

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

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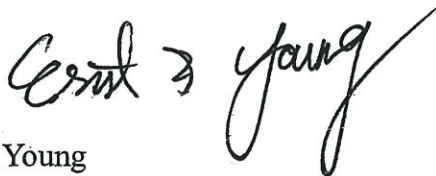
Review Report of Independent Auditors
English Translation of a Report Originally Issued in Chinese

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. and its subsidiaries as of 30 September 2013, 31 December 2012, 30 September 2012, and 1 January 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month periods ended 30 September 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our reviews.

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

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



Ernst & Young
Taipei, Taiwan
The Republic of China
29 October 2013

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited Consolidated Balance Sheets
As at 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012
(Expressed in thousands of dollars)

Notes	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Assets								
Cash and cash equivalents	\$302,903,232	\$10,247,065	\$309,460,700	\$10,652,692	\$361,452,952	\$12,340,490	\$334,238,926	\$11,041,920
Due from the Central Bank and call loans to banks	132,346,377	4,477,212	109,003,763	3,752,281	160,152,473	5,467,821	100,101,541	3,306,955
Financial assets at fair value through profit or loss	226,017,077	7,646,044	147,159,888	5,065,745	94,922,103	3,240,768	84,682,482	2,797,571
Available-for-sale financial assets -net	1,321,363,863	44,701,078	1,302,743,262	44,844,863	1,303,242,737	44,494,460	1,348,697,428	44,555,581
Derivative financial assets for hedging	1,607,616	54,385	2,362,366	81,321	2,793,429	95,371	3,425,140	113,153
Securities purchased under agreements to resell	12,547,032	424,460	18,517,498	637,435	15,147,717	517,163	11,820,837	390,513
Receivables -net	141,389,034	4,783,120	113,176,019	3,895,904	98,457,309	3,361,465	95,646,819	3,159,789
Current income tax assets	4,908,270	166,044	3,597,490	123,838	4,218,144	144,013	3,456,782	114,198
Loans -net	1,584,700,953	53,609,640	1,520,005,053	52,323,754	1,484,460,171	50,681,467	1,492,075,402	49,292,217
Reinsurance assets -net	9,047,802	306,083	14,641,999	504,028	14,266,447	487,076	14,366,255	474,604
Held-to-maturity financial assets -net	51,384,448	1,738,310	24,380,985	839,277	24,498,832	836,423	21,955,565	725,324
Investments accounted for using the equity method -net	2,623,280	88,744	2,235,874	76,966	2,319,058	79,176	2,377,392	78,540
Other financial assets -net	1,768,460,434	59,826,131	1,605,292,727	55,259,646	1,552,774,343	53,013,805	1,258,706,263	41,582,632
Investments properties -net	217,105,518	7,344,571	212,934,769	7,329,941	219,024,180	7,477,780	210,275,539	6,946,665
Property and equipment -net	71,434,749	2,416,602	71,471,868	2,460,305	53,091,784	1,812,625	47,429,174	1,566,871
Intangible assets -net	9,297,017	314,513	9,393,007	323,339	9,207,814	314,367	9,337,507	308,474
Deferred tax assets -net	16,376,126	553,996	18,964,587	652,826	17,890,590	610,809	15,354,753	507,260
Other assets -net	26,843,817	908,113	25,950,695	893,311	29,641,471	1,012,000	25,017,986	826,494
Total assets	\$5,900,356,645	\$199,606,111	\$5,511,292,550	\$189,717,472	\$5,447,561,554	\$185,987,079	\$5,078,965,791	\$167,788,761

(The exchange rates provided by the Federal Reserve Bank of New York on 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012 were NT\$29.56, NT\$29.05, NT\$29.29 and NT\$30.27 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited Consolidated Balance Sheets - (continued)
As at 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012
(Expressed in thousands of dollars)

