,408,585	\$73,739	\$1,482,324	\$-	\$-	\$1,482,324	\$-	\$1,482,324
Stocks	138,260	293,907	432,167	-	6,323	438,490	6,323	432,167
Others	5,160	20,993	26,153	-	-	26,153	-	26,153
Held-to-maturity financial assets								
Bonds	1,608,733	19,943	1,628,676	-	-	1,628,676	-	1,628,676
Investments in debt securities with no active market								
Bonds	268,592	21,341	289,933	-	40,468	330,401	40,468	289,933
Stocks	-	18,349	18,349	-	-	18,349	-	18,349
Others	14,449,266	-	14,449,266	-	-	14,449,266	-	14,449,266

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

English Translation of Financial Statements Originally Issued in Chinese

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

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

2012.6.30 (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	\$50,619,846	\$1,927,406	\$52,547,252	\$-	\$-	\$52,547,252	\$-	\$52,547,252
Stocks	7,646,489	5,276,332	12,922,821	-	385,131	13,307,952	385,131	12,922,821
Others	-	1,151,582	1,151,582	-	-	1,151,582	-	1,151,582
Held-to-maturity financial assets								
Bonds	20,408,959	592,094	21,001,052	-	-	21,001,052	-	21,001,052
Investments in debt securities with no active market								
Bonds	21,390,976	818,179	22,209,155	-	1,525,509	23,734,664	1,525,313	22,209,351
Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	349,750,000	-	349,750,000	-	-	349,750,000	-	349,750,000

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30 (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	\$1,698,653	\$64,678	\$1,763,331	\$-	\$-	\$1,763,331	\$-	\$1,763,331
Stocks	256,594	177,058	433,652	-	12,924	446,576	12,924	433,652
Others	-	38,644	38,644	-	-	38,644	-	38,644
Held-to-maturity financial assets								
Bonds	684,864	19,869	704,733	-	-	704,733	-	704,733
Investments in debt securities with no active market								
Bonds	717,818	27,456	745,274	-	51,191	796,465	51,185	745,280
Stocks	-	18,447	18,447	-	-	18,447	-	18,447
Others	11,736,577	-	11,736,577	-	-	11,736,577	-	11,736,577

2012.1.1 (NT\$)	Neither past due impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss provisioning (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

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1 (US\$)	Neither past due impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss provisioning(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

m 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 past due loans is typically not to be treated as impairment.

2013.6.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,011	\$2,237	\$39,990	\$1,335	\$107,001	\$3,572
Others	2,268	76	1,039	35	3,307	111
Discounts and loans						
Consumer banking						
Residential						
mortgage loans	233,563	7,796	50,038	1,670	283,601	9,466
Unsecured						
personal loans	8,286	277	2,384	80	10,670	357
Others	135,796	4,533	62,670	2,092	198,466	6,625
Corporate banking						
Unsecured	-	-	140,021	4,674	140,021	4,674

English Translation of Financial Statements Originally Issued in Chinese

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

2012.12.31	Less than 30 days		31 - 60 days		Total	
	NT	US	NT	US	NT	US
Receivables						
Credit 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
Micro-credit 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
2012.6.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$60,322	\$2,024	\$37,059	\$1,244	\$97,381	\$3,268
Others	4,922	165	2,320	78	7,242	243
Discounts and loans						
Consumer banking						
Residential						
mortgage loans	389,647	13,076	153,537	5,152	543,184	18,228
Unsecured						
personal loans	5,632	189	4,891	164	10,523	353
Others	349,276	11,721	82,585	2,771	431,861	14,492
Corporate banking						
Secured	3,145	106	-	-	3,145	106
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

English Translation of Financial Statements Originally Issued in Chinese

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

d. 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.

(a) Analysis of financial assets and non-derivative financial liabilities by remaining contractual maturities

- 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.

, 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.

English Translation of Financial Statements Originally Issued in Chinese

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

2013.6.30 (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	\$23,563,959	\$8,260,029	\$8,732,598	\$70,674	\$40,627,260
Funds borrowed from Central Bank and other banks	1,506,153	-	-	-	1,506,153
Securities sold under agreements to repurchase	55,485,851	950,689	-	-	56,436,540
Payables	15,360,863	1,166,090	3,947,504	2,419,875	22,894,332
Deposits and remittances	331,735,978	639,507,246	520,487,896	60,788,404	1,552,519,524
Financial debentures payable	-	-	-	52,064,099	52,064,099
Other cash outflow at maturity	7,824,096	9,034,595	1,785,116	1,996,493	20,640,300

2013.6.30 (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	\$786,514	\$275,702	\$291,475	\$2,359	\$1,356,050
Funds borrowed from Central Bank and other banks	50,272	-	-	-	50,272
Securities sold under agreements to repurchase	1,851,998	31,732	-	-	1,883,730
Payables	512,712	38,922	131,759	80,770	764,163
Deposits and remittances	11,072,630	21,345,369	17,372,760	2,028,985	51,819,744
Financial debentures payable	-	-	-	1,737,787	1,737,787
Other cash outflow at maturity	261,152	301,555	59,583	66,639	688,929

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	\$25,883,672	\$12,422,707	\$13,630,818	\$109,750	\$52,046,947
Funds borrowed from Central Bank and other banks	-	1,456,954	-	-	1,456,954
Securities sold under agreements to repurchase	17,597,555	2,777,732	-	-	20,375,287
Payables	14,818,499	951,629	1,032,113	2,064,225	18,866,466
Deposits and remittances	360,040,039	590,081,222	515,784,166	56,739,824	1,522,645,251
Financial debentures payable	-	-	-	41,699,146	41,699,146
Other cash outflow at maturity	3,722,458	4,336,869	-	9,393,224	17,452,551

English Translation of Financial Statements Originally Issued in Chinese

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

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	\$891,004	\$427,632	\$469,219	\$3,778	\$1,791,633
Funds borrowed from Central Bank and other banks	-	50,153	-	-	50,153
Securities sold under agreements to repurchase	605,768	95,619	-	-	701,387
Payables	510,103	32,758	35,529	71,058	649,448
Deposits and remittances	12,393,805	20,312,607	17,755,049	1,953,178	52,414,639
Financial debentures payable	-	-	-	1,435,427	1,435,427
Other cash outflow at maturity	128,139	149,290	-	323,347	600,776

2012.6.30 (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	\$35,957,011	\$14,738,168	\$10,804,413	\$76,790	\$61,576,382
Funds borrowed from Central Bank and other banks	1,495,234	-	-	-	1,495,234
Securities sold under agreements to repurchase	7,227,492	1,466,729	-	5,674,046	14,368,27
Payables	11,799,840	942,313	3,026,874	2,049,780	17,818,807
Deposits and remittances	342,685,200	625,643,804	440,434,097	52,820,900	1,461,584,001
Financial debentures payable	-	-	-	36,287,302	36,287,302
Other cash outflow at maturity	4,199,052	2,934,465	-	10,764,098	17,897,615

2012.6.30 (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	\$1,206,611	\$494,570	\$362,564	\$2,577	\$2,066,322
Funds borrowed from Central Bank and other banks	50,176	-	-	-	50,176
Securities sold under agreements to repurchase	242,533	49,219	-	190,405	482,157
Payables	395,968	31,621	101,573	68,785	597,947
Deposits and remittances	11,499,503	20,994,759	14,779,668	1,772,513	49,046,443
Financial debentures payable	-	-	-	1,217,695	1,217,695
Other cash outflow at maturity	140,908	98,472	-	361,211	600,591

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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	\$28,718,209	\$16,451,519	\$8,720,496	\$64,302	\$53,954,526
Funds borrowed from Central Bank and other banks	1,514,762	-	-	-	1,514,762
Securities sold under agreements to repurchase	1,878,764	11,669,969	-	-	13,548,733
Payables	13,823,700	907,002	988,985	1,977,971	17,697,658
Deposits and remittances	333,395,392	604,141,166	486,545,814	47,182,336	1,471,264,708
Financial debentures payable	-	-	-	31,981,003	31,981,003
Other cash outflow at maturity	3,479,447	1,550,810	-	5,594,762	10,625,019

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	\$948,735	\$543,493	\$288,090	\$2,124	\$1,782,442
Funds borrowed from Central Bank and other banks	50,042	-	-	-	50,042
Securities sold under agreements to repurchase	62,067	385,529	-	-	447,596
Payables	456,680	29,964	32,672	65,344	584,660
Deposits and remittances	11,014,053	19,958,413	16,073,532	1,558,716	48,604,714
Financial debentures payable	-	-	-	1,056,525	1,056,525
Other cash outflow at maturity	114,947	51,232	-	184,829	351,008

(b) Maturity analysis of derivative financial liabilities

- Net settled derivative financial instruments

Net settled derivatives engaged by Cathay United Bank include:

- Foreign exchange derivative instruments: foreign exchange options, non-delivery forwards;

English Translation of Financial Statements Originally Issued in Chinese

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

- ii. 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:

2013.6.30 (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	\$45,611	\$225,378	\$312,600	\$(9,374)	\$574,215
- Interest rate derivative instruments	5,959	8,420	45,867	2,178,465	2,238,711
Total	\$51,570	\$233,798	\$358,467	\$2,169,091	\$2,812,926

2013.6.30(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	\$1,522	\$7,523	\$10,434	\$(313)	\$19,166
- Interest rate derivative instruments	199	281	1,531	72,713	74,724
Total	\$1,721	\$7,804	\$11,965	\$72,400	\$93,890

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

English Translation of Financial Statements Originally Issued in Chinese

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

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

2012.6.30 (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	\$54,171	\$46,815	\$72,998	\$-	173,984
- Interest rate derivative instruments	9,446	60,394	156,437	1,405,765	1,632,042
Total	\$63,617	\$107,209	\$229,435	\$1,405,765	\$1,806,026

2012.6.30 (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	\$1,818	\$1,571	\$2,449	\$-	\$5,838
- Interest rate derivative instruments	317	2,027	5,250	47,173	54,767
Total	\$2,135	\$3,598	\$7,699	\$47,173	\$60,605

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

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

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

， Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by Cathay United Bank include:

- i. Foreign exchange derivative instruments: currency futures and swaps;
- ii. Interest rate derivative instruments: cross currency swaps;
- iii. 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:

2013.6.30 (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	\$(1,068,912)	\$(2,039,607)	\$(771,745)	\$(49,953)	\$(3,930,217)
-Cash inflow	155,330	152,202	270,423	59,846	637,801
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(28,546)	(360,532)	(103,293)	(492,371)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,068,912)	(2,068,153)	(1,132,270)	(153,246)	(4,422,588)
Cash inflow subtotal	155,330	152,202	270,423	59,846	637,801
Net cash flow	\$(913,582)	\$(1,915,951)	\$(861,854)	\$(93,400)	\$(3,784,787)

English Translation of Financial Statements Originally Issued in Chinese

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

2013.6.30 (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	\$(35,678)	\$(68,077)	\$(25,759)	\$(1,667)	\$(131,181)
-Cash inflow	5,185	5,080	9,026	1,997	21,288
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(953)	(12,034)	(3,448)	(16,435)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,678)	(69,030)	(37,793)	(5,115)	(147,616)
Cash inflow subtotal	5,185	5,080	9,026	1,997	21,288
Net cash flow	\$(30,493)	\$(63,950)	\$(28,767)	\$(3,118)	\$(126,328)

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)

English Translation of Financial Statements Originally Issued in Chinese

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

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)

2012.6.30 (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	\$(618,233)	\$(700,125)	\$(235,039)	\$(193,525)	\$(1,746,922)
-Cash inflow	57,925	393,745	107,803	9,054	568,527
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	(53,249)	(314,347)	(367,596)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(618,233)	(700,125)	(288,288)	(507,872)	(2,114,518)
Cash inflow subtotal	57,925	393,745	107,803	9,054	568,527
Net cash flow	\$(560,308)	\$(306,380)	\$(180,485)	\$(498,818)	\$(1,545,991)

English Translation of Financial Statements Originally Issued in Chinese

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

2012.6.30 (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	\$(20,746)	\$(23,495)	\$(7,887)	\$(6,494)	\$(58,622)
-Cash inflow	1,944	13,212	3,618	304	19,078
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	-	(1,787)	(10,549)	(12,335)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(20,746)	(23,495)	(9,674)	(17,043)	(70,957)
Cash inflow subtotal	1,944	13,212	3,618	304	19,078
Net cash flow	\$(18,802)	\$(10,283)	\$(6,056)	\$(16,739)	\$(51,879)

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)

English Translation of Financial Statements Originally Issued in Chinese

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

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)

(c) Maturity analysis of off-balance sheet items

- Irrevocable commitments include irrevocable loan commitments and credit card commitments.

, Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.

1 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\$
2013.6.30								
Irrevocable								
commitments	\$15,086,110	\$503,542	\$93,509,482	\$3,121,144	\$293,868,698	\$9,808,701	\$402,464,290	\$13,433,387
Financial guarantee								
contracts	13,578,814	453,231	814,214	27,177	13,754	459	14,406,782	4480,867
Leasing commitments								
Non-cancellable								
operating lease								
payments	662,642	22,118	934,156	31,180	55,064	1,838	1,651,862	55,136
Non-cancellable								
operating lease								
receipts	48,781	1,628	297,401	9,927	-	-	346,182	11,555
Total	\$29,376,347	\$980,519	\$95,555,253	\$3,189,428	\$293,937,516	\$9,810,998	\$418,869,116	\$13,980,945

English Translation of Financial Statements Originally Issued in Chinese

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

2012.12.31	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
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	553,733	19,061	553,135	19,041	-	-	1,106,868	38,102
Non-cancellable								
operating lease								
receipts	16,488	568	378,942	13,044	-	-	395,430	13,612,
Total	\$74,521,732	\$2,565,292	\$138,332,959	\$4,761,892	\$168,145,492	\$5,788,141	\$381,000,183	\$13,115,325

2012.6.30	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable								
commitments	\$68,848,610	\$2,310,356	\$141,046,448	\$4,733,102	\$164,629,912	\$5,524,494	\$374,524,970	\$12,567,952
Financial guarantee								
contracts	19,608,816	658,014	1,084,813	36,403	277,200	9,302	20,970,829	703,719
Leasing commitments								
Non-cancellable								
operating lease								
payments	619,674	20,794	526,822	17,679	-	-	1,146,496	38,473
Non-cancellable								
operating lease								
receipts	9,952	334	441,907	14,829	-	-	451,859	15,163
Total	\$89,087,052	\$2,989,498	\$143,099,990	\$4,842,013	\$164,907,112	\$5,533,796	\$397,094,154	\$13,325,307

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	824,175	27,228	652,680	21,562	-	-	1,476,855	48,790
Non-cancellable								
operating lease								
receipts	25,439	840	333,300	11,011	-	-	358,739	11,851
Total	\$94,080,794	\$3,108,054	\$130,776,733	\$4,320,341	\$162,936,737	\$5,382,780	\$387,794,264	\$12,811,175

English Translation of Financial Statements Originally Issued in Chinese

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

C. Cathay Century and its subsidiaries

Financial risk management objectives and policies

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.

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:

a. 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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

b. 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

Financial assets	The amount of credit risk exposure - by area					
	June 30, 2013 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,292,880	\$105	\$18,339	\$178,891	\$2,443,764	\$6,933,979
Financial assets at fair value through profit or loss	180,185	-	-	-	42,268	222,453
Available-for-sale financial assets	5,621,346	-	-	1,268,398	1,828,535	8,718,279
Derivative financial assets for hedging	11,546	-	-	-	-	11,546
Bond investments with no active market exists	700,000	-	323,092	302,295	460,060	1,785,447
Held-to-maturity investments	-	-	-	2,175,814	-	2,175,814
Total	\$10,805,957	\$105	\$341,431	\$3,925,398	\$4,774,627	\$19,847,518
Each area percentage	54.44%	0.00%	1.72%	19.78%	24.06%	100.00%

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	The amount of credit risk exposure - by area					
	June 30, 2013 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$143,287	\$4	\$612	\$5,971	\$81,568	\$231,442
Financial assets at fair value through profit or loss	6,014	-	-	-	1,411	7,425
Available-for-sale financial assets	187,628	-	-	42,336	61,033	290,997
Derivative financial assets for hedging	386	-	-	-	-	386
Bond investments with no active market exists	23,364	-	10,784	10,090	15,356	59,594
Held-to-maturity investments	-	-	-	72,624	-	72,624
Total	\$360,679	\$4	\$11,396	\$131,021	\$159,368	\$662,468
Each area percentage	54.44%	0.00%	1.72%	19.78%	24.06%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	December 31, 2012 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,843,007	\$54	\$14,840	\$110,172	\$701,186	\$5,669,259
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 with no active market exists	900,000	-	-	-	423,270	1,323,270
Held-to-maturity investments	-	-	-	2,512,011	-	2,512,011
Total	\$11,009,518	\$54	\$14,840	\$2,906,326	\$4,432,701	\$18,363,439
Each area percentage	59.95%	0.00%	0.08%	15.83%	24.14%	100.00%

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	The amount of credit risk exposure - by area					
	December 31, 2012 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$166,713	\$2	\$511	\$3,792	\$24,137	\$195,155
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 with no active market exists	30,981	-	-	-	14,571	45,552
Held-to-maturity investments	-	-	-	86,472	-	86,472
Total	\$378,985	\$2	\$511	\$100,045	\$152,590	\$632,133
Each area percentage	59.95%	0.00%	0.08%	15.83%	24.14%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	June 30, 2012 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$5,444,560	\$-	\$9	\$584,745	\$279,235	\$6,308,549
Financial assets at fair value through profit or loss	-	-	-	-	123,139	123,139
Available-for-sale financial assets	5,531,502	-	-	333,296	1,573,513	7,438,311
Derivative financial assets for hedging	22,172	-	-	-	-	22,172
Bond investments with no active market exists	900,000	-	-	-	350,843	1,250,843
Held-to-maturity investments	-	-	-	2,337,828	-	2,337,828
Total	\$11,898,234	\$-	\$9	\$3,255,869	\$2,326,730	\$17,480,842
Each area percentage	68.06%	0.00%	0.00%	18.63%	13.31%	100.00%

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	The amount of credit risk exposure - by area					
	June 30, 2012 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$182,704	\$-	\$-	\$19,622	\$9,370	\$211,696
Financial assets at fair value through profit or loss	-	-	-	-	4,132	4,132
Available-for-sale financial assets	185,621	-	-	11,185	52,802	249,608
Derivative financial assets for hedging	744	-	-	-	-	744
Bond investments with no active market exists	30,201	-	-	-	11,774	41,975
Held-to-maturity investments	-	-	-	78,450	-	78,450
Total	\$399,270	\$-	\$-	\$109,257	\$78,078	\$586,605
Each area percentage	68.06%	0.00%	0.00%	18.63%	13.31%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	January 1, 2012 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$5,943,885	\$-	\$9	\$310,066	\$665,067	\$6,919,027
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 with no active market exists	900,000	-	-	-	292,997	1,192,997
Held-to-maturity investments	-	-	-	2,408,714	-	2,408,714
Total	\$12,327,107	\$-	\$9	\$2,743,943	\$1,995,273	\$17,066,332
Each area percentage	72.23%	0.00%	0.00%	16.08%	11.69%	100.00%