	Notes	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Liabilities & equity									
Liabilities									
Due to the Central Bank and call loans from banks		\$50,893,236	\$1,721,693	\$56,934,246	\$1,959,871	\$70,215,820	\$2,397,262	\$62,275,073	\$2,057,320
Bankers acceptances and funds borrowed		1,483,500	50,186	1,456,800	50,148	1,467,100	50,089	1,514,500	50,033
Financial liabilities at fair value through profit or loss		19,073,757	645,256	9,086,346	312,783	9,994,354	341,221	23,136,143	764,326
Securities sold under agreements to repurchase		58,193,040	1,968,641	22,046,517	758,916	22,064,674	753,318	14,686,609	485,187
Commercial paper payable -net		7,780,000	263,194	5,540,000	190,706	3,970,000	135,541	8,720,000	288,074
Payables		58,366,163	1,974,498	60,740,926	2,090,910	52,103,200	1,778,873	44,204,197	1,460,330
Current income tax liabilities		163,357	5,526	104	4	432	15	2,041,027	67,427
Deposits		1,558,339,204	52,717,835	1,458,587,976	50,209,569	1,454,541,407	49,660,000	1,414,421,828	46,726,853
Bonds payable		99,913,846	3,380,035	89,831,007	3,092,289	90,040,291	3,074,097	76,023,825	2,511,524
Provisions		3,367,510,568	113,921,197	3,175,688,291	109,318,013	3,115,460,681	106,366,018	2,880,403,214	95,157,027
Other financial liabilities -net		396,720,427	13,420,853	348,229,937	11,987,261	338,296,888	11,549,911	305,766,443	10,101,303
Deferred tax liabilities		12,203,976	412,854	16,304,394	561,253	16,929,218	577,986	14,033,366	463,606
Other liabilities		11,979,865	405,273	18,552,169	638,629	25,639,583	875,370	12,817,284	423,432
Total liabilities		5,642,620,939	190,887,041	5,262,998,713	181,170,352	5,200,723,648	177,559,701	4,860,043,509	160,556,442
Equity attributable to owners of parent									
Capital stock									
Common stock		112,183,851	3,795,124	108,653,851	3,740,236	108,653,851	3,709,589	103,575,096	3,421,708
Stock dividends to be distributed		7,465,770	252,563	-	-	-	-	-	-
Capital surplus		87,889,556	2,973,260	78,508,148	2,702,518	78,508,148	2,680,374	78,508,148	2,593,596
Retained earnings									
Legal reserve		16,922,773	572,489	15,222,599	524,014	15,222,599	519,720	14,105,459	465,988
Special reserve		6,786,559	229,586	4,078,065	140,381	4,078,065	139,231	4,078,065	134,723
Undistributed earnings		26,449,472	894,772	19,435,514	669,036	15,340,696	523,752	14,023,844	463,292
Other equity		3,056,839	103,411	25,823,918	888,947	28,525,773	973,908	7,760,904	256,389
Treasury stock		(7,179,872)	(242,891)	(7,179,872)	(247,156)	(7,179,872)	(245,131)	(7,179,872)	(237,194)
Non-controlling interests		4,160,758	140,756	3,751,614	129,144	3,688,646	125,935	4,050,638	133,817
Total equity		257,735,706	8,719,070	248,293,837	8,547,120	246,837,906	8,427,378	218,922,282	7,232,319
Total liabilities and equity		\$5,900,356,645	\$199,606,111	\$5,511,292,550	\$189,717,472	\$5,447,561,554	\$185,987,079	\$5,078,965,791	\$167,788,761

(The exchange rates provided by the Federal Reserve Bank of New York on 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012 were NT\$29.56, NT\$29.05, NT\$29.29 and NT\$30.27 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited Consolidated Statements of Comprehensive Income

For the three-month periods ended 30 September 2013 and 2012, and nine-month periods ended 30 September 2013 and 2012

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

Notes	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Interest income	\$32,616,195	\$1,103,389	\$32,166,289	\$1,098,200	\$96,342,474	\$3,259,218	\$93,980,193	\$3,208,610
Less: Interest expenses	(3,668,405)	(124,100)	(3,331,985)	(113,758)	(10,414,234)	(352,309)	(10,166,148)	(347,086)
Net interest income	28,947,790	979,289	28,834,304	984,442	85,928,240	2,906,909	83,814,045	2,861,524
Net income other than interest								
Net commission and handling fee	275,613	9,324	391,180	13,355	2,049,059	69,319	1,979,181	67,572
Net premiums from insurance business	40,320,840	1,364,034	41,711,607	1,424,090	126,157,850	4,267,857	184,127,003	6,286,344
(Losses) gains on financial assets and liabilities at fair value through profit or loss	11,569,279	391,383	13,257,665	452,635	(18,663,915)	(631,391)	22,676,021	774,190
Gains from investment properties	1,589,761	53,781	1,485,649	50,722	4,852,721	164,165	4,681,139	159,820
Realized gains on available-for-sale financial assets	14,617,555	494,504	11,467,124	391,503	26,992,864	913,155	23,778,536	811,831
Realized gains (losses) on held-to-maturity financial assets	1,798	61	(374)	(13)	1,382	47	(820)	(28)
Gains (losses) on foreign exchange	(11,492,907)	(\$388,799)	(16,016,713)	(546,832)	22,706,989	768,166	(28,582,178)	(975,834)
Impairment losses on assets	-	-	(90,300)	(3,083)	-	-	(90,300)	(3,083)
Share of profit of associates and joint ventures accounted for using equity method	38,777	1,312	25,749	879	54,988	1,860	43,477	1,484
Net other non-interest gains	2,040,475	69,028	3,334,095	113,831	6,603,165	223,382	4,710,179	160,812
Subtotal	58,961,191	1,994,628	55,565,682	1,897,087	170,755,103	5,776,560	213,322,238	7,283,108
Total income	87,908,981	2,973,917	84,399,986	2,881,529	256,683,343	8,683,469	297,136,283	10,144,632
Bad debt expenses and provision for premiums reserve	(750,161)	(25,378)	(613,174)	(20,935)	(1,288,582)	(43,592)	(884,812)	(30,208)
Changes in insurance liabilities and provisions	(61,967,556)	(2,096,331)	(61,858,640)	(2,111,937)	(187,590,369)	(6,346,088)	(244,390,916)	(8,343,835)
Operating expenses								
Employee benefits expenses	(7,832,511)	(264,970)	(8,764,660)	(299,237)	(24,872,615)	(841,428)	(24,114,077)	(823,287)
Depreciation and amortizations expenses	(1,081,378)	(36,583)	(1,037,386)	(35,418)	(3,285,569)	(111,149)	(3,160,620)	(107,908)
Other general and administration expenses	(4,513,163)	(152,678)	(5,042,862)	(172,170)	(10,954,737)	(370,594)	(11,671,698)	(398,487)
Subtotal	(13,427,052)	(454,231)	(14,844,908)	(506,825)	(39,112,921)	(1,323,171)	(38,946,395)	(1,329,682)
Profit before income tax from continuing operations	11,764,212	397,977	7,083,264	241,832	28,691,471	970,618	12,914,160	440,907
Income tax (expense) benefit	40,429	1,368	280,030	9,561	(1,912,439)	(64,697)	(173,317)	(5,917)
Net income	11,804,641	399,345	7,363,294	251,393	26,779,032	905,921	12,740,843	434,990
Other comprehensive income								
Exchange differences resulting from translating the financial statements of a foreign operation	(360,960)	(12,211)	(353,566)	(12,071)	371,207	12,558	(834,280)	(28,483)
Unrealized (losses) gains from available-for-sale financial assets	(7,749,552)	(262,163)	18,239,805	622,731	(25,197,297)	(852,412)	22,932,050	782,931
Losses on cash flow hedges	(198,700)	(6,722)	(206,863)	(7,063)	(591,128)	(19,998)	(623,053)	(21,272)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(23,784)	(805)	(2,936)	(100)	(33,441)	(1,131)	(34,126)	(1,165)
Income tax relating to the components of other comprehensive income	(70,413)	(2,382)	(933,180)	(31,860)	2,740,770	92,719	(776,405)	(26,508)
Other comprehensive income, net of tax	(8,403,409)	(284,283)	16,743,260	571,637	(22,709,889)	(768,264)	20,664,186	705,503
Total comprehensive income	\$3,401,232	\$115,062	\$24,106,554	\$823,030	\$4,069,143	\$137,657	\$33,405,029	\$1,140,493
Net income attributable to:								
Owners of parent	\$11,739,041	\$397,126	\$7,334,151	\$250,398	\$26,546,808	\$898,065	\$12,591,502	\$429,891
Non-controlling interests	65,600	2,219	29,143	995	232,224	7,856	149,341	5,099
Subtotal	\$11,804,641	\$399,345	\$7,363,294	\$251,393	\$26,779,032	\$905,921	\$12,740,843	\$434,990
Total comprehensive income attributable to:								
Owners of parent	\$3,412,055	\$115,428	\$24,154,782	\$824,677	\$3,779,729	\$127,866	\$33,356,371	\$1,138,831
Non-controlling interests	(10,823)	(366)	(48,228)	(1,647)	289,414	9,791	48,658	1,662
Subtotal	\$3,401,232	\$115,062	\$24,106,554	\$823,030	\$4,069,143	\$137,657	\$33,405,029	\$1,140,493
Earnings per share (expressed in dollars) :								
Basic earnings per share:								
Net income	\$1.03	\$0.03	\$0.64	\$0.02	\$2.32	\$0.08	\$1.10	\$0.04
Diluted earnings per share:								
Net income	\$1.03	\$0.03	\$0.64	\$0.02	\$2.32	\$0.08	\$1.10	\$0.04