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	The amount of credit risk exposure - by area					
	January 1, 2012 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$196,362	\$-	\$-	\$10,243	\$21,971	\$228,576
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 with no active market exists	29,733	-	-	-	9,680	39,413
Held-to-maturity investments	-	-	-	79,574	-	79,574
Total	\$407,239	\$-	\$-	\$90,648	\$65,916	\$563,803
Each area percentage	72.23%	0.00%	0.00%	16.08%	11.69%	100.00%

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				
	June 30, 2013 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
Investment grade	Non-investment grade				
Cash and cash equivalents	\$6,933,979	-	-	-	\$6,933,979
Financial assets at fair value through profit or loss	222,453	-	-	-	222,453
Available-for-sale financial assets	8,718,279	-	-	-	8,718,279
Derivative financial assets for hedging	11,546	-	-	-	11,546
Bond investments with no active market exists	1,785,447	-	-	-	1,785,447
Held-to-maturity investments	2,175,814	-	-	-	2,175,814
Total	\$19,847,518	-	-	-	\$19,847,518

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	Credit quality of financial assets				
	June 30, 2013 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$231,442	-	-	-	\$231,442
Financial assets at fair value through profit or loss	7,425	-	-	-	7,425
Available-for-sale financial assets	290,997	-	-	-	290,997
Derivative financial assets for hedging	386	-	-	-	386
Bond investments with no active market exists	59,594	-	-	-	59,594
Held-to-maturity investments	72,624	-	-	-	72,624
Total	\$662,468	-	-	-	\$662,468

Financial assets	Credit quality of financial assets				
	December 31, 2012 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$5,669,259	\$-	\$-	\$-	\$5,669,259
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 with no active market exists	1,323,270	-	-	-	1,323,270
Held-to-maturity investments	2,512,011	-	-	-	2,512,011
Total	\$18,363,439	\$-	\$-	\$-	\$18,363,439

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	Credit quality of financial assets				
	December 31, 2012 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$195,155	\$-	\$-	\$-	\$195,155
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 with no active market exists	45,552	-	-	-	45,552
Held-to-maturity investments	86,472	-	-	-	86,472
Total	\$632,133	\$-	\$-	\$-	\$632,133

Financial assets	Credit quality of financial assets				
	June 30, 2012 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$6,308,549	-	-	-	\$6,308,549
Financial assets at fair value through profit or loss	123,139	-	-	-	123,139
Available-for-sale financial assets	7,438,311	-	-	-	7,438,311
Derivative financial assets for hedging	22,172	-	-	-	22,172
Bond investments with no active market exists	1,250,843	-	-	-	1,250,843
Held-to-maturity investments	2,337,828	-	-	-	2,337,828
Total	\$17,480,842	-	-	-	\$17,480,842

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	Credit quality of financial assets				
	June 30, 2012 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$211,696	-	-	-	\$211,696
Financial assets at fair value through profit or loss	4,132	-	-	-	4,132
Available-for-sale financial assets	249,608	-	-	-	249,608
Derivative financial assets for hedging	744	-	-	-	744
Bond investments with no active market exists	41,975	-	-	-	41,975
Held-to-maturity investments	78,450	-	-	-	78,450
Total	\$586,605	-	-	-	\$586,605

Financial assets	Credit quality of financial assets				
	January 1, 2012 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$6,919,027	\$-	\$-	\$-	\$6,919,027
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 with no active market exists	1,192,997	-	-	-	1,192,997
Held-to-maturity investments	2,408,714	-	-	-	2,408,714
Total	\$17,066,332	\$-	\$-	\$-	\$17,066,332

English Translation of Financial Statements Originally Issued in Chinese

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

Financial assets	Credit quality of financial assets				
	January 1, 2012 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade			
Cash and cash equivalents	\$228,576	\$-	\$-	\$-	\$228,576
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 with no active market exists	39,412	-	-	-	39,412
Held-to-maturity investments	79,574	-	-	-	79,574
Total	\$563,802	\$-	\$-	\$-	\$563,802

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	June 30, 2013 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$134,968	\$-	\$-	\$-	\$128,337	\$263,305	\$1,617	\$261,688
Corporate Finance	60,000	-	-	-	245,969	305,969	81,461	224,508
Total	\$194,968	\$-	\$-	\$-	\$374,306	\$569,274	\$83,078	\$486,196

Secured loans	June 30, 2013 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,505	\$-	\$-	\$-	\$4,283	\$8,788	\$54	\$8,734
Corporate Finance	2,003	-	-	-	8,210	10,213	2,719	7,494
Total	\$6,508	\$-	\$-	\$-	\$12,493	\$19,001	\$2,773	\$16,228

English Translation of Financial Statements Originally Issued in Chinese

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

Secured loans	December 31, 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	December 31, 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	June 30, 2012 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$147,321	\$-	\$-	\$-	\$126,905	\$274,226	\$1,371	\$272,855
Corporate Finance	-	-	-	-	292,014	292,014	45,604	246,410
Total	\$147,321	\$-	\$-	\$-	\$418,919	\$566,240	\$46,975	\$519,265

Secured loans	June 30, 2012 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,944	\$-	\$-	\$-	\$4,258	\$9,202	\$46	\$9,156
Corporate Finance	-	-	-	-	9,799	9,799	1,530	8,269
Total	\$4,944	\$-	\$-	\$-	\$14,057	\$19,001	\$1,576	\$17,425

English Translation of Financial Statements Originally Issued in Chinese

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

Secured loans	January 1, 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
Total	\$229,245	\$-	\$-	\$-	\$340,492	\$569,737	\$17,772	\$551,965

Secured loans	January 1, 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
Total	\$7,574	\$-	\$-	\$-	\$11,248	\$18,822	\$587	\$18,235

c. 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.

d. 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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

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	June 30, 2013 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$3,431,959	\$1,559,744	\$1,540,107	\$16,610	\$1,411	\$1,616	\$-
Financial liabilities at fair value through profit or loss	108,987	108,987	-	108,987	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

English Translation of Financial Statements Originally Issued in Chinese

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

Liabilities	June 30, 2013 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$114,551	\$52,061	\$51,406	\$554	\$47	\$54	\$-
Financial liabilities at fair value through profit or loss	3,637	3,637	-	3,637	-	-	-
Preferred stock liability	33,378	33,378	-	-	-	-	33,378

Liabilities	December 31, 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

Liabilities	December 31, 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	June 30, 2012 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,250,022	\$1,628,255	\$1,608,830	\$12,779	\$5,087	\$1,559	\$-
Financial liabilities at fair value through profit or loss	43,217	43,217	-	43,217	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	June 30, 2012 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$75,504	\$54,640	\$53,988	\$429	\$171	\$52	\$-
Financial liabilities at fair value through profit or loss	1,450	1,450	-	1,450	-	-	-
Preferred stock liability	33,557	33,557	-	-	-	-	33,557

English Translation of Financial Statements Originally Issued in Chinese

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

Liabilities	January 1, 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	January 1, 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

e. 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.

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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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 measures 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.

(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.

English Translation of Financial Statements Originally Issued in Chinese

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

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

June 30, 2013	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	-10%	\$(178,639)	\$(5,963)
Interest rate risk (Yield curve)	20bp	(71,941)	(2,401)
Foreign currency risk (Exchange rate)	USD to NTD down 1 dollar	(213,037)	(7,111)

June 30, 2013		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	RMB appreciate 1 %	\$10,814	\$361	\$-	\$-
	HKD appreciate 1 %	78	3	-	-
	NTD appreciate 1 %	(9,893)	(330)	-	-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,486)	(50)	(143)	(5)
	Yield curve (RMB) flat rises 1bp	-	-	(95)	(3)
	Yield curve (NTD) flat rises 1bp	(108)	(4)	(1,766)	(59)
Equity securities price sensitivity	Increase 1% in equity price	-	-	17,864	596

June 30, 2012	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	-10%	\$(186,212)	\$(6,249)
Interest rate risk (Yield curve)	20bp	(67,030)	(2,249)
Foreign currency risk (Exchange rate)	USD to NTD down 1 dollar	(131,400)	(4,409)

June 30, 2012		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	NTD appreciate 1 %	\$(2,785)	\$(93)	\$-	\$-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,037)	(35)	(164)	(6)
	Yield curve (NTD) flat rises 1bp	(153)	(5)	(1,998)	(67)
Equity securities price sensitivity	equity price increases 1%	-	-	18,621	625

English Translation of Financial Statements Originally Issued in Chinese

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

D. Cathay Securities and its subsidiaries

a. 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

- 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 thousands of dollars except for share and per share data and unless otherwise stated)

, 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.

l 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.

m 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.

n 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 thousands of dollars except for share and per share data and unless otherwise stated)

o 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.

p Accounting department

The accounting department participates in the planning of risk management mechanism

q 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:

- **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 thousands of dollars except for share and per share data and unless otherwise stated)

, 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).

I 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 thousands of dollars except for share and per share data and unless otherwise stated)

m 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.

n 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.

o 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.

English Translation of Financial Statements Originally Issued in Chinese

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

(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.

p 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 thousands 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.

b. 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.

c. 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 thousands of dollars except for share and per share data and unless otherwise stated)

As of Jun. 30, 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	\$3,640,000	\$-	\$-	\$-	\$3,640,000
Financial liabilities at fair value through profit or loss -current	1,372,687	-	-	-	1,372,687
Liabilities for bonds with repurchase agreements	1,700,000	-	-	-	1,700,000
Deposits for securities borrowed	11,492	22,984	34,477	137,907	206,860
Futures clients' equity	1,885,570	-	-	-	1,885,570
Account payables	1,522,318	-	-	-	1,522,318
Others	1,446	-	-	7,978	9,424
Total	\$10,133,513	\$22,984	\$34,477	\$145,885	\$10,336,859
% to the total	98.03%	0.22%	0.34%	1.41%	100%

As of Jun. 30, 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	\$121,495	\$-	\$-	\$-	\$121,495
Financial liabilities at fair value through profit or loss -current	45,817	-	-	-	45,817
Liabilities for bonds with repurchase agreements	56,742	-	-	-	56,742
Deposits for securities borrowed	384	767	1,151	4,603	6,905
Futures clients' equity	62,936	-	-	-	62,936
Account payables	50,812	-	-	-	50,812
Others	49	-	-	266	315
Total	\$338,235	\$767	\$1,151	\$4,869	\$345,022
% to the total	98.03%	0.22%	0.34%	1.41%	100%

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

As of Jun. 30, 2013					
Cash Flow Gap(NT\$)					
Received Terms					
Financial Assets	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	Total
Cash and cash equivalents	\$1,100,323	\$-	\$-	\$-	\$1,100,323
Financial assets at fair value through profit or loss -current					
Operations Security	4,274,858	-	-	-	4,274,858
Open-end Funds	91,495	-	-	-	91,495
Call option-futures	-	-	-	5,592	5,592
Available for sale financial assets	826,252	-	-	30,500	856,752
Client margin accounts	1,885,997	-	-	-	1,885,997
Other current assets-time deposit	-	-	-	1,000,000	1,000,000
Account Receivables	2,955,439	2,465	3,697	14,787	2,976,388
Securities financing receivables	98,091	196,181	294,272	1,177,087	1,765,631
Others	-	-	-	606,111	606,111
Subtotal	<u>11,232,455</u>	<u>198,646</u>	<u>297,969</u>	<u>2,834,077</u>	<u>14,563,147</u>
Residual cash	<u>\$1,098,940</u>	<u>\$175,662</u>	<u>\$263,492</u>	<u>\$2,688,192</u>	<u>\$4,226,286</u>

As of Jun. 30, 2013					
Cash Flow Gap(US\$)					
Received Terms					
Financial Assets	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	Total
Cash and cash equivalents	\$36,726	\$-	\$-	\$-	\$36,726
Financial assets at fair value through profit or loss -current					
Operations Security	142,686	-	-	-	142,686
Open-end Funds	3,054	-	-	-	3,054
Call option-futures	-	-	-	187	187
Available for sale financial assets	27,579	-	-	1,018	28,597
Client margin accounts	62,951	-	-	-	62,951
Other current assets-time deposit	-	-	-	33,378	33,378
Account Receivables	98,646	82	123	494	99,345
Securities financing receivables	3,274	6,548	9,822	39,289	58,933
Others	-	-	-	20,231	20,231
Subtotal	<u>374,916</u>	<u>6,630</u>	<u>9,945</u>	<u>94,597</u>	<u>486,088</u>
Residual cash	<u>\$36,681</u>	<u>5,863</u>	<u>8,794</u>	<u>89,728</u>	<u>\$141,066</u>

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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:

- Financing and balance sheet adjustments are made in accordance with the Group's "Crisis Management Guidelines" and "Regulations Governing Emergency Funding Management".
- , Financing: (i) drawing from short-term bank loan credit line (ii) pledging certificates of deposit (iii) issuing commercial paper
- I Balance sheet adjustment: (2) selling securities (ii) recover short-term capital investment in money market.

d. 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:

English Translation of Financial Statements Originally Issued in Chinese

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

- Price value of basis point: denoting the change in the value of a position given a basis point change in the yield curve.
- , Delta: measuring the change in the value of a position given 1% price change of a certain underlying asset.
- f* Gamma: measuring the dollar amount of change in Delta of a position given 1% price change of a certain underlying asset.
- „ 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:

102.1.1~102.6.30	NTD (in thousands)
Period Ended	19,069
Average	16,650
Lowest	10,555
Highest	26,282

102.1.1~102.6.30	USD (in thousands)
Period Ended	636
Average	556
Lowest	352
Highest	877

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

Stress test on scenarios includes historical scenario and hypothesis scenario:

- 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.

- , 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 June 28, 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%	-44,264
Interest Risk	Yield Curve	+100bps	-89,752
Exchange Risk	Exchange Rate	+3%	-1,054
Produce Risk	Price	-10%	0

As of June 28, 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%	-1,477
Interest Risk	Yield Curve	+100bps	-2,996
Exchange Risk	Exchange Rate	+3%	-35
Produce Risk	Price	-10%	-

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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:

	2013.6.30			2012.12.31		
	Foreign	Exchange	NT\$	Foreign	Exchange	NT\$
	Currency	Rate		Currency	Rate	
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$46,213,859	30.1200	\$1,391,961,432	\$45,105,812	29.1360	\$1,314,202,938
AUD	Note	Note	Note	Note	Note	Note
RMB	23,715,221	4.9079	116,392,763	19,422,188	4.6797	90,890,013
<u>Non-Monetary Items</u>						
USD	3,835,551	30.1200	115,526,796	3,188,552	29.1360	92,901,651
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	5,894,212	30.1200	177,533,665	6,087,435	29.1360	177,363,506
	2012.6.30			2012.1.1		
	Foreign	Exchange	NT\$	Foreign	Exchange	NT\$
	Currency	Rate		Currency	Rate	
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$40,434,339	29.9000	\$1,208,986,736	\$38,440,021	30.2900	\$1,164,348,236
AUD	Note	Note	Note	1,549,838	30.7519	47,660,463
RMB	17,189,095	4.7007	80,800,779	2,765,935	4.7746	13,206,233
<u>Non-Monetary Items</u>						
USD	2,612,279	29.9000	78,107,142	2,407,923	30.2900	72,935,988
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	5,239,388	29.9000	156,657,701	5,076,249	30.2900	153,759,582

Note: On 30 June 2013, 31 December 2012 and 30 June 2012, the amounts did not have significant influence.

English Translation of Financial Statements Originally Issued in Chinese

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

(4) Discretionary account management for Cathay Life

Item	2013.6.30			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$120,959,875	\$4,037,379	\$120,959,875	\$4,037,379
Overseas stocks	40,981,093	1,367,860	40,981,093	1,367,860
Repurchase bonds and notes	200,000	6,676	200,000	6,676
Cash in banks	20,820,597	694,946	20,820,597	694,946
Beneficiary certificates	22,453,043	749,434	22,453,043	749,434
Futures and options	857,370	28,617	857,370	28,617
Corporate bonds	1,027,405	34,293	1,027,405	34,293
Total	<u>\$207,299,383</u>	<u>\$6,919,205</u>	<u>\$207,299,383</u>	<u>\$6,919,205</u>

Item	2012.12.31			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$100,690,134	\$3,466,098	\$100,690,134	\$3,466,098
Overseas stocks	28,173,078	969,813	28,173,078	969,813
Repurchase bonds and 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 certificates	29,184,078	1,004,616	29,184,078	1,004,616
Futures and options	1,482,600	51,036	1,482,600	51,036
Corporate bonds	690,768	23,779	690,768	23,779
Total	<u>\$204,663,888</u>	<u>\$7,045,229</u>	<u>\$204,663,888</u>	<u>\$7,045,229</u>

Item	2012.6.30			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$102,828,950	\$3,450,636	\$102,828,950	\$3,450,636
Overseas stocks	33,486,117	1,123,695	33,486,117	1,123,695
Repurchase bonds	1,618,056	54,297	1,618,056	54,297
Cash in banks	37,882,153	1,271,213	37,882,153	1,271,213
Beneficiary certificates	37,488,798	1,258,013	37,488,798	1,258,013
Futures and options	1,847,737	62,005	1,847,737	62,005
Corporate bonds	882,609	29,618	882,609	29,618
Total	<u>\$216,034,420</u>	<u>\$7,249,477</u>	<u>\$216,034,420</u>	<u>\$7,249,477</u>

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2012.1.1			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$90,957,252	\$3,004,865	\$90,957,252	\$3,004,865
Repurchase bonds	1,989,703	65,732	1,989,703	65,732
Cash in banks	25,585,086	845,229	25,585,086	845,229
Beneficiary certificates	748,618	24,731	748,618	24,731
Futures and options	1,859,134	61,418	1,859,134	61,418
Total	<u>\$121,139,793</u>	<u>\$4,001,975</u>	<u>\$121,139,793</u>	<u>\$4,001,975</u>

As of 30 June 2013, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,672,897) thousands, US\$1,990,000 thousands, and HK\$2,000,000 (US\$257,865) thousands. As of 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 (US\$258,041) thousands. As of 30 June 2012, Cathay Life entered into discretionary account management contracts in the amounts of NT\$139,500,000 (US\$4,681,208) thousands, US\$2,340,000 thousands, and HK\$6,350,000 (US\$818,594) thousands. As of 1 January 2012, the amount is NT\$139,500,000 (US\$4,608,523) thousands.

(5) Capital management:

Currently, the Company and its subsidiaries' capital adequacy ratios meet the statutory requirements. Under the pretext that the Company and its subsidiaries meet 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 subsidiaries' ability to take risks will not be affected. Under such scenario, the Company will conduct overall planning based on the distribution of the subsidiaries' capital in order to strengthen the efficiency of capital operation within the Group.

A. Capital adequacy ratio on a consolidated basis:

Capital adequacy ratios

As of 30 June 2013

Item	Ownership interest	Eligible capital		Statutory capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$256,073,605	\$8,547,183	\$289,160,462	\$9,651,551
Cathay United Bank	100.00%	136,619,168	4,560,052	83,681,088	2,793,094
Cathay Securities	100.00%	3,426,790	114,379	1,335,816	44,587
Cathay Life	100.00%	222,869,370	7,438,898	176,755,232	5,899,707
Cathay Century	100.00%	5,827,527	194,510	3,701,902	123,561
Cathay Venture	100.00%	2,081,481	69,475	1,053,002	35,147
Cathay Securities Investment Trust	100.00%	1,932,260	64,495	1,113,620	37,170
Less: Item		(292,900,168)	(9,776,374)	(285,220,912)	(9,520,057)
Subtotal		(A) \$335,930,033	\$11,212,618	(B) \$271,580,210	\$9,064,760
Consolidated capital adequacy ratios			(C)=(A)/(B)		123.69%

English Translation of Financial Statements Originally Issued in Chinese

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

As of 30 June 2012

Item	Ownership interest	Eligible capital		Statutory capital	
		(NT\$)	(US\$)	(NT\$)	(US\$)
The Company	100.00%	\$243,363,247	\$8,166,552	\$258,011,860	\$8,658,116
Cathay United Bank	100.00%	113,087,537	3,794,884	82,511,749	2,768,851
Cathay Securities	100.00%	3,046,080	102,217	1,059,029	35,538
Cathay Life	100.00%	190,450,344	6,390,951	154,071,082	5,170,171
Cathay Century	100.00%	4,589,675	154,016	2,987,698	100,258
Cathay Venture	100.00%	2,199,808	73,819	1,098,764	36,871
Cathay Securities Investment Trust	100.00%	1,893,868	63,553	1,023,164	34,334
Less: Item		(263,526,168)	(8,843,160)	(254,832,821)	(8,551,437)
Subtotal		(A) \$295,104,391	\$9,902,832	(B) \$245,930,525	\$8,252,702
Consolidated capital adequacy ratios			(C)=(A)/(B)		120.00%

B. Eligible capital

As of 30 June 2013

Item	(NT\$)	(US\$)
Common Stock	\$116,119,621	\$3,875,822
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	20,000,000	667,557
Capital collected in advance	-	-
Capital surplus	78,508,148	2,620,432
Legal reserve	16,922,773	564,846
Special reserve	4,078,065	136,117
Accumulated profit	17,611,567	587,836
Equity adjustments	11,383,825	379,967
Less: Goodwill	-	-
Less: Deferred assets	(1,370,522)	(45,745)
Less: Treasury stock	(7,179,872)	(239,649)
Consolidated eligible capital	\$256,073,605	\$8,547,183

English Translation of Financial Statements Originally Issued in Chinese

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

As of 30 June 2012

Item	(NT\$)	(US\$)
Common Stock	\$108,653,852	\$3,646,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates-qualified as bank-level Tier I Capital	-	-
Preferred Stocks and subordinated financial debenture	28,000,000	939,597
Capital collected in advance	-	-
Capital surplus	78,508,148	2,634,502
Legal reserve	15,222,599	510,826
Special reserve	333,598	11,195
Accumulated profit	8,232,468	276,257
Equity adjustments	12,952,908	434,661
Less: Goodwill	-	-
Less: Deferred assets	(1,360,454)	(45,653)
Less: Treasury stock	(7,179,872)	(240,935)
Consolidated eligible capital	\$243,363,247	\$8,166,552

(6) Business or trading activities within Subsidiaries:

A. Business or trading behaviors

Please refer Note 28 (business with stakeholders) for further details.

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 “Financial Holding Companies Act”, “Personal Data Protection Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Rules Governing the Activities of the FHC” and other related regulations from Financial Supervisory Commission, Executive Yuan, the Company has stipulated “Cathay Financial Holding Subsidiaries Cross-selling Activities Acts” and ”Non-disclosure Confidential Agreement of Cathay Financial Holding Subsidiaries Cross-utilization of Customer’s Personal Data” to cross-utilize customer’s personal data under a safe and secure environment and provide comprehensive and integrated financial service to the customers.

English Translation of Financial Statements Originally Issued in Chinese

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

D. Locations and business utilities:

In order to provide more comprehensive financial service and comply with the “Financial Holding Subsidiaries Cross-selling Activities Acts”, the Company has applied and obtained approval from the competent authority. From 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 (184 locations). In the future, the Company and its subsidiaries 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.

(7) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the year ended December 31, 2011 has been reclassified in order to be comparable with those in the consolidated financial statements for the year ended December 31, 2012.

(8) Information regarding investment in Mainland China:

A. 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 30 June 2013, the Company’s remittances to Cathay Life Insurance Ltd. (China) totaled approximately US\$78,210 thousands.

English Translation of Financial Statements Originally Issued in Chinese

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

- B. 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 30 June 2013, the Company's remittances to this general insurance company totaled approximately US\$44,530 thousands.
- C. 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 30 June 2013, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US\$126,064 thousands.
- D. On 31 December 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 8 October 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 26 August 2008. As of 30 June 2012, Cathay Century's remittances to this company totaled approximately US\$44,030 thousands.
- E. 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 thousands. The remaining amount of US\$299 thousands 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 thousands 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 thousands 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.

English Translation of Financial Statements Originally Issued in Chinese

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

41. 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:

- A. 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.
- B. 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.
- C. Properties insurance operating segments: Properties insurance operating segments engage in fire insurance, marine insurance, land and air insurance, liability insurance, reinsurance and other insurance.
- D. 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.
- E. 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.

2013.4.1~2013.6.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	5,670,691	22,797,014	88,760	30,167	(296,385)	28,290,247
Net income other than interest	5,332,903	45,087,144	1,713,451	255,586	270,065	52,659,149
Total income	11,003,594	67,884,158	1,802,211	285,753	(26,320)	80,949,396
Bad debt expenses and Provision for premiums reserve	(90,088)	(359,275)	-	-	-	(449,363)
The net change of insurance liabilities	-	(58,206,605)	(292,330)	-	-	(58,498,935)
Operating expenses	(4,174,994)	(7,159,780)	(935,780)	(239,550)	(396,494)	(12,906,598)
Income (loss) from continuing operations before income taxes	6,738,512	2,158,498	574,101	46,203	(422,814)	9,094,500
Income taxes (expense) benefit	(605,372)	(391,040)	(61,161)	1,311	(128,267)	(1,184,529)
Consolidated net income	6,133,140	1,767,458	512,940	47,514	(551,081)	7,909,971

English Translation of Financial Statements Originally Issued in Chinese

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

2013.4.1~2013.6.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	189,275	760,915	2,963	1,007	(9,893)	944,267
Net income other than interest	178,001	1,504,912	57,191	8,531	9,014	1,757,649
Total income	367,276	2,265,827	60,154	9,538	(879)	2,701,916
Bad debt expenses and Provision for premiums reserve	(3,007)	(11,992)	-	-	-	(14,999)
The net change of insurance liabilities	-	(1,942,811)	(9,757)	-	-	(1,952,568)
Operating expenses	(139,352)	(238,978)	(31,234)	(7,996)	(13,234)	(430,794)
Income (loss) from continuing operations before income taxes	224,917	72,046	19,163	1,542	(14,113)	303,555
Income taxes (expense) benefit	(20,206)	(13,052)	(2,042)	44	(4,281)	(39,537)
Consolidated net income	204,711	58,994	17,121	1,586	(18,394)	264,018

2012.4.1~2012.6.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	5,384,752	22,181,224	83,553	27,258	(519,022)	27,157,765
Net income other than interest	1,089,453	66,010,165	1,074,433	58,544	(20,628)	68,211,967
Total income	6,474,205	88,191,389	1,157,986	85,802	(539,650)	95,369,732
Bad debt expenses and Provision for premiums reserve	26,530	(242,618)	(14,935)	-	-	(231,023)
The net change of insurance liabilities	469	(79,382,526)	60,050	-	-	(79,322,007)
Operating expenses	(3,880,913)	(7,345,726)	(700,868)	(186,928)	(122,815)	(12,237,250)
Income (loss) from continuing operations before income taxes	2,620,291	1,220,519	502,233	(101,126)	(662,465)	3,579,452
Income taxes (expense) benefit	(424,479)	9,992	(30,029)	2,031	(188,240)	(630,725)
Consolidated net income	2,195,812	1,230,511	472,204	(99,095)	(850,705)	2,948,727

2012.4.1~2012.6.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	180,696	744,337	2,804	915	(17,417)	911,335
Net income other than interest	36,559	2,215,106	36,055	1,964	(692)	2,288,992
Total income	217,255	2,959,443	38,859	2,879	(18,109)	3,200,327
Bad debt expenses and Provision for premiums reserve	890	(8,142)	(501)	-	-	(7,753)
The net change of insurance liabilities	16	(2,663,843)	2,015	-	-	(2,661,812)
Operating expenses	(130,232)	(246,501)	(23,519)	(6,273)	(4,121)	(410,646)
Income (loss) from continuing operations before income taxes	87,929	40,957	16,854	(3,394)	(22,230)	120,116
Income taxes (expense) benefit	(14,244)	335	(1,007)	68	(6,317)	(21,165)
Consolidated net income	73,685	41,292	15,847	(3,326)	(28,547)	98,951

English Translation of Financial Statements Originally Issued in Chinese

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

2013.1.1~2013.6.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	11,102,002	46,215,438	172,452	50,425	(559,867)	56,980,450
Net income other than interest	7,352,119	101,556,813	2,883,812	538,797	(537,629)	111,793,912
Total income	18,454,121	147,772,251	3,056,264	589,222	(1,097,496)	168,774,362
Bad debt expenses and Provision for premiums reserve	34,096	(572,517)	-	-	-	(538,421)
The net change of insurance liabilities	-	(125,377,330)	(245,483)	-	-	(125,622,813)
Operating expenses	(8,323,546)	(14,382,814)	(1,749,210)	(452,539)	(777,760)	(25,685,869)
Income (loss) from continuing operations before income taxes	10,164,671	7,439,590	1,061,571	136,683	(1,875,256)	16,927,259
Income taxes (expense) benefit	(1,195,951)	(616,416)	(104,696)	(6,102)	(29,703)	(1,952,868)
Consolidated net income	8,968,720	6,823,174	956,875	130,581	(1,904,959)	14,974,391

2013.1.1~2013.6.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	370,561	1,542,571	5,756	1,683	(18,687)	1,901,884
Net income other than interest	245,398	3,389,747	96,255	17,984	(17,945)	3,731,439
Total income	615,959	4,932,318	102,011	19,667	(36,632)	5,633,323
Bad debt expenses and Provision for premiums reserve	1,138	(19,109)	-	-	-	(17,971)
The net change of insurance liabilities	-	(4,184,824)	(8,194)	-	-	(4,193,018)
Operating expenses	(277,822)	(480,067)	(58,385)	(15,105)	(25,960)	(857,339)
Income (loss) from continuing operations before income taxes	339,275	248,318	35,432	4,562	(62,592)	564,995
Income taxes (expense) benefit	(39,918)	(20,575)	(3,494)	(204)	(991)	(65,182)
Consolidated net income	299,357	227,743	31,938	4,358	(63,583)	499,813

English Translation of Financial Statements Originally Issued in Chinese

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

2012.1.1~2012.6.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	10,771,636	44,579,374	159,927	51,753	(582,949)	54,979,741
Net income other than interest	4,414,992	150,357,244	2,330,924	348,434	304,961	157,756,555
Total income	15,186,628	194,936,618	2,490,851	400,187	(277,988)	212,736,296
Bad debt expenses and Provision for premiums reserve	328,454	(585,156)	(14,935)	-	-	(271,637)
The net change of insurance liabilities	469	(182,366,126)	(166,619)	-	-	(182,532,276)
Operating expenses	(7,936,847)	(13,986,053)	(1,337,139)	(360,296)	(481,152)	(24,101,487)
Income (loss) from continuing operations before income taxes	7,578,704	(2,000,717)	972,158	39,891	(759,140)	5,830,896
Income taxes (expense) benefit	(941,112)	855,069	(75,182)	(3,754)	(288,368)	(453,347)
Consolidated net income	6,637,592	(1,145,648)	896,976	36,137	(1,047,508)	5,377,549

2012.1.1~2012.6.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	361,464	1,495,952	5,367	1,737	(19,562)	1,844,958
Net income other than interest	148,154	5,045,545	78,219	11,692	10,234	5,293,844
Total income	509,618	6,541,497	83,586	13,429	(9,328)	7,138,802
Bad debt expenses and Provision for premiums reserve	11,022	(19,636)	(502)	-	-	(9,116)
The net change of insurance liabilities	16	(6,119,669)	(5,591)	-	-	(6,125,244)
Operating expenses	(266,337)	(469,331)	(44,870)	(12,091)	(16,146)	(808,775)
Income (loss) from continuing operations before income taxes	254,319	(67,139)	32,623	1,338	(25,474)	195,667
Income taxes (expense) benefit	(31,581)	28,694	(2,523)	(126)	(9,677)	(15,213)
Consolidated net income	222,738	(38,445)	30,100	1,212	(35,151)	180,454

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.

English Translation of Financial Statements Originally Issued in Chinese

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

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.

As a result, starting from 1 January 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 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 consolidated financial statements for the three-month periods ended 31 March 2013 and 2012.

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 January 1, 2012.

English Translation of Financial Statements Originally Issued in Chinese

(Expressed in thousands 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 sheet as of June 30, 2012 and of the consolidated comprehensive income statements for the three-month periods ended June 30, 2012 and for the six-month periods ended June 30, 2012 are as follows:

English Translation of Financial Statements Originally Issued in Chinese

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

j Reconciliation of consolidated balance sheet items as of June 30, 2012:

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		Notes
	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	
Cash and cash equivalents	\$667,635,827	\$-	\$(336,390,240)	\$331,245,587	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	103,317,520	-	9,481,234	112,798,754	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	72,505,894	(10,895)	-	72,494,999	Financial assets at fair value through profit or loss	A · B
Available-for-sale financial assets –net	1,304,190,088	18,464,557	-	1,322,654,645	Available-for-sale financial assets –net	A · B
	-	-	2,953,872	2,953,872	Derivative financial assets for hedging	N
Securities purchased under agreements to resell and bonds investment	17,667,901	-	-	17,667,901	Securities purchased under agreements to resell	
Receivables –net	104,051,632	866,085	(3,668,355)	101,249,362	Receivables –net	A · C(1) · H · N
	-	-	3,754,984	3,754,984	Current income tax assets	N
Discounts and loans –net	1,529,937,093	-	204,097	1,530,141,190	Loans –net	N
	-	-	14,321,902	14,321,902	Reinsurance assets –net	N
Held-to-maturity financial assets –net	24,694,512	-	-	24,694,512	Held-to-maturity financial assets –net	
Investments accounted for using the equity method –net	1,074,290	-	169,252	1,243,542	Investments accounted for using the equity method –net	N
Other financial assets –net	42,785,825	(14,749,223)	1,395,156,479	1,423,193,081	Other financial assets –net	B · N
Investments in debt securities with no active market	724,154,514	-	(724,154,514)	-		N
Insurance commodity assets –separate account	294,782,839	-	(294,782,839)	-		N
Investments properties –net	150,278,378	64,609,996	(169,250)	214,719,124	Investments properties –net	D · N
Property and equipment –net	40,163,142	8,505,825	-	48,668,967	Property and equipment –net	D · E
Goodwill and intangible assets –net	9,583,949	-	(350,568)	9,233,381	Intangible assets –net	N
	-	2,170,895	13,484,059	15,654,954	Deferred tax assets –net	L · N
Other assets –net	109,693,595	(1,756,996)	(83,111,301)	24,825,298	Other assets –net	D · N · I
Total assets	\$5,196,516,999	-	(83,111,301)	\$5,271,516,055	Total assets	
Due to the Central Bank and call loans from banks	\$63,492,065	\$-	\$-	\$63,492,065	Due to the Central Bank and call loans from banks	
Bankers' acceptances and funds borrowed	1,495,000	-	-	1,495,000	Bankers' acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	14,450,598	-	3,932	14,454,530	Financial liabilities at fair value through profit or loss	N
Securities sold under agreements to repurchase	16,356,889	-	-	16,356,889	Securities sold under agreements to repurchase	
Commercial paper payable –net	3,820,000	-	-	3,820,000	Commercial paper payable –net	
Payables	58,077,700	1,719,529	(322,514)	59,474,715	Payables	A · C(2) · K · N
	-	-	446,815	446,815	Current income tax liabilities	N
Deposits and remittances	1,411,377,909	-	-	1,411,377,909	Deposits and remittances	
Bonds payables	80,198,566	-	1	80,198,567	Bonds payables	N
Provisions	3,001,608,297	54,851,410	3,032,183	3,059,491,890	Provisions	F · G · H · I · J · N
Other financial liabilities –net	17,874,814	-	295,822,709	313,697,523	Other financial liabilities –net	N
	-	17,478,673	(3,663,083)	13,815,590	Deferred tax liabilities	L · N
Insurance commodity liabilities –separate account	294,782,839	-	(294,782,839)	-		
Other liabilities	12,521,748	1,128,520	(2,987,196)	10,663,072	Other liabilities	K · N
Total liabilities	\$4,976,056,425	-	(2,987,196)	\$5,048,784,565	Total liabilities	
Shareholders' equity – Parent Company					Equity attributable to owners of parent	
Share capital					Capital stock	
Common stock	\$103,575,097	\$-	\$(1)	\$103,575,096	Common stock	N
Stock dividends to be distributed	5,078,755	-	-	5,078,755	Stock dividends to be distributed	
Capital surplus	78,508,148	-	-	78,508,148	Capital surplus	
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
Undistributed earnings	8,232,468	(225,784)	-	8,006,684	Undistributed earnings	M
Adjusting items in shareholders' equity			11,705,142	11,705,142	Other equity	
Unrealized revaluation increments	1,461	(1,461)	-	-		E
Cumulative translation adjustment	(731,905)	3	731,902	-		A · N
Unrealized gains (losses) from financial assets	15,108,519	(2,670,292)	(12,438,227)	-		A · B · L · N
Treasury shares	(7,179,872)	-	-	(7,179,872)	Treasury stock	
Net loss not recognized as pension cost	(1,425,167)	1,425,167	-	-		I
Total Shareholders' equity – Parent Company	216,723,701	-	-	218,994,617	Total equity	
Minority interest	3,736,873			3,736,873	Non-controlling interests	
Total shareholders' equity	220,460,574	-	-	222,731,490	Total equity	
Total liabilities and shareholders' equity	\$5,196,516,999	-	(83,111,301)	\$5,271,516,055	Total liabilities and equity	