(The exchange rates provided by the Federal Reserve Bank of New York on 30 September 2013 and 2012 were NTS29.56 and NTS29.29 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

Unaudited statements of changes in equity

For the nine-month periods ended 30 September 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 distribute		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\$					
Balance on 1 January 2012	\$103,575,096	\$3,536,193	\$-	\$-	\$78,508,148	\$2,680,374	\$14,105,459	\$481,579	\$4,078,065	\$139,231	\$14,023,844	\$478,794	\$(378,126)	\$(12,910)	\$6,454,007	\$220,349	\$1,686,208	\$57,569	\$(1,185)	\$(40)	\$(7,179,872)	\$(245,131)	\$214,871,644	\$7,336,008	\$4,050,638	\$138,293	\$218,922,282	\$7,474,301				
Appropriations and distribution for 2011																																
Legal reserve	5,078,755	173,396	-	-	-	-	1,117,140	38,141	-	-	(1,117,140)	(38,141)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,078,755	173,396	-	-	5,078,755	173,396
Cash dividends	-	-	-	-	-	-	-	-	-	-	(5,078,755)	(173,396)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,078,755)	(173,396)	-	-	(5,078,755)	(173,396)
Stock dividend	-	-	-	-	-	-	-	-	-	-	(5,078,755)	(173,396)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,078,755)	(173,396)	-	-	(5,078,755)	(173,396)
Net income for the nine-month period ended 30 September 2012	-	-	-	-	-	-	-	-	-	-	12,591,502	429,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,591,502	429,891	149,341	5,099	12,740,843	434,990
Other comprehensive income for the nine-month period ended 30 September 2012	-	-	-	-	-	-	-	-	-	-	-	-	1,025,705	(20,680)	21,889,463	747,336	(518,880)	(17,716)	-	-	-	-	-	-	-	-	20,764,869	708,940	(100,683)	(3,437)	20,664,186	705,503
Comprehensive income for the nine-month period ended 30 September 2012	-	-	-	-	-	-	-	-	-	-	12,591,502	429,891	1,025,705	(20,680)	21,889,463	747,336	(518,880)	(17,716)	-	-	-	-	-	-	-	-	33,356,771	1,138,831	48,658	1,662	33,405,079	1,140,993
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(410,650)	(14,020)	(410,650)	(14,020)
Balance on 30 September 2012	\$108,653,851	\$3,709,589	\$-	\$-	\$78,508,148	\$2,680,374	\$15,222,599	\$519,720	\$4,078,065	\$139,231	\$15,340,696	\$523,752	\$(983,831)	\$(33,590)	\$28,343,470	\$967,685	\$1,167,319	\$39,853	\$(1,185)	\$(40)	\$(7,179,872)	\$(245,131)	\$243,149,260	\$8,301,443	\$3,688,646	\$125,935	\$246,837,906	\$8,427,378				
Balance on 1 January 2013	\$108,653,851	\$3,675,706	\$-	\$-	\$78,508,148	\$2,655,892	\$15,222,599	\$514,973	\$4,078,065	\$137,959	\$19,435,514	\$657,493	\$(1,082,097)	\$(36,607)	\$25,930,564	\$877,218	\$976,681	\$33,041	\$(1,230)	\$(42)	\$(7,179,872)	\$(242,891)	\$244,542,223	\$8,272,742	\$3,751,614	\$126,914	\$248,293,837	\$8,399,656				