English Translation of Financial Statements Originally Issued in Chinese

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

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	
Cash and cash equivalents	\$22,403,887	\$-	\$(11,288,263)	\$11,115,624	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	3,467,031	-	318,162	3,785,193	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	2,433,084	(366)	-	2,432,718	Financial assets at fair value through profit or loss	A · B
Available-for-sale financial assets -net	43,764,768	619,616	-	44,384,384	Available-for-sale financial assets -net	A · B
	-	-	99,123	99,123	Derivative financial assets for hedging	N
Securities purchased under agreements to resell and bonds investment	592,882	-	-	592,882	Securities purchased under agreements to resell	
Receivables -net	3,491,665	29,063	(123,099)	3,397,629	Receivables -net	A · C(1) · H · N
	-	-	126,006	126,006	Current income tax assets	N
Discounts and loans -net	51,340,171	-	6,849	51,347,020	Loans -net	N
	-	-	480,601	480,601	Reinsurance assets -net	N
Held-to-maturity financial assets -net	828,675	-	-	828,675	Held-to-maturity financial assets -net	
Investments accounted for using the equity method -net	36,050	-	5,680	41,730	Investments accounted for using the equity method -net	N
Other financial assets -net	1,435,766	(494,941)	46,817,332	47,758,157	Other financial assets -net	B · N
Investments in debt securities with no active market	24,300,487	-	(24,300,487)	-		N
Insurance commodity assets -separate account	9,892,042	-	(9,892,042)	-		N
Investments properties -net	5,042,899	2,168,120	(5,679)	7,205,340	Investments properties -net	D · N
Property and equipment -net	1,347,756	285,431	-	1,633,187	Property and equipment -net	D · E
Goodwill and intangible assets -net	321,609	-	(11,764)	309,845	Intangible assets -net	N
	-	72,849	452,485	525,334	Deferred tax assets -net	L · N
Other assets -net	3,680,993	(58,960)	(2,788,969)	833,064	Other assets -net	D · N · I
Total assets	<u>\$174,379,765</u>			<u>\$176,896,512</u>	Total assets	
Due to the Central Bank and call loans from banks	\$2,130,606	\$-	\$-	\$2,130,606	Due to the Central Bank and call loans from banks	
Bankers acceptances and funds borrowed	50,168	-	-	50,168	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	484,919	-	132	485,051	Financial liabilities at fair value through profit or loss	N
Securities sold under agreements to repurchase	548,889	-	-	548,889	Securities sold under agreements to repurchase	
Commercial paper payable -net	128,188	-	-	128,188	Commercial paper payable -net	
Payables	1,948,916	57,702	(10,822)	1,995,796	Payables	A · C(2) · K · N
	-	-	14,994	14,994	Current income tax liabilities	N
Deposits and remittances	47,361,675	-	-	47,361,675	Deposits and remittances	
Bonds payables	2,691,227	-	-	2,691,227	Bonds payables	N
Provisions	100,725,111	1,840,652	101,750	102,667,513	Provisions	F · G · H · I · J · N
Other financial liabilities -net	599,826	-	9,926,937	10,526,763	Other financial liabilities -net	N
	-	586,533	(122,923)	463,610	Deferred tax liabilities	L · N
Insurance commodity liabilities - separate account	9,892,041	-	(9,892,041)	-		
Other liabilities	420,193	37,870	(100,242)	357,821	Other liabilities	K · N
Total liabilities	<u>\$166,981,759</u>			<u>\$169,422,301</u>	Total liabilities	
Shareholders' equity - Parent Company					Equity attributable to owners of parent	
Share capital					Capital stock	
Common stock	\$3,475,675	\$-	\$-	\$3,475,675	Common stock	N
Stock dividends to be distributed	170,428	-	-	170,428	Stock dividends to be distributed	
Capital surplus	2,634,502	-	-	2,634,502	Capital surplus	
Retained earnings					Retained earnings	
Legal reserve	510,825	-	-	510,825	Legal reserve	
Special reserve	11,195	125,653	-	136,848	Special reserve	F
Undistributed earnings	276,257	(7,576)	-	268,681	Undistributed earnings	M
Adjusting items in shareholders' equity			392,789	392,789	Other equity	
Unrealized revaluation increments	49	(49)	-	-		E
Cumulative translation adjustment	(24,561)	-	24,561	-		A · N
Unrealized gains (losses) from financial assets	506,997	(89,607)	(417,390)	-		A · B · L · N
Treasury shares	(240,935)	-	-	(240,935)	Treasury stock	
Net loss not recognized as pension cost	(47,824)	47,824	-	-		I
Total Shareholders' equity - Parent Company	<u>7,272,608</u>			<u>7,348,813</u>		
Minority interest	<u>125,398</u>			<u>125,398</u>	Non-controlling interests	
Total shareholders' equity	<u>7,398,006</u>			<u>7,474,211</u>	Total equity	
Total liabilities and shareholders' equity	<u>\$174,379,765</u>			<u>\$176,896,512</u>	Total liabilities and equity	

English Translation of Financial Statements Originally Issued in Chinese

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

k Reconciliation of statement of comprehensive income items for the three-month periods ended June 30, 2012:

R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Interest income	\$31,117,133	\$-	\$(631,065)	\$30,486,068	Interest income	N
Less: Interest expenses	(3,394,122)	16,648	49,171	(3,328,303)	Less: Interest expenses	J · N
Net interest income	27,723,011			27,157,765	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	(2,607,605)	(19,800)	4,009,692	1,382,287	Net commission and handling fee	K · N
Net premiums from insurance business	62,972,068	-	(4,038,008)	58,934,060	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(10,488,965)	(80,462)	298,048	(10,271,379)	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Gains from investment properties	1,555,369	(103,403)	5,399	1,457,365	Gains from investment properties	C(1) · N
Realized gains on available-for-sale financial assets	7,495,982	717	(333,735)	7,162,964	Realized gains on available-for-sale financial assets	A · N
Realized gains (losses) on held-to-maturity financial assets	(567,967)	-	567,688	(279)	Realized gains (losses) on held-to-maturity financial assets	N
Gains (losses) on foreign exchange	8,880,486	-	3	8,880,489	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	(4,974)	-	(1)	(4,975)	Share of profit of associates and joint ventures accounted for using equity method	N
Net other non-interest gains	1,179,813	-	(508,378)	671,435	Net other non-interest gains	N
Total income	96,137,218			95,369,732	Total income	
Bad debt expenses	(246,417)	-	15,394	(231,023)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(79,733,516)	(66,376)	477,885	(79,322,007)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Employee benefits expenses	(7,736,503)	(13,624)	89,497	(7,660,630)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(946,678)	(1,401,260)	1,181,121	(1,166,817)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(3,561,137)	4,146	147,188	(3,409,803)	Other general and administration expenses	C(2) · K · N
Profit before income tax from continuing operations	3,912,967			3,579,452	Profit before income tax from continuing operations	
Income tax (expense) benefits	(675,255)	44,530	-	(630,725)	Income tax (expense) benefits	C(1) · D · E · F · H · I · L
Net income	3,237,712			2,948,727	Net income	
			200,779	200,779	Other comprehensive income	
			(17,467,515)	(17,467,515)	Exchange differences resulting from translating the financial statements of a foreign operation	N
			(104,993)	(104,993)	Unrealized (losses) gains from available-for-sale financial assets	N
			(30,010)	(30,010)	Losses on cash flow hedges	N
			891,259	891,259	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
					Income tax relating to components of other comprehensive income	N
				(16,510,480)	Other comprehensive income, net of tax	
				\$(13,561,753)	Total comprehensive income	
R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		

English Translation of Financial Statements Originally Issued in Chinese

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

Items	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	Notes
Interest income	\$1,044,200	\$-	\$(21,177)	\$1,023,023	Interest income	N
Less: Interest expenses	(113,897)	559	1,650	(111,688)	Less: Interest expenses	J、N
Net interest income	930,303			911,335	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	(87,504)	(664)	134,553	46,385	Net commission and handling fee	K、N
Net premiums from insurance business	2,113,157	-	(135,504)	1,977,653	Net premiums from insurance business	N
Gains on financial assets and liabilities at fair value through profit or loss	(351,979)	(2,700)	10,002	(344,677)	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A、B、N
Gains from investment properties	52,194	(3,470)	181	48,905	Gains from investment properties	C(1)、N
Realized gains on available-for-sale financial assets	251,543	24	(11,199)	240,368	Realized gains on available-for-sale financial assets	A、N
Realized gains (losses) on held-to-maturity financial assets	(19,059)	-	19,050	(9)	Realized gains (losses) on held-to-maturity financial assets	N
Gains (losses) on foreign exchange	298,003	-	-	298,003	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	(167)	-	-	(167)	Share of profit of associates and joint ventures accounted for using equity method	N
Net other non-interest gains	39,591	-	(17,060)	22,531	Net other non-interest gains	N
Total income	3,226,082			3,200,327	Total income	
Bad debt expenses	(8,270)	-	517	(7,753)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(2,675,621)	(2,227)	16,036	(2,661,812)	Changes in insurance liabilities and provisions	F、N
Operating expenses					Operating expenses	
Employee benefits expenses	(259,614)	(457)	3,003	(257,068)	Employee benefits expenses	I、J、N
Depreciation and amortizations expenses	(31,768)	(47,022)	39,635	(39,155)	Depreciation and amortizations expenses	D、E、N
Other general and administration expenses	(119,501)	139	4,939	(114,423)	Other general and administration expenses	C(2)、K、N
Profit before income tax from continuing operations	131,308			120,116	Profit before income tax from continuing operations	
Income tax (expense) benefits	(22,660)	1,495	-	(21,165)	Income tax (expense) benefits	C(1)、D、E、F、H、I、L
Net income	108,648			98,951	Net income	
					Other comprehensive income	
			6,737	6,737	Exchange differences resulting from translating the financial statements of a foreign operation	N
			(586,158)	(586,158)	Unrealized (losses) gains from available-for-sale financial assets	N
			(3,523)	(3,523)	Losses on cash flow hedges	N
			(1,007)	(1,007)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			29,908	29,908	Income tax relating to components of other comprehensive income	N
				(554,043)	Other comprehensive income, net of tax	
				\$(455,092)	Total comprehensive income	

I Reconciliation of statement of comprehensive income items for the six-month periods

English Translation of Financial Statements Originally Issued in Chinese

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

ended June 30, 2012:

R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Interest income	\$62,472,902	\$-	\$(658,998)	\$61,813,904	Interest income	N
Less: Interest expenses	(6,975,072)	43,892	97,017	(6,834,163)	Less: Interest expenses	J · N
Net interest income	55,497,830			54,979,741	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	1,144,676	(23,149)	466,474	1,588,001	Net commission and handling fee	K · N
Net premiums from insurance business	142,910,186	-	(494,790)	142,415,396	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	9,087,809	73	330,474	9,418,356	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Gains from investment properties	3,282,373	(52,182)	(34,701)	3,195,490	Gains from investment properties	C(1) · N
Realized gains on available-for-sale financial assets	12,076,742	717	233,953	12,311,412	Realized gains on available-for-sale financial assets	A · N
Realized gains (losses) on held-to-maturity financial assets	(446)	-	-	(446)	Realized gains (losses) on held-to-maturity financial assets	
Gains (losses) on foreign exchange	(12,565,468)	-	3	(12,565,465)	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	17,728	-	-	17,728	Share of profit of associates and joint ventures accounted for using equity method	
Net other non-interest gains	2,166,229	-	(790,145)	1,376,084	Net other non-interest gains	N
Total income	213,617,659			212,736,297	Total income	
Bad debt expenses	(604,405)	-	332,767	(271,638)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(182,938,518)	(89,017)	495,259	(182,532,276)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Employee benefits expenses	(15,483,790)	(28,151)	162,524	(15,349,417)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(1,903,225)	(1,521,165)	1,301,156	(2,123,234)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(6,583,821)	1,377	(46,392)	(6,628,836)	Other general and administration expenses	C(2) · K · N
Profit before income tax from continuing operations	6,103,900			5,830,896	Profit before income tax from continuing operations	
Income tax (expense) benefits	(780,567)	327,220	-	(453,347)	Income tax (expense) benefits	C(1) · D · E · F · H · I · L
Net income	5,323,333			5,377,549	Net income	
			(480,714)	(480,714)	Other comprehensive income	
			4,692,245	4,692,245	Exchange differences resulting from translating the financial statements of a foreign operation	N
			(416,190)	(416,190)	Unrealized (losses) gains from available-for-sale financial assets	N
			(31,190)	(31,190)	Losses on cash flow hedges	N
			156,775	156,775	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
					Income tax relating to components of other comprehensive income	N
				3,920,926	Other comprehensive income, net of tax	
				9,298,475	Total comprehensive income	

R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amount	Remeasurement	Presentation	Amount	Items	Notes

English Translation of Financial Statements Originally Issued in Chinese

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

	(US\$)	(US\$)	(US\$)	(US\$)		
Interest income	\$2,096,406	\$-	\$(22,114)	\$2,074,292	Interest income	N
Less: Interest expenses	(234,063)	1,473	3,256	(229,334)	Less: Interest expenses	J · N
Net interest income	1,862,343			1,844,958	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	38,412	(777)	15,654	53,289	Net commission and handling fee	K · N
Net premiums from insurance business	4,795,644	-	(16,604)	4,779,040	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	304,960	2	11,090	316,052	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Gains from investment properties	110,147	(1,751)	(1,165)	107,231	Gains from investment properties	C(1) · N
Realized gains on available-for-sale financial assets	405,260	24	7,851	413,135	Realized gains on available-for-sale financial assets	A · N
Realized gains (losses) on held-to-maturity financial assets	(15)	-	-	(15)	Realized gains (losses) on held-to-maturity financial assets	
Gains (losses) on foreign exchange	(421,660)	-	-	(421,660)	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	595	-	-	595	Share of profit of associates and joint ventures accounted for using equity method	
Net other non-interest gains	72,692	-	(26,515)	46,177	Net other non-interest gains	N
Total income	7,168,378			7,138,802	Total income	
Bad debt expenses	(20,282)	-	11,166	(9,116)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(6,138,876)	(2,987)	16,619	(6,125,244)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Employee benefits expenses	(519,590)	(945)	5,454	(515,081)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(63,867)	(51,046)	43,663	(71,250)	Depreciation and amortizations expenses	D · E · N
Other general and administration expenses	(220,934)	46	(1,556)	(222,444)	Other general and administration expenses	C(2) · K · N
Profit before income tax from continuing operations	204,829			195,667	Profit before income tax from continuing operations	
Income tax (expense) benefits	(26,194)	10,981	-	(15,213)	Income tax (expense) benefits	C(1) · D · E · F · H · I · L
Net income	178,635			180,454	Net income	
					Other comprehensive income	
			(16,131)	(16,131)	Exchange differences resulting from translating the financial statements of a foreign operation	N
			157,458	157,458	Unrealized (losses) gains from available-for-sale financial assets	N
			(13,966)	(13,966)	Losses on cash flow hedges	N
			(1,047)	(1,047)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			5,261	5,261	Income tax relating to components of other comprehensive income	N
				131,575	Other comprehensive income, net of tax	
				312,029	Total comprehensive income	

The instruction of significant adjustments for the statements of cash flows for the

English Translation of Financial Statements Originally Issued in Chinese

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

six-month periods ended June 30, 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 six-month periods ended June 30, 2012 are separately disclosed in the statement of cash flow in the amount of NT\$58,348,208 (US\$1,957,994) thousands and NT\$1,432,537 (US\$48,072) thousands, respectively. Interest received and dividends received are classified as cash flow from operating activities.

Except for the difference mentioned above and the reclassifications made in accordance with IAS 7 *Statement of Cash Flows*, which reclassified cash and cash equivalents to bond investments with no active market, negotiable certificates of deposit to other financial assets, and made other reclassification in the amount of NT\$319,109,306 (US\$10,708,366) thousands, NT\$8,012,200 (US\$268,866) thousands, and NT\$9,693,734 (US\$325,293) thousands, respectively, by the nature, there is no significant difference between statements of cash flows under R.O.C GAAP and under 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 June 30, 2012, financial assets at fair value through profit or loss were increased by NT\$40 (US\$1) thousands, available-for-sale financial assets were increased by NT\$1,906,405 (US\$63,973) thousands, receivables were increased by NT\$354,623 (US\$11,900) thousands, payables were increased by NT\$2,233,177 (US\$74,939) thousands, exchange differences resulting from translating the financial statements of a foreign operation were increased by NT\$3 (US\$0) thousands and unrealized gains from available-for-sale financial assets were increased by NT\$27,174 (US\$912) thousands. By adjusting financial assets at fair value through profit or loss and adjusting financial liabilities at fair value through profit or loss, the consolidated comprehensive income for the three-month periods ended June 30, 2012 and for the six-month periods ended June 30, 2012 was decreased by NT\$403 (US\$14) thousands and increased by NT\$717 (US\$24) thousands, respectively. By adjusting realized gains from available-for-sale financial assets, the consolidated comprehensive income for the three-month periods ended June 30, 2012 and for the six-month periods ended June 30, 2012 increased by NT\$2 (US\$0) thousands and increased by NT\$717 (US\$24) thousands, respectively.

B. According to IAS 39, the Group reclassified financial assets at cost to financial assets

English Translation of Financial Statements Originally Issued in Chinese

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

at fair value through profit or loss and available-for-sale financial assets and measured at fair value. As of June 30, 2012, available-for-sale financial assets were increased by NT\$16,558,152 (US\$555,643) thousands, financial assets at fair value through profit or loss were decreased by NT\$10,935 (US\$367) thousands, other financial assets were decreased by NT\$14,749,233 (US\$494,941) thousands and unrealized gains from available-for-sale financial assets were increased by NT\$1,116,825 (US\$37,477) thousands. By adjusting financial assets and liabilities at fair value through profit or loss, the consolidated comprehensive income for the three-month periods ended June 30, 2012 and for the six-month periods ended June 30, 2012 was decreased by NT\$80,865 (US\$2,714) thousands and increased by NT\$75 (US\$3) thousands, respectively.

C.

- (i) According to IAS 17, the Group recognized rental income by the straight-line method during contract term. As of June 30, 2012, other receivables and retained earnings were increased by NT\$310,753 (US\$10,428) thousands and NT\$301,236 (US\$10,109) thousands, respectively. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, rental income were decreased by NT\$103,403 (US\$3,470) thousands and NT\$52,182 (US\$1,751) thousands, respectively, and income tax benefit were decreased by NT\$163 (US\$5) thousands and NT\$8,871 (US\$298) thousands, respectively.
- (ii) According to IAS 17, the Group recognized rental expense by the straight-line method during contract term. As of June 30, 2012, accrued expenses were increased by NT\$2,534 (US\$85) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, other general and administration expenses were increased by NT\$2,534 (US\$85) thousands and NT\$2,534 (US\$85) thousands, respectively.