Special reserve provision in accordance with ruling no. 10202508140 issued by the Financial Supervisory Commission, ROC	-	-	-	-	-	-	-	-	2,708,494	91,627	(2,708,494)	(91,627)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Appropriations and distribution for 2012																																
Legal reserve	-	-	-	-	-	-	1,700,174	\$7,516	-	-	(1,700,174)	(\$7,516)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(252,563)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,465,770)	(252,563)	-	-	(7,465,770)	(252,563)
Stock dividend	-	-	7,465,770	252,563	-	-	-	-	-	-	(7,465,770)	(252,563)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the nine-month period ended 30 September 2013	-	-	-	-	-	-	-	-	-	-	26,546,808	898,065	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,546,808	898,065	232,224	7,856	26,779,032	905,921
Other comprehensive income for the nine-month period ended 30 September 2013	-	-	-	-	-	-	-	-	-	-	-	-	258,648	8,750	(22,533,978)	(762,313)	(491,749)	(16,636)	-	-	-	-	-	-	-	-	(22,767,079)	(770,199)	\$7,190	1,935	(22,709,889)	(768,264)
Comprehensive income for the nine-month period ended 30 September 2013	-	-	-	-	-	-	-	-	-	-	26,546,808	898,065	258,648	8,750	(22,533,978)	(762,313)	(491,749)	(16,636)	-	-	-	-	-	-	-	-	3,779,729	127,866	289,414	9,791	4,069,143	137,657
Increase in cash capital	3,530,000	119,418	-	-	9,178,000	310,487	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,708,000	429,905	-	-	12,708,000	429,905
Value difference between price of subsidiary stock paid and book value	-	-	-	-	-	-	-	-	-	-	(192,642)	(6,517)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(192,642)	(6,517)	-	-	(192,642)	(6,517)
Share-based payment transaction	-	-	-	-	203,408	6,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	203,408	6,881	-	-	203,408	6,881
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,730	4,051	119,730	4,051
Balance on 30 September 2013	\$112,183,851	\$3,795,124	\$7,465,770	\$252,563	\$87,889,556	\$2,973,200	\$16,922,773	\$572,489	\$6,786,559	\$229,586	\$26,449,472	\$894,772	\$(823,449)	\$(27,857)	\$3,396,586	\$114,905	\$484,932	\$16,405	\$(1,230)	\$(42)	\$(7,179,872)	\$(242,891)	\$253,574,948	\$8,578,314	\$4,160,758	\$140,756	\$257,735,706	\$8,719,070				

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Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited statements of cash flows

For the nine-month periods ended 30 September 2013 and 2012

(Expressed in thousands of dollars)