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\$1,407,804 (US\$47,242) thousands and retained earnings amounted to NT\$66,157,740 (US\$2,220,058) thousands. In addition, the Group reclassified investment properties amounted to NT\$13,150,978 (US\$441,308) thousands into property and equipment. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, depreciation expenses were increased by NT\$562,501 (US\$18,876) thousands and NT\$650,456 (US\$21,827) thousands, respectively, and income tax benefits were increased by NT\$95,626 (US\$3,209) thousands and NT\$110,578 (US\$3,711) thousands, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

Due to lack of clear definition in R.O.C GAAP, the Group's real estate holding for rental or investment purposes was recognized under property and equipment and idol assets in other assets previously. After adopting IFRS, according to IAS 40 *Investment Property*, the real estate meeting the definition should be recorded as investment property. As of June 30, 2012, assets amounted to NT\$1,643,215 (US\$55,141) thousands and NT\$1,705,513 (US\$57,232) thousands were reclassified from other assets, respectively.

- 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 real estate and equipment as of June 30, 2012, the Group retrospectively recognized accumulated depreciation by NT\$3,001,938 (US\$100,736) thousands, decreased retained earnings by NT\$1,767,459 (US\$59,311), and decreased increment of unrealized gains from revaluation of lands amounted by NT\$1,461 (US\$49) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, depreciation expenses were increased by NT\$838,759 (US\$28,146) thousands and NT\$870,709 (US\$29,218) thousands, respectively, and income tax benefits were increased by NT\$142,589 (US\$4,785) thousands and NT\$148,021 (US\$4,967) thousands, respectively.
- 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 December 31, 2012 should be reclassified to special reserves under retained earnings by the after-tax amounts on January 1, 2013 after adopting IFRS 12. To maintain the consistency and continuity of comparative financial statements, the Group should make retrospective adjustments back to January 1, 2012.

As of June 30, 2012, the Group decreased special reserves for catastrophic events and potential hazards recorded as insurance liabilities by NT\$4,422,389 (US\$148,402) thousands, reclassified to special reserves under retained earnings NT\$3,744,467 (US\$125,653) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, special reserves were increased by NT\$66,376 (US\$2,227) thousands and NT\$89,017 (US\$2,987) thousands, respectively, and income tax benefits were increased by NT\$11,284 (US\$379) thousands and NT\$15,133 (US\$508) thousands, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

G. According to 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\$1,859,618) thousands and retained earnings were decreased by NT\$55,416,619 (US\$1,859,618) thousands.

H. According to IAS 37, the Group assessed the liabilities provisions resulting from administrative remedy. As of June 30, 2012, liabilities provisions were increased by NT\$1,171,399 (US\$39,309) thousands, retained earnings were decreased by NT\$1,231,881 (US\$41,338) thousands, and tax receivables were increased by NT\$200,709 (US\$6,735) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, income tax benefits were increased by NT\$0 (US\$0) thousands and NT\$261,192 (US\$8,765) 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 June 30, 2012, liabilities provisions were increased by NT\$2,114,559 (US\$70,958) thousands, deferred pension costs were decreased by NT\$51,483 (US\$1,728) thousands, net losses not yet recognized as net pension cost were increased by NT\$1,425,167 (US\$47,824) thousands and beginning retained earnings were decreased by NT\$3,279,444 (US\$110,048) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, employee benefits expenses were decreased by NT\$32,194 (US\$1,080) thousands and NT\$65,513 (US\$2,198) thousands, respectively, and income tax benefits were decreased by NT\$3,961 (US\$133) thousands and NT\$3,961 (US\$133) thousands, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

- J. The Group recognized preferential interest retirement deposit according to IAS19. As of June 30, 2012, liabilities provisions were increased by NT\$571,222 (US\$19,169) thousands and beginning retained earnings were decreased by NT\$615,115 (US\$20,641) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, interest expenses were decreased by NT\$16,648 (US\$559) thousands and NT\$43,892 (US\$1,473) thousands, respectively. As for the preferential deposits for current employees, the interest expenses were reclassified to employee benefits expenses by NT\$45,818 (US\$1,538) thousands and NT\$93,664 (US\$3,143) thousands. As of June 30, 2012, retained earnings were decreased by NT\$571,222 (US\$19,169) thousands.
- K. The Group adopted IFRIC 13 *Customer Loyalty Programs* retrospectively and adjusted the revenue recognition method of credit card reward points of credit cards. As of June 30, 2012, payables were decreased by NT\$516,182 (US\$17,322) thousands, other liabilities were increased by NT\$1,128,520 (US\$37,870) thousands, and retained earnings were decreased by NT\$593,100 (US\$19,903) thousands. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, commission and handling fees income were decreased by NT\$19,800 (US\$664) thousands and NT\$23,149 (US\$777) thousands, respectively; and other general and administrative expenses were decreased by NT\$6,680 (US\$224) thousands and NT\$3,911 (US\$131) thousands, respectively.
- L. According to IFRS 12, the Group identified income tax effects resulted from the aforementioned adjustments. As of June 30, 2012, deferred tax assets were increased by NT\$1,608,923 (US\$53,991) thousands, deferred tax liabilities were increased by NT\$8,845,675 (US\$296,835) thousands, beginning retained earnings were increased by NT\$449,481 (US\$15,083) thousands, and reserve for land value increment tax under other liabilities were reclassified to deferred tax liabilities by NT\$37,986 (US\$1,275) thousands. In addition, by assessing the income tax effects of the items recognized directly to other comprehensive income or to equity, deferred tax liabilities were increased by NT\$3,808,471 (US\$127,801) thousands and available-for-sale financial assets were decreased by NT\$3,814,291 (US\$127,996) thousands. As the unused tax losses might not be realized, retained earnings were decreased by NT\$4,238,597 (US\$142,235) thousands and deferred tax assets were decreased by NT\$4,224,569 (US\$141,764) thousands. Furthermore, deferred tax assets and deferred tax liabilities were presented in gross amount and both increased by NT\$4,786,541 (US\$160,622) thousands.

English Translation of Financial Statements Originally Issued in Chinese

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

Moreover, According to IFRS 12, the Group identified income tax effects resulted from aforementioned adjustments. For the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012, income tax benefits were increased by NT\$245,375 (US\$8,234) thousands and NT\$522,092 (US\$17,520) thousands, respectively. In addition, as the unused tax losses might not be realized, income tax benefits were increased by NT\$0 (US\$0) thousands and NT\$14,028 (US\$471) thousands, respectively. Others were decreased by NT\$200,845 (US\$6,740) thousands and NT\$208,900 (US\$7,010) thousands, respectively. As a result, income tax benefits were totally increased by NT\$44,530 (US\$1,494) thousands and NT\$327,220 (US\$10,981) thousands, respectively.

M. The following adjustments and description already included related income tax effect. As of June 30, 2012, the Group's retained earnings were increased due to aforementioned adjustments by NT\$3,599,251 (US\$120,780) thousands, decreased as the unused tax losses might not be realized by NT\$4,238,597 (US\$142,235) thousands, increased due to other adjustments by NT\$359,346 (US\$12,060) thousands, and increased due to net income adjustment by NT\$54,216 (US\$1,819) thousands, and were totally decreased by NT\$225,784 (US\$7,576) thousands.

N. The instruction related to the presentation differences of consolidated balance sheets and consolidated statements of comprehensive income

The Group compiled consolidated balance sheets as of June 30, 2012, and consolidated statements of comprehensive income for the three-month periods ended June 30, 2012 and six-month periods ended June 30, 2012 according to Regulations Governing the Preparation of Financial Reports by Financial Holding Companies before amendments. After 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 Company. The other adjustments related to the transition to IFRS are mentioned above.

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.

Audited Balance Sheets

As at 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012

(Expressed in thousands of dollars)

	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$1,766,820	\$58,973	\$3,714,719	\$127,873	\$2,400,790	\$80,563	\$2,721,910	\$89,921
Financial asset at fair value through profit or loss	55,313	1,846	-	-	-	-	-	-
Available-for-sale financial assets -net	563,981	18,825	529,796	18,237	547,228	18,363	539,279	17,816
Securities purchased under agreements to resell	6,711,615	224,019	3,426,879	117,965	5,740,264	192,626	1,399,616	46,238
Receivables -net	3,152,101	105,210	2,858,180	98,388	2,473,009	82,987	1,750,250	57,821
Current income tax assets	4,252,512	141,940	3,596,184	123,793	3,456,782	116,000	3,456,783	114,198
Held-to-maturity financial assets -net	31,000,000	1,034,713	31,000,000	1,067,126	31,000,000	1,040,269	31,000,000	1,024,116
Investments accounted for using the equity method -net	254,220,912	8,485,344	252,988,167	8,708,715	226,923,614	7,614,886	225,287,086	7,442,586
Property and equipment -net	5,257	175	4,739	163	4,122	138	3,645	120
Intangible assets -net	-	-	-	-	31	1	62	2
Deferred tax assets -net	1,370,522	45,745	967,668	33,310	1,360,423	45,652	1,947,099	64,325
Other assets -net	162,898	5,437	161,978	5,576	163,501	5,487	163,329	5,396
Total assets	\$303,261,931	\$10,122,227	\$299,248,310	\$10,301,146	\$274,069,764	\$9,196,972	\$268,269,059	\$8,862,539
Liabilities & equity								
Liabilities								
Financial liabilities at fair value through profit or loss	\$1,243,628	\$41,509	\$549,745	\$18,924	\$-	\$-	\$-	\$-
Commercial paper payable -net	990,000	33,044	-	-	1,720,000	57,718	6,430,000	212,422
Payables	15,247,173	508,918	5,940,873	204,505	12,270,189	411,751	4,074,477	134,605
Current income tax liabilities	87,545	2,922	-	-	215,399	7,228	2,029,249	67,038
Bonds payable	47,591,016	1,588,485	47,312,376	1,628,653	40,000,000	1,342,282	40,000,000	1,321,440
Provisions	656,113	21,900	864,469	29,758	862,373	28,939	860,388	28,424
Deferred tax liabilities	-	-	35,202	1,212	5,447	183	488	16
Other liabilities	2,329	78	3,422	118	1,739	58	2,674	88
Total liabilities	65,817,804	2,196,856	54,706,087	1,883,170	55,075,147	1,848,159	53,397,276	1,764,033
Equity								
Capital stock								
Common stock	108,653,851	3,626,631	108,653,851	3,740,236	103,575,096	3,475,675	103,575,096	3,421,708
Stock dividends to be distributed	7,465,770	249,191	-	-	5,078,755	170,428	-	-
Capital surplus	78,508,148	2,620,432	78,508,148	2,702,518	78,508,148	2,634,502	78,508,148	2,593,596
Retained earnings								
Legal reserve	16,922,773	564,846	15,222,599	524,014	15,222,599	510,825	14,105,459	465,988
Special reserve	4,078,065	136,117	4,078,065	140,381	4,078,065	136,848	4,078,065	134,723
Undistributed earnings	17,611,567	587,836	19,435,514	669,036	8,006,684	268,681	14,023,983	463,296
Other equity	11,383,825	379,967	25,823,918	888,947	11,705,142	392,789	7,760,904	256,389
Treasury stock	(7,179,872)	(239,649)	(7,179,872)	(247,156)	(7,179,872)	(240,935)	(7,179,872)	(237,194)
Total equity	237,444,127	7,925,371	244,542,223	8,417,976	218,994,617	7,348,813	214,871,783	7,098,506
Total liabilities and equity	\$303,261,931	\$10,122,227	\$299,248,310	\$10,301,146	\$274,069,764	\$9,196,972	\$268,269,059	\$8,862,539

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Comprehensive Income

For the three-month periods ended 30 June 2013 and 2012, and six-month periods ended 30 June 2013 and 2012

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

	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Income								
Gains on investment-equity method	\$8,062,307	\$269,103	\$3,295,020	\$110,571	\$16,035,299	\$535,224	\$5,809,479	\$194,949
Other operating income	244,332	8,155	239,702	8,044	523,399	17,470	480,620	16,128
	<u>8,306,639</u>	<u>277,258</u>	<u>3,534,722</u>	<u>118,615</u>	<u>16,558,698</u>	<u>552,694</u>	<u>6,290,099</u>	<u>211,077</u>
Expenses and loss								
Operating expenses	(149,200)	(4,980)	(90,626)	(3,041)	(272,369)	(9,091)	(161,101)	(5,406)
Other expenses and losses	(169,868)	(5,670)	(318,052)	(10,673)	(1,491,523)	(49,784)	(630,479)	(21,157)
	<u>(319,068)</u>	<u>(10,650)</u>	<u>(408,678)</u>	<u>(13,714)</u>	<u>(1,763,892)</u>	<u>(58,875)</u>	<u>(791,580)</u>	<u>(26,563)</u>
Profit before income tax from continuing operations	<u>7,987,571</u>	<u>266,608</u>	<u>3,126,044</u>	<u>104,901</u>	<u>14,794,806</u>	<u>493,819</u>	<u>5,498,519</u>	<u>184,514</u>
Income tax benefit (expense)	<u>(108,973)</u>	<u>(3,637)</u>	<u>(164,694)</u>	<u>(5,527)</u>	<u>12,961</u>	<u>432</u>	<u>(241,168)</u>	<u>(8,093)</u>
Net Income	<u>\$7,878,598</u>	<u>\$262,971</u>	<u>\$2,961,350</u>	<u>\$99,374</u>	<u>\$14,807,767</u>	<u>\$494,251</u>	<u>\$5,257,351</u>	<u>\$176,421</u>
Other comprehensive income								
Unrealized gains from available-for-sale financial assets	\$18,775	627	\$2,989	\$100	\$55,621	\$1,856	\$2,989	\$100
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(14,457,205)	(482,550)	(16,576,604)	(556,262)	(14,486,028)	(483,512)	3,941,249	132,257
Income tax relating to the components of other comprehensive income	(3,377)	(113)	-	-	(9,686)	(323)	-	-
Other comprehensive income, net of tax	<u>(14,441,807)</u>	<u>(482,036)</u>	<u>(16,573,615)</u>	<u>(556,162)</u>	<u>(14,440,093)</u>	<u>(481,979)</u>	<u>3,944,238</u>	<u>132,357</u>
Total comprehensive income	<u>\$(6,563,209)</u>	<u>\$(219,065)</u>	<u>\$(13,612,265)</u>	<u>\$(456,788)</u>	<u>\$367,674</u>	<u>\$12,272</u>	<u>\$9,201,589</u>	<u>\$308,778</u>
Earnings per share (expressed in dollars)								
Basic earnings per share:								
Net income	<u>\$0.74</u>	<u>\$0.02</u>	<u>\$0.28</u>	<u>\$0.01</u>	<u>\$1.39</u>	<u>\$0.05</u>	<u>\$0.49</u>	<u>\$0.02</u>
Diluted earning per share:								
Net income	<u>\$0.71</u>	<u>\$0.02</u>	<u>\$0.28</u>	<u>\$0.01</u>	<u>\$1.39</u>	<u>\$0.05</u>	<u>\$0.49</u>	<u>\$0.02</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Changes in Equity

For the six-month periods ended 30 June 2013 and 2012

(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																									
	Capital stock						Retained earnings						Other equity													
	Common stock		Stock dividends to be distributed		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 equity			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$		
Balance on 1 January 2012	\$103,575,096	\$3,475,675	\$-	\$-	\$78,508,148	\$2,634,502	\$14,105,459	\$473,337	\$4,078,065	\$136,848	\$14,023,983	\$470,604	\$(378,126)	\$(12,689)	\$(378,126)	\$(12,689)	\$1,686,208	\$56,584	\$(1,185)	\$(40)	\$(7,179,872)	\$(240,935)	\$208,039,650	\$6,981,197		
Appropriations and distribution for 2011																										
Legal reserve							1,117,140	37,488					(1,117,140)	(37,488)										-	-	
Cash dividends															(5,078,755)	(170,428)									(5,078,755)	(170,428)
Stock dividend			5,078,755	170,428											(5,078,755)	(170,428)									-	-
Net income for the six months ended 30 June 2012											5,257,351	176,421													5,257,351	176,421
Other comprehensive income for the six months ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	-	-	(353,775)	(11,872)	4,644,530	155,857	(346,517)	(11,628)	-	-	-	-	-	-	3,944,238	132,357
Comprehensive income for the six months ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	5,257,351	176,421	(353,775)	(11,872)	4,644,530	155,857	(346,517)	(11,628)	-	-	-	-	-	-	9,201,589	308,778
Balance on 30 June 2012	\$103,575,096	\$3,475,675	\$5,078,755	\$170,428	\$78,508,148	\$2,634,502	\$15,222,599	\$510,825	\$4,078,065	\$136,848	\$8,006,684	\$268,681	\$(731,901)	\$(24,561)	\$4,266,404	\$143,168	\$1,339,691	\$44,956	\$(1,185)	\$(40)	\$(7,179,872)	\$(240,935)	\$212,162,484	\$7,119,547		
Balance on 1 January 2013	\$108,653,851	\$3,626,631	\$-	\$-	\$78,508,148	\$2,620,432	\$15,222,599	\$508,098	\$4,078,065	\$136,117	\$19,435,514	\$648,715	\$(1,082,097)	\$(36,118)	\$25,930,564	\$865,506	\$976,681	\$32,599	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$244,542,223	\$8,162,290		
Appropriations and distribution for 2012																										
Legal reserve							1,700,174	56,748					(1,700,174)	(56,748)											-	-
Cash dividends															(7,465,770)	(249,191)									(7,465,770)	(249,191)
Stock dividend			7,465,770	249,191											(7,465,770)	(249,191)									-	-
Net income for the six months ended 30 June 2013											14,807,767	494,251													14,807,767	494,251
Other comprehensive income for the six months ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	-	-	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	-	-	(14,440,093)	(481,979)
Comprehensive income for the six months ended 30 June 2013	-	-	-	-	-	-	-	-	-	-	14,807,767	494,251	536,898	17,920	(14,650,326)	(488,996)	(326,665)	(10,903)	-	-	-	-	-	-	367,674	12,272
Balance on 30 June 2013	\$108,653,851	\$3,626,631	\$7,465,770	\$249,191	\$78,508,148	\$2,620,432	\$16,922,773	\$564,846	\$4,078,065	\$136,117	\$17,611,567	\$587,836	\$(545,199)	\$(18,198)	\$11,280,238	\$376,510	\$650,016	\$21,696	\$(1,230)	\$(41)	\$(7,179,872)	\$(239,649)	\$237,444,127	\$7,925,371		

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Audited Statements of Cash Flows

For the six-month periods ended 30 June 2013 and 2012

(Expressed in thousands of dollars)

Items	2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Profit before income tax from continuing operations	\$14,794,806	\$493,819	\$5,498,519	\$184,514
Adjustments :				
Income and other adjustments with no cash flow effects				
Amortizations	-	-	31	1
Depreciation	631	21	530	18
Interest expense	608,104	20,297	608,964	20,435
Interest income	(501,605)	(16,742)	(478,614)	(16,061)
Loss on disposal of property and equipment	133	4	-	-
Share of loss of associates and joint ventures accounted for using the equity method	(16,035,299)	(535,224)	(5,809,479)	(194,949)
Unrealized foreign exchange loss on bonds payable	247,346	8,257	-	-
Effects of exchange rate changes	(3,771)	(126)	500	17
Changes in operating assets and liabilities				
Increase in financial assets at fair value through profit or loss	(55,313)	(1,846)	-	-
Decrease (increase) in accounts receivable	146,511	4,890	(263,223)	(8,833)
Decrease in available-for-sale financial assets	21,436	715	(4,960)	(166)
Decrease in other assets	(410)	(14)	266	9
Increase in payables	1,269,108	42,360	2,532,351	84,978
Increase in financial liabilities at fair value through profit or loss	693,884	23,160	-	-
(Decrease) increase in provision	(208,356)	(6,954)	1,986	67
(Decrease) increase in other liabilities	55	2	41	1
Cash generated from operations				
Interest received	61,174	2,042	19,078	640
Interest paid	(6,536)	(218)	(25,334)	(850)
Income taxes received	(1,003,565)	(33,497)	(1,463,384)	(49,107)
Net cash used in operating activities	28,333	946	617,272	20,714
Cash flows from investing activities				
Acquisition of long-term investments	(89,010)	(2,971)	(59,120)	(1,984)
Acquisition of property and equipment	(1,282)	(43)	(1,007)	(34)
Increase in other assets	(510)	(17)	(438)	(15)
Dividends received	405,535	13,536	8,173,321	274,273
Net cash used in investing activities	314,733	10,505	8,112,756	272,240
Cash flows from financing activities				
(Decrease) Increase in short-term notes and bills payable	990,000	33,044	(4,710,000)	(158,054)
Net cash flows from financing activities	990,000	33,044	(4,710,000)	(158,054)
Effects of exchange rate changes on cash and cash equivalents	3,771	126	(500)	(17)
Decrease in cash and cash equivalents	1,336,837	44,621	4,019,528	134,883
Cash and cash equivalents at the beginning of periods	7,141,598	238,371	4,121,526	138,306
Cash and cash equivalents at the end of periods	\$8,478,435	\$282,992	\$8,141,054	\$273,189
The components of cash and cas equivalents				
Cash and cash equivalents presented in balance sheet	\$1,766,820	\$58,973	\$2,400,790	\$80,563
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	6,711,615	224,019	5,740,264	192,626
Cash and cash equivalents at the end of periods	\$8,478,435	\$282,992	\$8,141,054	\$273,189

English Translation of Financial Statements Originally Issued in Chinese

36.The major subsidiaries' condensed balance sheets and statements of income

Cathay Life Insurance Co., Ltd.

Condensed Balance Sheets

As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012

(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$294,667,214	\$9,835,354	\$362,775,487	\$12,487,969	\$365,108,170	\$12,251,952	\$372,053,961	\$12,291,178
Receivables	53,495,958	1,785,579	60,572,878	2,085,125	54,468,578	1,827,805	46,041,968	1,521,043
Financial asset at fair value through profit or loss	106,674,745	3,560,572	72,429,213	2,493,260	54,974,678	1,844,788	59,720,607	1,972,931
Available-for-sale financial assets	1,255,622,501	41,909,963	1,221,734,264	42,056,257	1,238,187,499	41,549,916	1,285,475,290	42,466,974
Derivative financial assets for hedging	763,686	25,490	1,142,094	39,315	1,561,602	52,403	1,957,846	64,679
Investments accounted for using the equity method	8,662,633	289,140	7,144,025	245,922	3,932,188	131,953	4,016,883	132,702
Investment in debt securities with no active market	869,124,887	29,009,509	814,453,830	28,036,276	716,123,559	24,030,992	511,804,264	16,907,970
Investment property	212,828,365	7,103,751	210,394,296	7,242,489	211,283,013	7,090,034	207,424,862	6,852,490
Other financial assets	33,400,000	1,114,820	23,500,000	808,950	24,500,000	822,148	13,300,000	439,379
Loans	580,529,129	19,376,807	516,462,223	17,778,390	498,329,486	16,722,466	489,777,747	16,180,302
Reinsurance contract assets	4,676,801	156,102	9,162,513	315,405	9,001,334	302,058	9,165,603	302,795
Property and equipment	44,585,578	1,488,170	44,800,678	1,542,192	24,926,829	836,471	23,321,301	770,443
Intangible assets	135,031	4,507	147,816	5,088	239,520	8,037	267,387	8,833
Deferred tax assets	13,131,390	438,297	16,106,670	554,447	12,911,940	433,286	11,989,836	396,096
Other assets	15,763,141	526,140	15,417,746	530,731	18,747,599	629,114	16,816,920	555,564
Separate account product assets	351,546,769	11,733,871	329,200,798	11,332,213	294,401,542	9,879,246	293,555,522	9,697,903
Total assets	\$3,845,607,828	\$128,358,072	\$3,705,444,531	\$127,554,029	\$3,528,697,537	\$118,412,669	\$3,346,689,997	\$110,561,282
Liabilities								
Payables	\$17,044,691	\$568,915	\$37,262,033	\$1,282,686	\$29,964,743	\$1,005,528	\$22,003,803	\$726,918
Financial liability at fair value through profit or loss	20,569,762	686,574	2,079,457	71,582	9,017,899	302,614	17,468,901	577,103
Preferred stock liability	30,000,000	1,001,335	30,000,000	1,032,702	30,000,000	1,006,712	30,000,000	991,080
Reserve for insurance contract with feature of financial instruments	54,356,733	1,814,310	56,461,371	1,943,593	58,860,165	1,975,173	60,624,750	2,002,800
Foreign exchange volatility reserve	7,995,402	266,869	4,270,856	147,017	5,066,425	170,014	-	-
Insurance liability	3,210,758,337	107,168,169	3,078,719,365	105,980,013	2,959,886,897	99,325,064	2,784,180,591	91,978,216
Liability reserve	3,886,105	129,710	3,812,483	131,239	3,740,588	125,523	3,645,727	120,440
Deferred tax liability	11,481,990	383,244	15,390,603	529,797	13,155,476	441,459	12,913,791	426,620
Other liability	7,721,566	257,729	11,301,227	389,027	6,151,022	206,410	6,127,871	202,440
Separate account product liabilities	351,546,769	11,733,871	329,200,798	11,332,213	294,401,542	9,879,247	293,555,522	9,697,903
Total liabilities	\$3,715,361,355	\$124,010,726	\$3,568,498,193	\$122,839,869	\$3,410,244,757	\$114,437,744	\$3,230,520,956	\$106,723,520
Stockholders' equity								
Capital stock	53,065,274	1,771,204	53,065,274	1,826,688	53,065,274	1,780,714	53,065,274	1,753,065
Capital surplus	13,009,649	434,234	13,009,649	447,836	13,009,649	436,565	13,009,649	429,787
Retained earnings	54,049,469	1,804,055	46,401,655	1,597,303	41,699,656	1,399,317	43,227,987	1,428,080
Others	10,122,081	337,853	24,469,760	842,333	10,678,201	358,329	6,866,131	226,830
Total stockholders' equity	\$130,246,473	\$4,347,346	\$136,946,338	\$4,714,160	\$118,452,780	\$3,974,925	\$116,169,041	\$3,837,762
Total liabilities and stockholders' equity	\$3,845,607,828	\$128,358,072	\$3,705,444,531	\$127,554,029	\$3,528,697,537	\$118,412,669	\$3,346,689,997	\$110,561,282

Cathay Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income

For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012

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

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$136,945,990	\$4,570,961	\$147,999,124	\$4,966,414	\$298,779,078	\$9,972,599	\$334,975,248	\$11,240,780
Operating costs	(129,462,478)	(4,321,177)	(144,021,253)	(4,832,928)	(283,505,883)	(9,462,813)	(330,058,455)	(11,075,787)
Operating expenses	(3,788,376)	(126,448)	(4,273,891)	(143,419)	(7,513,846)	(250,796)	(7,820,082)	(262,419)
Operating profit (loss)	3,695,136	123,336	(296,020)	(9,933)	7,759,349	258,990	(2,903,289)	(97,426)
Non-operating income and expenses	346,200	11,555	255,040	8,558	504,881	16,852	479,677	16,097
Profit (loss) from continuing operations before income tax	4,041,336	134,891	(40,980)	(1,375)	8,264,230	275,842	(2,423,612)	(81,329)
Income tax (expense) benefit	(391,040)	(13,052)	9,914	333	(616,416)	(20,575)	895,281	30,043
Net income (loss)	3,650,296	121,839	(31,066)	(1,042)	7,647,814	255,267	(1,528,331)	(51,286)
Other comprehensive (loss) income	(14,118,104)	(471,232)	(17,258,747)	(579,153)	(14,347,679)	(478,894)	3,812,070	127,922
Total comprehensive income	\$(10,467,808)	\$(349,393)	\$(17,289,813)	\$(580,195)	\$(6,699,865)	\$(223,627)	\$2,283,739	\$76,636
Primary earnings per share	\$0.69	\$0.02	\$(0.01)	\$-	\$1.44	\$0.05	\$(0.29)	\$(0.01)

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$5,323,328	\$177,681	\$5,025,506	\$172,995	\$5,611,708	\$188,312	\$6,159,377	\$203,481
Receivables	3,572,577	119,245	3,160,638	108,800	3,318,668	111,365	2,794,727	92,327
Financial asset at fair value through profit or loss	180,185	6,014	385,460	13,269	-	-	454,960	15,030
Available-for-sale financial assets	7,953,139	265,459	7,750,552	266,800	6,672,755	223,918	5,281,500	174,480
Derivative financial assets for hedging	11,546	385	17,134	590	22,172	744	28,521	942
Investment in debt securities with no active market	1,606,388	53,618	1,172,459	40,360	1,180,259	39,606	1,120,809	37,027
Hold-to-maturity financial assets	2,175,814	72,624	2,512,011	86,472	2,337,828	78,451	2,408,714	79,574
Investments accounted for using the equity method	498,358	16,634	679,562	23,393	939,098	31,513	1,055,058	34,855
Loans	486,196	16,228	522,080	17,972	519,265	17,425	551,965	18,235
Reinsurance contract assets	4,786,568	159,765	5,118,300	176,189	5,024,822	168,618	4,926,962	162,767
Property and equipment	87,625	2,925	101,738	3,502	115,625	3,880	136,795	4,519
Intangible assets	14,341	479	21,323	734	23,300	782	25,292	835
Deferred tax assets	98,443	3,286	80,750	2,780	67,723	2,272	105,494	3,485
Other assets	1,183,266	39,495	780,458	26,866	887,608	29,786	574,030	18,964
Total assets	\$27,977,774	\$933,838	\$27,327,971	\$940,722	\$26,720,831	\$896,672	\$25,624,204	\$846,521
Liabilities								
Payables	\$2,263,605	\$75,554	\$2,098,220	\$72,228	\$2,097,703	\$70,393	\$1,946,257	\$64,297
Financial liability at fair value through profit or loss	108,987	3,638	-	-	43,217	1,450	45,000	1,487
Preferred stock liability	1,000,000	33,378	1,000,000	34,423	1,000,000	33,557	1,000,000	33,036
Insurance liability	19,265,081	643,027	19,080,300	656,809	19,017,734	638,179	18,445,489	609,365
Liability reserve	248,378	8,290	247,950	8,535	256,153	8,596	259,488	8,572
Deferred tax liability	24,223	809	17,949	618	303	10	20,118	665
Other liability	267,692	8,935	366,509	12,617	285,643	9,585	198,454	6,556
Total liabilities	23,177,966	773,631	22,810,928	785,230	22,700,753	761,770	21,914,806	723,978
Stockholders' equity								
Capital stock	2,721,879	90,850	2,522,950	86,849	2,522,950	84,663	2,317,006	76,545
Capital surplus	1,929	64	1,929	66	1,929	65	1,929	64
Retained earnings	2,144,921	71,593	1,956,035	67,333	1,632,776	54,791	1,466,759	48,456
Others	(68,921)	(2,300)	36,129	1,244	(137,577)	(4,617)	(76,296)	(2,522)
Total stockholders' equity	4,799,808	160,207	4,517,043	155,492	4,020,078	134,902	3,709,398	122,543
Total liabilities and stockholders' equity	\$27,977,774	\$933,838	\$27,327,971	\$940,722	\$26,720,831	\$896,672	\$25,624,204	\$846,521

Cathay Century Insurance Co., Ltd.
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$3,264,692	\$108,969	\$2,760,528	\$92,635	\$6,257,973	\$208,877	\$5,480,082	\$183,895
Operating costs	(1,968,163)	(65,693)	(1,727,802)	(57,980)	(3,718,913)	(124,129)	(3,290,401)	(110,416)
Operating expenses	(1,048,170)	(34,986)	(898,510)	(30,151)	(2,040,333)	(68,102)	(1,737,664)	(58,311)
Operating profit	248,359	8,290	134,216	4,504	498,727	16,646	452,017	15,168
Non-operating income and expenses	(1,898)	(64)	(4,776)	(160)	(6,216)	(207)	(4,874)	(163)
Profit from continuing operations before income tax	246,461	8,226	129,440	4,344	492,511	16,439	447,143	15,005
Income tax expense	(61,160)	(2,041)	(30,029)	(1,008)	(104,696)	(3,495)	(75,182)	(2,523)
Net income	185,301	6,185	99,411	3,336	387,815	12,944	371,961	12,482
Other comprehensive income	(124,776)	(4,165)	(57,577)	(1,932)	(105,050)	(3,506)	(61,281)	(2,056)
Total comprehensive income	\$60,525	\$2,020	\$41,834	\$1,404	\$282,765	\$9,438	\$310,680	\$10,426
Primary earnings per share	\$0.68	\$0.02	\$0.37	\$0.01	\$1.42	\$0.05	\$1.37	\$0.05

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Company (China)
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$2,288,063	\$76,371	\$1,792,193	\$61,693	\$622,135	\$20,877	\$947,369	\$31,297
Receivables	532,181	17,763	399,447	13,750	405,808	13,618	404,156	13,352
Financial asset at fair value through profit or loss	28,917	965	370,475	12,753	487,514	16,360	272,778	9,011
Available-for-sale financial assets	4,090,601	136,535	4,652,993	160,172	4,839,444	162,397	5,606,267	185,209
Investment in debt securities with no active market	2,545,520	84,964	2,450,786	84,364	3,435,088	115,271	3,224,375	106,520
Loans	23,659	790	32,347	1,114	25,658	861	19,403	641
Reinsurance contract assets	63,395	2,116	7,683	265	7,735	260	8,525	282
Property and equipment	123,204	4,112	128,242	4,415	133,057	4,465	154,889	5,117
Intangible assets	89,977	3,003	94,237	3,244	102,598	3,443	113,833	3,761
Other assets	1,407,814	46,990	1,195,782	41,163	1,204,776	40,429	1,223,657	40,425
Separate account product assets	356,261	11,891	356,448	12,270	381,297	12,795	495,490	16,369
Total assets	\$11,549,592	\$385,500	\$11,480,633	\$395,203	\$11,645,110	\$390,776	\$12,470,742	\$411,984
Liabilities								
Short-term debt	\$277,269	\$9,254	\$297,268	\$10,233	\$341,620	\$11,464	\$201,158	\$6,645
Payables	542,805	18,118	714,954	24,611	401,746	13,481	491,420	16,235
Reserve for insurance contract								
with feature of financial instruments	4,485,850	149,728	4,889,501	168,314	5,411,969	181,610	6,259,961	206,804
Insurance liability	4,138,486	138,134	3,634,056	125,097	3,167,557	106,294	3,140,782	103,759
Other liability	24,779	827	19,354	666	62,045	2,082	79,143	2,615
Separate account product liabilities	356,261	11,891	356,448	12,270	381,297	12,795	495,490	16,369
Total liabilities	9,825,450	327,952	9,911,581	341,191	9,766,234	327,726	10,667,954	352,427
Stockholders' equity								
Capital stock	5,134,155	171,367	5,134,155	176,735	5,134,155	172,287	5,134,155	169,612
Retained earnings	(3,821,008)	(127,537)	(3,916,879)	(134,832)	(3,602,594)	(120,892)	(3,629,795)	(119,914)
Others	410,995	13,718	351,776	12,109	347,315	11,655	298,428	9,859
Total stockholders' equity	1,724,142	57,548	1,569,052	54,012	1,878,876	63,050	1,802,788	59,557
Total liabilities and stockholders' equity	\$11,549,592	\$385,500	\$11,480,633	\$395,203	\$11,645,110	\$390,776	\$12,470,742	\$411,984

Cathay Life Insurance Company (China)
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$735,056	\$24,535	\$677,723	\$22,742	\$1,525,768	\$50,927	\$1,451,929	\$48,723
Operating costs	(554,443)	(18,506)	(451,338)	(15,145)	(1,061,150)	(35,419)	(852,924)	(28,622)
Operating expenses	(218,488)	(7,293)	(280,455)	(9,411)	(367,126)	(12,254)	(531,187)	(17,825)
Operating profit	(37,875)	(1,264)	(54,070)	(1,814)	97,492	3,254	67,818	2,276
Non-operating income and expenses	(1,563)	(52)	(732)	(25)	(1,621)	(54)	(405)	(14)
Profit from continuing operations before income tax	(39,438)	(1,316)	(54,802)	(1,839)	95,871	3,200	67,413	2,262
Income tax expenses	-	-	78	3	-	-	(40,212)	(1,349)
Net income	(39,438)	(1,316)	(54,724)	(1,836)	95,871	3,200	27,201	913
Other comprehensive income	218	7	16,688	560	59,219	1,977	48,887	1,640
Total comprehensive income	\$(39,220)	\$(1,309)	\$(38,036)	\$(1,276)	\$155,090	\$5,177	\$76,088	\$2,553
Primary earnings per share	Note	Note	Note	Note	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 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)**

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$1,036,910	\$34,610	\$615,771	\$21,197	\$430,242	\$14,438	\$467,388	\$15,441
Receivables	142,738	4,764	79,948	2,752	136,255	4,572	76,916	2,541
Available-for-sale financial assets	2,049,198	68,398	932,943	32,115	1,062,954	35,670	947,621	31,305
Loans	11,612	387	9,305	320	7,301	245	4,590	152
Property and equipment	8,969	299	18,322	631	26,507	889	32,810	1,084
Intangible assets	172	6	5,742	198	9,932	333	13,413	443
Other assets	47,929	1,600	43,714	1,505	50,958	1,710	65,103	2,151
Total assets	\$3,297,528	\$110,064	\$1,705,745	\$58,718	\$1,724,149	\$57,857	\$1,607,841	\$53,117
Liabilities								
Payables	\$10,970	\$366	\$14,374	\$495	\$16,819	\$564	\$27,231	\$900
Insurance liability	334,370	11,161	305,830	10,528	266,555	8,945	238,075	7,865
Other liability	-	-	208	7	2,238	75	370	12
Total liabilities	345,340	11,527	320,412	11,030	285,612	9,584	265,676	8,777
Stockholders' equity								
Capital stock	3,424,930	114,317	1,940,080	66,784	1,940,080	65,103	1,940,080	64,093
Retained earnings	(38,396)	(1,282)	(81,405)	(2,802)	(83,679)	(2,808)	(75,371)	(2,490)
Others	(434,346)	(14,498)	(473,342)	(16,294)	(417,864)	(14,022)	(522,544)	(17,263)
Total stockholders' equity	2,952,188	98,537	1,385,333	47,688	1,438,537	48,273	1,342,165	44,340
Total liabilities and stockholders' equity	\$3,297,528	\$110,064	\$1,705,745	\$58,718	\$1,724,149	\$57,857	\$1,607,841	\$53,117

**Cathay Life Insurance Company (Vietnam)
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)**

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$97,846	\$3,266	\$91,514	\$3,071	\$165,876	\$5,537	\$172,089	\$5,775
Operating costs	(26,500)	(885)	(33,917)	(1,138)	(38,296)	(1,278)	(59,845)	(2,008)
Operating expenses	(41,295)	(1,378)	(57,686)	(1,936)	(84,056)	(2,806)	(120,741)	(4,052)
Operating profit (loss)	30,051	1,003	(89)	(3)	43,524	1,453	(8,497)	(285)
Non-operating income and expenses	(476)	(16)	(436)	(15)	(516)	(17)	189	6
Profit (loss) from continuing operations before income tax	29,575	987	(525)	(18)	43,008	1,436	(8,308)	(279)
Income tax (expense) benefit	-	-	-	-	-	-	-	-
Net income (loss)	29,575	987	(525)	(18)	43,008	1,436	(8,308)	(279)
Other comprehensive income	13,911	464	81,771	2,744	38,996	1,301	104,680	3,513
Total comprehensive income	\$43,486	\$1,451	\$81,246	\$2,726	\$82,004	\$2,737	\$96,372	\$3,234
Primary earnings per share	Note	Note	Note	Note	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 30 June 2013 and as of 31 December
(Expressed in thousands of dollars)**

Items	2013.6.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$400,009	\$13,351	\$411,418	\$14,162
Property and equipment	3,392,156	113,223	3,276,008	112,771
Total assets	\$3,792,165	\$126,574	\$3,687,426	\$126,933
Liabilities				
Current liability	\$3,445	\$115	\$5,377	\$185
Total liabilities	3,445	115	5,377	185
Stockholders' equity				
Capital stock	3,773,774	125,960	3,773,774	129,906
Retained earnings	(132,529)	(4,423)	(57,489)	(1,979)
Others	147,475	4,922	(34,236)	(1,179)
Total stockholders' equity	3,788,720	126,459	3,682,049	126,748
Total liabilities and stockholders' equity	\$3,792,165	\$126,574	\$3,687,426	\$126,933

**Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Statements of Comprehensive income
For the three-month periods ended 30 June 2013 and for the six-month periods ended 30 June 2013
(Expressed in thousands of dollars, except earnings per share)**

Items	2013.4.1~2013.6.30		2013.1.1~2013.6.30	
	NT\$	US\$	NT\$	US\$
Non-operating profit and loss	\$(41,193)	\$(1,375)	\$(67,853)	\$(2,265)
Operating expenses	(6,440)	(215)	(7,187)	(240)
Loss from continuing operations before income tax	(47,633)	(1,590)	(75,040)	(2,505)
Income tax (expense) benefit	-	-	-	-
Net loss	(47,633)	(1,590)	(75,040)	(2,505)
Other comprehensive income	288,480	9,629	181,711	6,065
Total comprehensive income	\$240,847	\$8,039	\$106,671	\$3,560
Primary earnings per share	<u>Note 1</u>	<u>Note 1</u>	<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 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Assets								
Cash and cash equivalents	\$1,387,789	\$46,321	\$405,943	\$13,974	\$362,269	\$12,157	\$430,906	\$14,236
Receivables	197,021	6,576	141,039	4,855	107,054	3,592	122,736	4,055
Financial asset at fair value through profit or loss	42,268	1,411	51,813	1,784	123,139	4,132	164,496	5,434
Available-for-sale financial assets	765,141	25,539	653,940	22,511	765,555	25,690	616,117	20,354
Investment in debt securities with no active market	73,612	2,457	70,112	2,413	70,584	2,369	72,187	2,385
Reinsurance contract assets	408,869	13,647	308,462	10,618	288,012	9,665	223,672	7,389
Property and equipment	57,777	1,929	44,380	1,528	32,148	1,079	38,511	1,272
Intangible assets	2,534	85	6,998	241	1,406	47	393	13
Other assets	438,353	14,631	403,365	13,885	411,869	13,821	415,795	13,736
Total assets	\$3,373,364	\$112,596	\$2,086,052	\$71,809	\$2,162,036	\$72,552	\$2,084,813	\$68,874
Liabilities								
Payables	\$1,152,244	\$38,460	\$119,446	\$4,112	\$146,934	\$4,931	\$153,395	\$5,068
Insurance liability	1,840,005	61,415	1,292,161	44,480	883,446	29,646	611,915	20,215
Other liability	106,895	3,568	73,865	2,543	74,615	2,504	61,363	2,027
Total liabilities	3,099,144	103,443	1,485,472	51,135	1,104,995	37,081	826,673	27,310
Stockholders' equity								
Capital stock	1,745,942	58,276	1,745,942	60,101	1,745,942	58,589	1,745,942	57,679
Retained earnings	(1,598,906)	(53,368)	(1,265,328)	(43,557)	(809,250)	(27,156)	(616,335)	(20,361)
Others	127,184	4,245	119,966	4,130	120,349	4,038	128,533	4,246
Total stockholders' equity	274,220	9,153	600,580	20,674	1,057,041	35,471	1,258,140	41,564
Total liabilities and stockholders' equity	\$3,373,364	\$112,596	\$2,086,052	\$71,809	\$2,162,036	\$72,552	\$2,084,813	\$68,874

Cathay Insurance Co., Ltd (China)
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Operating income	\$404,631	\$13,506	\$216,553	\$7,267	\$704,004	\$23,498	\$380,702	\$12,775
Operating costs	(403,915)	(13,482)	(171,545)	(5,757)	(637,288)	(21,271)	(305,542)	(10,253)
Operating expenses	(244,740)	(8,169)	(154,874)	(5,197)	(417,347)	(13,930)	(268,077)	(8,996)
Operating loss	(244,024)	(8,145)	(109,866)	(3,687)	(350,631)	(11,703)	(192,917)	(6,474)
Non-operating income and loss	3,971	133	(420)	(14)	17,053	569	3	-
Loss from continuing operations before income tax	(240,053)	(8,012)	(110,286)	(3,701)	(333,578)	(11,134)	(192,914)	(6,474)
Income tax (expenses) benefit	-	-	-	-	-	-	-	-
Net loss	(240,053)	(8,012)	(110,286)	(3,701)	(333,578)	(11,134)	(192,914)	(6,474)
Other comprehensive income	(12,537)	(419)	15,705	527	7,218	241	(8,184)	(275)
Total comprehensive income	\$(252,590)	\$(8,431)	\$(94,581)	\$(3,174)	\$(326,360)	\$(10,893)	\$(201,098)	\$(6,749)
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

Note : Cathay Century (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 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$237,861	\$7,939	\$245,601	\$8,454	\$346,926	\$11,642	\$335,784	\$11,093
Receivables	35,192	1,175	34,975	1,204	28,761	965	33,426	1,104
Investment in debt securities with no active market	105,446	3,520	80,700	2,778	-	-	-	-
Reinsurance contract assets	58,759	1,961	42,774	1,473	27,422	920	10,276	340
Property and equipment	33,081	1,104	38,271	1,317	44,556	1,495	50,495	1,668
Intangible assets	5,085	170	7,434	256	10,447	351	11,638	384
Other assets	16,757	559	16,766	577	15,407	517	15,733	520
Total assets	\$492,181	\$16,428	\$466,521	\$16,059	\$473,519	\$15,890	\$457,352	\$15,109
Liabilities								
Payables	\$31,253	\$1,043	\$19,796	\$681	\$19,843	\$666	\$16,068	\$531
Liability reserve	99,454	3,320	68,138	2,346	44,309	1,487	18,568	614
Deferred tax liability	363	12	356	12	2,177	73	2,193	72
Other liability	771	26	449	16	-	-	-	-
Total liabilities	131,841	4,401	88,739	3,055	66,329	2,226	36,829	1,217
Stockholders' equity								
Capital stock	517,502	17,273	517,502	17,814	517,502	17,366	517,502	17,096
Retained earnings	(59,039)	(1,971)	(34,576)	(1,190)	(15,163)	(509)	(4,907)	(162)
Others	(98,123)	(3,275)	(105,144)	(3,620)	(95,149)	(3,193)	(92,072)	(3,042)
Total stockholders' equity	360,340	12,027	377,782	13,004	407,190	13,664	420,523	13,892
Total liabilities and stockholders' equity	\$492,181	\$16,428	\$466,521	\$16,059	\$473,519	\$15,890	\$457,352	\$15,109

Cathay Insurance Co., Ltd (Vietnam)
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$21,700	\$724	\$9,572	\$321	\$39,237	\$1,310	\$30,663	\$1,029
Operating costs	(17,507)	(584)	3,822	128	(23,076)	(770)	(6,285)	(211)
Operating expenses	(21,208)	(708)	(17,259)	(579)	(40,534)	(1,353)	(34,634)	(1,162)
Operating loss	(17,015)	(568)	(3,865)	(130)	(24,373)	(813)	(10,256)	(344)
Non-operating income and expenses	(93)	(3)	1	-	(89)	(3)	1	-
Loss from continuing operations before income tax	(17,108)	(571)	(3,864)	(130)	(24,462)	(816)	(10,255)	(344)
Income tax (expenses) benefit	-	-	-	-	-	-	-	-
Net loss	(17,108)	(571)	(3,864)	(130)	(24,462)	(816)	(10,255)	(344)
Other comprehensive income	(1,345)	(45)	2,955	99	7,021	234	(3,077)	(103)
Total comprehensive income	\$(18,453)	\$(616)	\$(909)	\$(31)	\$(17,441)	\$(582)	\$(13,332)	\$(447)
Primary earnings per share	Note	Note	Note	Note	Note	Note	Note	Note

Note : Cathay Century (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 30 June 2013 and 2012 and as of 31 December and 1 January 2012

(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Assets								
Cash and cash equivalents	\$44,565,276	\$1,487,493	\$33,496,114	\$1,153,050	\$32,007,734	\$1,074,085	\$29,191,573	\$964,373
Due from the Central Bank and call loans to banks	83,210,460	2,777,385	98,844,688	3,402,571	103,968,081	3,488,862	88,690,435	2,929,978
Financial assets at fair value through profit or loss	76,522,933	2,554,170	67,796,967	2,333,803	14,081,311	472,527	21,799,721	720,176
Available-for-sale financial assets	58,141,694	1,940,644	63,186,407	2,175,091	66,621,655	2,235,626	47,322,633	1,563,351
Derivative financial assets for hedging	1,017,819	33,973	1,203,138	41,416	1,370,098	45,977	1,438,773	47,531
Securities purchased under agreements to resell	5,492,597	183,331	-	-	3,256,232	109,270	2,308,788	76,273
Receivables-net	84,437,535	2,818,342	50,728,353	1,746,243	46,600,435	1,563,773	45,578,346	1,505,727
Discounts and loans-net	981,314,522	32,754,156	986,516,412	33,959,257	1,015,512,359	34,077,596	984,101,470	32,510,785
Held-to-maturity financial assets	48,795,146	1,628,676	20,542,870	707,156	21,001,052	704,733	18,176,146	600,467
Investments accounted for using the equity method	4,415,315	147,374	5,038,973	173,459	4,340,614	145,658	4,696,999	155,170
Other financial assets-net	656,262	21,905	13,619	469	1,384	46	3,402,027	112,389
Investment in debt securities with no active market	442,136,122	14,757,547	424,043,663	14,597,028	372,509,081	12,500,305	425,140,266	14,044,938
Property and equipment-net	22,406,087	747,867	22,233,798	765,363	22,838,013	766,376	23,232,396	767,506
Investment property-net	2,854,422	95,274	2,869,040	98,762	3,348,728	112,373	3,178,706	105,012
Intangible assets-net	7,110,022	237,317	7,164,320	246,620	7,218,945	242,247	7,277,073	240,406
Deferred tax assets	1,552,853	51,831	1,451,635	49,970	1,015,017	34,061	902,664	29,820
Other assets-net	6,785,333	226,480	4,542,369	156,364	3,188,752	107,005	2,759,593	91,166
Total assets	\$1,871,414,398	\$62,463,765	\$1,789,672,366	\$61,606,622	\$1,718,879,491	\$57,680,520	\$1,709,197,609	\$56,465,068
Liabilities								
Due to the Central Bank and call loans from banks	\$40,472,413	\$1,350,882	\$51,891,103	\$1,786,269	\$61,428,021	\$2,061,343	\$53,815,904	\$1,777,863
Funds borrowed from the Central Bank and other banks	1,506,000	50,267	1,456,800	50,148	1,495,000	50,168	1,514,500	50,033
Financial liabilities at fair value through profit or loss	7,178,537	239,604	4,967,738	171,006	4,375,839	146,840	4,835,152	159,734
Securities sold under agreements to repurchase	56,427,177	1,883,417	20,369,249	701,179	14,365,269	482,056	13,546,462	447,521
Payables	25,348,475	846,077	21,225,349	730,649	20,162,967	676,610	19,794,819	653,942
Deposits and remittances	1,550,595,088	51,755,510	1,520,735,366	52,348,894	1,459,612,873	48,980,298	1,469,487,309	48,545,996
Financial debentures payable	52,649,271	1,757,319	42,518,631	1,463,636	37,327,431	1,252,598	33,115,240	1,093,995
Other financial liabilities	20,578,371	686,862	17,426,191	599,869	17,874,814	599,826	10,611,073	350,548
Liability reserve	2,009,171	67,062	2,009,384	69,170	1,990,549	66,797	2,075,802	68,576
Deferred tax liability	448,186	14,959	522,282	17,979	517,909	17,380	513,965	16,979
Other liability	4,220,427	140,869	4,114,007	141,618	4,014,160	134,703	3,102,657	102,500
Total liabilities	1,761,433,116	58,792,828	1,687,236,100	58,080,417	1,623,164,832	54,468,619	1,612,412,883	53,267,687
Stockholders' equity								
Capital stock	61,424,714	2,050,224	52,277,026	1,799,553	52,277,026	1,754,263	52,277,026	1,727,024
Capital surplus	15,213,292	507,787	15,213,292	523,693	15,213,292	510,513	15,213,292	502,587
Retained earnings	32,099,158	1,071,400	33,542,575	1,154,650	27,140,508	910,755	28,257,530	933,516
Others	1,244,118	41,526	1,403,373	48,309	1,083,833	36,370	1,036,878	34,254
Total stockholders' equity	109,981,282	3,670,937	102,436,266	3,526,205	95,714,659	3,211,901	96,784,726	3,197,381
Total liabilities and stockholders' equity	\$1,871,414,398	\$62,463,765	\$1,789,672,366	\$61,606,622	\$1,718,879,491	\$57,680,520	\$1,709,197,609	\$56,465,068

Cathay United Bank Co., Ltd.

Condensed Statements of Comprehensive Income

For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012

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

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Interest income	\$8,275,064	\$276,204	\$7,827,767	\$262,677	\$16,100,794	\$537,410	\$15,609,971	\$523,825
Interest expenses	(3,017,107)	(100,705)	(2,759,196)	(92,591)	(5,821,314)	(194,303)	(5,527,659)	(185,492)
Net interest income	5,257,957	175,499	5,068,571	170,086	10,279,480	343,107	10,082,312	338,333
Non-interest income	3,990,189	133,184	2,704,934	90,770	7,455,658	248,854	5,680,787	190,630
Net income	9,248,146	308,683	7,773,505	260,856	17,735,138	591,961	15,763,099	528,963
Bad debt expense and reserve for loss on guarantees	(82,696)	(2,760)	16,472	553	(37,603)	(1,255)	333,845	11,203
Operating expenses	(4,492,070)	(149,936)	(4,143,578)	(139,046)	(8,927,264)	(297,973)	(8,528,569)	(286,194)
Profit from continuing operations before income tax	4,673,380	155,987	3,646,399	122,363	8,770,271	292,733	7,568,375	253,972
Income tax expenses	(565,000)	(18,858)	(403,000)	(13,524)	(1,066,000)	(35,581)	(865,000)	(29,027)
Net income	4,108,380	137,129	3,243,399	108,839	7,704,271	257,152	6,703,375	224,945
Other comprehensive income	(219,716)	(7,334)	858,815	28,819	(159,255)	(5,316)	46,955	1,576
Total comprehensive income	\$3,888,664	\$129,795	\$4,102,214	\$137,658	\$7,545,016	\$251,836	\$6,750,330	\$226,521
Primary earnings per share	\$0.56	\$0.02	\$0.43	\$0.01	\$1.25	\$0.04	\$1.09	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$485,310	\$16,199	\$816,727	\$28,114	\$803,963	\$26,979	\$960,865	\$31,743
Due from the Central Bank and call loans to banks	13,536,225	451,810	12,698,859	437,138	10,624,673	356,533	13,531,406	447,024
Financial assets at fair value through profit or loss	583,279	19,469	140,920	4,851	130,061	4,364	114,388	3,779
Available-for-sale financial assets	980,622	32,731	768,190	26,444	510,092	17,117	516,801	17,073
Receivables-net	268,472	8,961	369,539	12,721	323,674	10,861	332,407	10,981
Discounts and loans-net	15,462,716	516,112	15,808,657	544,188	15,747,121	528,427	17,824,324	588,844
Held-to-maturity financial assets	1,152,624	38,472	1,126,103	38,764	1,155,632	38,780	1,170,705	38,675
Property and equipment-net	311,511	10,397	281,343	9,685	236,152	7,924	226,957	7,498
Intangible assets-net	8,163	272	10,001	344	12,596	423	15,576	516
Deferred tax assets-net	14,557	486	15,769	543	11,892	399	12,048	398
Other assets-net	436,570	14,572	353,101	12,155	375,108	12,588	376,835	12,449
Total assets	\$33,240,049	\$1,109,481	\$32,389,209	\$1,114,947	\$29,930,964	\$1,004,395	\$35,082,312	\$1,158,980
Liabilities								
Due to the Central Bank and call loans from banks	\$6,082,885	\$203,034	\$8,116,896	\$279,411	\$3,891,602	\$130,591	\$10,606,785	\$350,406
Payables	1,325,116	44,230	1,295,180	44,584	1,595,043	53,525	580,070	19,163
Current income tax liabilities	67,808	2,263	26,548	914	25,064	841	46,384	1,532
Deposits and remittances	19,872,473	663,300	17,219,063	592,739	15,839,436	531,525	14,541,878	480,406
Financial debentures payable	-	-	-	-	2,871,135	96,347	2,908,585	96,088
Deferred tax liability	37,749	1,260	19,949	687	9,703	325	-	-
Other liability	72,454	2,418	75,672	2,605	104,254	3,498	100,268	3,313
Total liabilities	27,458,485	916,505	26,753,308	920,940	24,336,237	816,652	28,783,970	950,908
Stockholders' equity								
Capital stock	5,264,543	175,719	5,269,493	181,394	5,269,493	176,829	5,269,493	174,083
Retained earnings	869,654	29,027	932,848	32,112	746,576	25,053	1,354,678	44,753
Others	(352,633)	(11,770)	(566,440)	(19,499)	(421,342)	(14,139)	(325,829)	(10,764)
Total stockholders' equity	5,781,564	192,976	5,635,901	194,007	5,594,727	187,743	6,298,342	208,072
Total liabilities and stockholders' equity	\$33,240,049	\$1,109,481	\$32,389,209	\$1,114,947	\$29,930,964	\$1,004,395	\$35,082,312	\$1,158,980

Indovina Bank Limited
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest income	\$391,715	\$13,075	\$577,692	\$19,386	\$1,112,779	\$37,142	\$1,341,686	\$45,023
Interest expenses	(52,916)	(1,766)	(398,707)	(13,379)	(617,359)	(20,606)	(920,680)	(30,895)
Net interest income	338,799	11,309	178,985	6,007	495,420	16,536	421,006	14,128
Non-interest income	(78,038)	(2,605)	18,481	620	14,523	485	73,999	2,483
Net income	260,761	8,704	197,466	6,627	509,943	17,021	495,005	16,611
Bad debt expense and reserve for loss on guarantees	(7,392)	(247)	(5,391)	(181)	71,699	2,393	(5,391)	(181)
Operating expenses	(116,526)	(3,889)	(106,372)	(3,570)	(214,317)	(7,154)	(200,310)	(6,722)
Profit from continuing operations before income tax	136,843	4,568	85,703	2,876	367,325	12,260	289,304	9,708
Income tax expenses	(35,386)	(1,181)	(21,479)	(721)	(129,951)	(4,337)	(76,111)	(2,554)
Net income	101,457	3,387	64,224	2,155	237,374	7,923	213,193	7,154
Other comprehensive income	87,522	2,921	63,445	2,129	213,807	7,136	(95,513)	(3,205)
Total comprehensive income	\$188,979	\$6,308	\$127,669	\$4,284	\$451,181	\$15,059	\$117,680	\$3,949
Primary earnings per share	Note	Note	Note	Note	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

Cathay Securities Corporation
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$11,819,390	\$394,506	\$14,366,771	\$494,553	\$10,142,764	\$340,361	\$11,054,330	\$365,191
Available-for-sale financial assets	18	1	18	1	18	1	18	1
Investments accounted for using the equity method	784,071	26,170	783,254	26,962	771,118	25,877	775,924	25,633
Property and equipment	114,241	3,813	113,495	3,907	55,546	1,864	43,984	1,453
Intangible assets	18,523	618	12,128	418	8,652	290	8,477	280
Deferred tax assets	5,086	170	313,808	10,802	271,281	9,103	372,615	12,310
Other non-current assets	479,852	16,016	445,340	15,330	496,398	16,658	340,751	11,257
Total assets	\$13,221,181	\$441,294	\$16,034,814	\$551,973	\$11,745,777	\$394,154	\$12,596,099	\$416,125
Liabilities								
Current liability	\$8,440,651	\$281,730	\$11,061,728	\$380,782	\$7,310,522	\$245,320	\$7,824,487	\$258,490
Deferred tax liability	6,960	232	317,912	10,944	121,904	4,091	519,047	17,147
Other non-current liability	8,021	268	7,823	269	7,670	257	8,650	286
Total liabilities	8,455,632	282,230	11,387,463	391,995	7,440,096	249,668	8,352,184	275,923
Stockholders' equity								
Capital stock	3,982,028	132,911	3,866,660	133,104	3,700,000	124,161	3,700,000	122,233
Capital surplus	291,766	9,739	291,766	10,044	258,434	8,672	258,434	8,538
Retained earnings	468,816	15,648	479,456	16,504	335,372	11,254	286,788	9,474
Others	22,939	766	9,469	326	11,875	399	(1,307)	(43)
Total stockholders' equity	4,765,549	159,064	4,647,351	159,978	4,305,681	144,486	4,243,915	140,202
Total liabilities and stockholders' equity	\$13,221,181	\$441,294	\$16,034,814	\$551,973	\$11,745,777	\$394,154	\$12,596,099	\$416,125

Cathay Securities Corporation
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Revenues	\$285,506	\$9,530	\$99,922	\$3,353	\$608,749	\$20,319	\$430,690	\$14,453
Service fee expenses	(10,331)	(345)	(6,847)	(230)	(19,862)	(663)	(16,715)	(561)
Employee benefit expenses	(129,277)	(4,315)	(108,935)	(3,655)	(246,658)	(8,233)	(205,981)	(6,912)
Share of the profit of associates and joint ventures accounted for using the equity method	15,244	509	14,286	479	21,591	721	18,397	617
Operating expenses	(137,756)	(4,598)	(95,073)	(3,190)	(264,955)	(8,844)	(182,601)	(6,128)
Non-operating income and expenses	4,173	139	3,372	113	11,965	399	8,549	287
Profit from continuing operations before income tax	27,559	920	(93,275)	(3,130)	110,830	3,699	52,339	1,756
Income tax expenses	1,311	44	2,030	68	(6,102)	(204)	(3,755)	(126)
Net income	28,870	964	(91,245)	(3,062)	104,728	3,495	48,584	1,630
Other comprehensive income	19,161	639	6,186	208	13,470	450	13,182	443
Total comprehensive income	\$48,031	\$1,603	\$(85,059)	\$(2,854)	\$118,198	\$3,945	\$61,766	\$2,073
Primary earnings per share	\$0.06	\$-	\$(0.26)	\$(0.01)	\$0.26	\$0.01	\$0.12	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Inc.
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)**

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$243,643	\$8,132	\$663,149	\$22,828	\$462,440	\$15,518	\$474,206	\$15,666
Available-for-sale financial assets	1,589,321	53,048	1,207,167	41,555	1,447,602	48,577	1,270,761	41,981
Investment in debt securities with no active market	-	-	-	-	34,000	1,141	34,000	1,123
Investments accounted for using the equity method	252,469	8,427	228,616	7,870	218,190	7,322	232,645	7,686
Property and equipment	392	13	306	10	409	14	513	17
Deferred tax assets	24,470	817	18,881	650	7,209	242	15,396	509
Other non-current assets	837	28	680	23	680	23	680	22
Total assets	\$2,111,132	\$70,465	\$2,118,799	\$72,936	\$2,170,530	\$72,837	\$2,028,201	\$67,004
Liabilities								
Current liability	\$28,801	\$961	\$4,874	\$168	\$2,106	\$71	\$4,508	\$149
Deferred tax liability	-	-	3,216	111	-	-	-	-
Other non-current liability	849	29	478	16	199	7	4,381	145
Total liabilities	29,650	990	8,568	295	2,305	78	8,889	294
Stockholders' equity								
Capital stock	2,000,000	66,756	2,000,000	68,847	2,000,000	67,114	1,895,224	62,611
Retained earnings	69,675	2,325	205,204	7,064	102,426	3,437	181,768	6,005
Others	11,807	394	(94,973)	(3,270)	65,799	2,208	(57,680)	(1,906)
Total stockholders' equity	2,081,482	69,475	2,110,231	72,641	2,168,225	72,759	2,019,312	66,710
Total liabilities and stockholders' equity	\$2,111,132	\$70,465	\$2,118,799	\$72,936	\$2,170,530	\$72,837	\$2,028,201	\$67,004

**Cathay Venture Inc.
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)**

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$18,818	\$628	\$28,577	\$959	\$35,199	\$1,175	\$94,215	\$3,162
Operating cost	(3,960)	(132)	(3,257)	(109)	(7,652)	(255)	(6,221)	(209)
Operating expenses	(2,619)	(87)	(1,890)	(63)	(4,389)	(147)	(3,233)	(108)
Non-operating income and expenses	513	17	404	13	513	17	404	13
Profit from continuing operations before income tax	12,752	426	23,834	800	23,671	790	85,165	2,858
Income tax expenses	(1,391)	(47)	(7,894)	(265)	(2,529)	(84)	(9,483)	(318)
Net income	11,361	379	15,940	535	21,142	706	75,682	2,540
Other comprehensive income	(14,806)	(494)	(121,001)	(4,061)	106,780	3,564	123,479	4,143
Total comprehensive income	\$(3,445)	\$(115)	\$(105,061)	\$(3,526)	\$127,922	\$4,270	\$199,161	\$6,683
Primary earnings per share	\$0.06	\$-	\$0.08	\$-	\$0.11	\$-	\$0.38	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$1,589,484	\$53,053	\$1,677,761	\$57,754	\$1,442,354	\$48,401	\$1,664,561	\$54,991
Available-for-sale financial assets	143,972	4,805	128,032	4,407	139,091	4,667	118,147	3,903
Held-to-maturity financial assets	200,000	6,676	200,000	6,885	200,000	6,711	200,000	6,607
Investment in debt securities with no active market	5,000	167	11,250	387	11,250	378	8,750	289
Property and equipment	16,262	543	19,952	687	20,392	684	24,048	794
Intangible assets	8,618	288	10,475	361	9,832	330	10,376	343
Deferred tax assets	9,512	317	9,406	324	9,470	318	9,278	307
Other non-current assets	254,391	8,491	244,064	8,401	221,672	7,439	187,672	6,200
Total assets	\$2,227,239	\$74,340	\$2,300,940	\$79,206	\$2,054,061	\$68,928	\$2,222,832	\$73,434
Liabilities								
Current liability	\$178,591	\$5,961	\$183,517	\$6,317	\$138,584	\$4,651	\$155,243	\$5,129
Other non-current liability	116,388	3,885	121,447	4,181	55,705	1,869	54,575	1,803
Total liabilities	294,979	9,846	304,964	10,498	194,289	6,520	209,818	6,932
Stockholders' equity								
Capital stock	1,500,000	50,066	1,500,000	51,635	1,500,000	50,335	1,500,000	49,554
Capital surplus	13,908	464	13,908	479	13,908	467	13,908	459
Retained earnings	413,591	13,805	480,079	16,526	346,567	11,630	506,653	16,738
Others	4,761	159	1,989	68	(703)	(24)	(7,547)	(249)
Total stockholders' equity	1,932,260	64,494	1,995,976	68,708	1,859,772	62,408	2,013,014	66,502
Total liabilities and stockholders' equity	\$2,227,239	\$74,340	\$2,300,940	\$79,206	\$2,054,061	\$68,928	\$2,222,832	\$73,434

Cathay Securities Investment Trust Co., Ltd.
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$313,864	\$10,476	\$268,601	\$9,013	\$628,376	\$20,974	\$542,522	\$18,206
Operating expenses	(218,763)	(7,302)	(203,148)	(6,817)	(417,791)	(13,945)	(380,568)	(12,771)
Operating gross profit	95,101	3,174	65,453	2,196	210,585	7,029	161,954	5,435
Non-operating income and expenses	4,608	154	5,482	184	8,464	282	10,254	344
Profit from continuing operations before income tax	99,709	3,328	70,935	2,380	219,049	7,311	172,208	5,779
Income tax expenses	(16,384)	(547)	(12,353)	(414)	(36,672)	(1,224)	(29,618)	(994)
Net income	83,325	2,781	58,582	1,966	182,377	6,087	142,590	4,785
Other comprehensive income	(1,897)	(63)	(4,280)	(144)	2,772	93	6,844	230
Total comprehensive income	\$81,428	\$2,718	\$54,302	\$1,822	\$185,149	\$6,180	\$149,434	\$5,015
Primary earnings per share	\$0.56	\$0.02	\$0.39	\$0.01	\$1.22	\$0.04	\$0.95	\$0.03

English Translation of Financial Statements Originally Issued in Chinese

Symphox Information Co., Ltd.
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$725,956	\$24,231	\$882,447	\$30,377	\$862,329	\$28,937	\$1,031,081	\$34,063
Available-for-sale financial assets	30,961	1,033	972	34	1,000	34	-	-
Property and equipment	149,698	4,997	124,654	4,291	122,878	4,123	74,351	2,456
Intangible assets	14,002	467	7,618	262	5,211	175	2,200	73
Deferred tax assets	-	-	-	-	152	5	524	17
Other assets	66,237	2,211	53,074	1,827	33,551	1,126	52,360	1,730
Total assets	\$986,854	\$32,939	\$1,068,765	\$36,791	\$1,025,121	\$34,400	\$1,160,516	\$38,339
Liabilities								
Current liability	\$443,750	\$14,811	\$486,028	\$16,731	\$468,800	\$15,731	\$569,185	\$18,803
Deferred tax liability	267	9	267	9	270	9	270	9
Other non-current liability	9,667	323	9,617	331	9,617	323	9,617	318
Total liabilities	453,684	15,143	495,912	17,071	478,687	16,063	579,072	19,130
Stockholders' equity								
Capital stock	499,000	16,655	499,000	17,178	499,000	16,745	499,000	16,485
Retained earnings	34,210	1,142	73,881	2,543	47,434	1,592	82,444	2,724
Others	(40)	(1)	(28)	(1)	-	-	-	-
Total stockholders' equity	533,170	17,796	572,853	19,720	546,434	18,337	581,444	19,209
Total liabilities and stockholders' equity	\$986,854	\$32,939	\$1,068,765	\$36,791	\$1,025,121	\$34,400	\$1,160,516	\$38,339

Symphox Information Co., Ltd.
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating income	\$425,473	\$14,201	\$396,887	\$13,318	\$806,793	\$26,929	\$913,095	\$30,641
Operating cost	(379,737)	(12,675)	(345,438)	(11,592)	(714,947)	(23,863)	(806,838)	(27,075)
Operating expenses	(44,738)	(1,493)	(39,733)	(1,333)	(89,042)	(2,972)	(77,772)	(2,610)
Non-operating income and expenses	1,679	56	2,048	69	3,596	120	3,869	130
Profit from continuing operations before income tax	2,677	89	13,764	462	6,400	214	32,354	1,086
Income tax expenses	(6)	-	(2,435)	(82)	(650)	(22)	(7,072)	(238)
Net income	2,671	89	11,329	380	5,750	192	25,282	848
Other comprehensive income	(8)	-	-	-	(12)	-	-	-
Total comprehensive income	\$2,663	\$89	\$11,329	\$380	\$5,738	\$192	\$25,282	\$848
Primary earnings per share	\$0.05	\$-	\$0.23	\$0.01	\$0.12	\$-	\$0.51	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Cathay Futures Co., Ltd.
Condensed Balance Sheets
As of 30 June 2013 and 2012 and as of 31 December and 1 January 2012
(Expressed in thousands of dollars)

Items	2013.6.30		2012.12.31		2012.6.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$2,808,397	\$93,738	\$2,516,674	\$86,632	\$2,399,970	\$80,536	\$2,460,133	\$81,273
Available-for-sale financial assets	30,500	1,018	30,500	1,050	30,500	1,023	30,500	1,008
Property and equipment	58,132	1,940	59,026	2,032	52,913	1,776	53,486	1,767
Investment property	256,095	8,548	256,364	8,825	256,633	8,612	256,902	8,487
Intangible assets	1,613	54	1,311	45	1,380	46	1,602	53
Other non-current assets	168,888	5,637	151,316	5,209	145,701	4,889	139,095	4,595
Total assets	\$3,323,625	\$110,935	\$3,015,191	\$103,793	\$2,887,097	\$96,882	\$2,941,718	\$97,183
Liabilities								
Current liability	\$2,537,622	\$84,700	\$2,230,013	\$76,765	\$2,114,035	\$70,941	\$2,163,850	\$71,485
Deferred tax liability	412	14	412	14	432	14	432	14
Other non-current liability	1,446	48	1,439	49	1,439	48	1,439	48
Total liabilities	2,539,480	84,762	2,231,864	76,828	2,115,906	71,003	2,165,721	71,547
Stockholders' equity								
Capital stock	650,000	21,696	650,000	22,375	650,000	21,812	650,000	21,473
Retained earnings	133,478	4,455	133,327	4,590	121,191	4,067	125,997	4,163
Others	667	22	-	-	-	-	-	-
Total stockholders' equity	784,145	26,173	783,327	26,965	771,191	25,879	775,997	25,636
Total liabilities and stockholders' equity	\$3,323,625	\$110,935	\$3,015,191	\$103,793	\$2,887,097	\$96,882	\$2,941,718	\$97,183

Cathay Futures Co., Ltd.
Condensed Statements of Comprehensive Income
For the three-month periods ended 30 June 2013 and 2012, and for the six-month periods ended 30 June 2013 and 2012
(Expressed in thousands of dollars, except earnings per share)

Items	2013.4.1~2013.6.30		2012.4.1~2012.6.30		2013.1.1~2013.6.30		2012.1.1~2012.6.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Income	\$33,617	\$1,122	\$24,180	\$811	\$63,418	\$2,117	\$47,467	\$1,593
Expenses	(35,301)	(1,178)	(26,207)	(879)	(66,772)	(2,229)	(51,365)	(1,724)
Operating loss	(1,684)	(56)	(2,027)	(68)	(3,354)	(112)	(3,898)	(131)
Non-operating income and expenses	18,441	615	17,265	579	27,759	927	24,089	808
Profit from continuing operations before income tax	16,757	559	15,238	511	24,405	815	20,191	677
Income tax expenses	(1,512)	(50)	(951)	(32)	(2,812)	(94)	(1,793)	(60)
Net income	15,245	509	14,287	479	21,593	721	18,398	617
Other comprehensive income	667	22	-	-	667	22	-	-
Total comprehensive income	\$15,912	\$531	\$14,287	\$479	\$22,260	\$743	\$18,398	\$617
Primary earnings per share	\$0.23	\$0.01	\$0.21	\$0.01	\$0.33	\$0.01	\$0.28	\$0.01