Items	2013.1.1-2013.9.30		2012.1.1-2012.9.30	
	NTS	US\$	NTS	US\$
Cash flows from operating activities				
Profit before income tax from continuing operations	\$28,691,471	\$970,618	\$12,914,160	\$440,907
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation expenses	3,040,382	102,855	2,900,852	99,039
Amortizations expenses	245,187	8,294	259,768	8,869
Bad debt expense	1,288,582	43,592	884,812	30,208
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	20,891,013	706,733	(21,125,396)	(721,249)
Interest expenses	10,414,234	352,309	10,166,148	347,086
Interest revenue	(96,342,474)	(3,259,218)	(93,980,193)	(3,208,610)
Dividend income	(13,423,150)	(454,098)	(11,914,740)	(406,785)
Net changes in insurance liabilities and provisions	187,548,924	6,344,686	230,773,504	7,878,918
Net changes of other liabilities and provisions	4,274,031	144,588	4,286,478	146,346
Revaluation losses (gains) on bonds payable	133,787	4,526	(155,971)	(5,325)
Share of gain of associates and joint ventures accounted for using the equity method	(54,988)	(1,860)	(43,477)	(1,484)
Losses on disposal or scrapping of property and equipment	12,695	429	7,955	271
Value of property and equipment expensed	-	-	1,279	44
Gains on disposal of investment properties	-	-	(275,905)	(9,420)
Gains on disposal of investments	(23,933,917)	(809,672)	(14,188,488)	(484,414)
Impairment losses on financial assets	-	-	120,700	4,121
Unrealized foreign exchange (gains) losses	(10,098)	(342)	78,394	2,676
Gains on disposal of foreclosed collaterals	-	-	(1,000)	(34)
Subtotal	94,084,208	3,182,822	107,794,720	3,680,257
Changes in operating assets and liabilities				
Changes in operating assets				
Increase in due from the Central Bank and call loans to banks	(4,692,355)	(158,740)	(1,117,750)	(38,162)
(Increase) decrease in financial assets at fair value through profit or loss	(67,250,843)	(2,275,062)	37,936,012	1,295,186
Increase in available-for-sale financial assets	(1,134,579)	(38,382)	(10,815,275)	(369,248)
Decrease in derivative financial assets for hedging	163,622	5,535	8,658	296
(Increase) decrease in accounts receivable	(25,480,559)	(861,995)	3,864,818	131,950
(Increase) decrease in loans	(65,306,781)	(2,209,296)	5,490,278	187,445
Decrease in reinsurance contract assets	5,649,473	191,119	101,287	3,458
Increase in financial assets held to maturity	(27,577,657)	(932,938)	(2,584,610)	(88,242)
Decrease (increase) in other financial assets	22,132,674	748,737	(25,024,237)	(854,361)
Increase in other assets	(1,976,584)	(66,867)	(6,368,597)	(217,432)
Subtotal	(165,473,589)	(5,597,889)	1,490,584	50,890
Changes in operating liabilities				
(Decrease) increase in due to the Central Bank and call loans from banks	(6,189,879)	(209,400)	8,220,604	280,663
Decrease in financial liabilities at fair value through profit or loss	(22,772,588)	(770,385)	(40,053,603)	(1,367,484)
Increase in securities purchased under agreements to resell	36,150,099	1,222,940	7,502,192	256,135
Decrease in payables	(6,219,725)	(210,410)	(1,979,180)	(67,572)
Increase in deposits	99,424,291	3,363,474	40,612,866	1,386,578
(Decrease) increase in provisions for the liabilities of employee benefits	(94,612)	(3,201)	956	33
Increase (decrease) in reserves for the operations and liabilities	8,994	304	(3,335)	(114)
Increase in other financial liabilities	11,083,264	374,941	9,011,391	307,661
(Decrease) increase in other liabilities	(5,272,441)	(178,364)	14,939,521	510,055
Subtotal	106,117,403	3,589,899	38,251,412	1,305,955
Subtotal of Changes in operating assets and liabilities	(59,356,186)	(2,007,990)	39,741,996	1,356,845
Subtotal of Adjustment	34,728,022	1,174,832	147,536,716	5,037,102
Cash generated from operations	63,419,493	2,145,450	160,450,876	5,478,009
Interest received	95,087,731	3,216,770	91,088,203	3,109,874
Dividends received	13,567,352	458,977	11,905,699	406,476
Interest paid	(9,241,661)	(312,641)	(9,141,134)	(312,091)
Income taxes paid	(2,187,152)	(73,990)	(5,556,111)	(189,693)
Net cash flows from operating activities	160,645,763	5,434,566	248,747,533	8,492,575
Cash flows from investing activities				
Acquisition of financial assets at fair value through profit or loss	-	-	(234,093)	(7,992)
Disposal of financial assets at fair value through profit or loss	310,769	10,513	-	-
Acquisition of financial assets available for sale	(668,484,368)	(22,614,491)	(258,052,592)	(8,810,263)
Disposal of financial assets available for sale	639,639,891	21,638,697	352,759,392	12,043,680
Acquisition of bond investments with no active market	(430,266,217)	(14,555,691)	(489,917,351)	(16,726,437)
Disposal of bond investments with no active market	294,354,250	9,957,857	245,281,002	8,374,223
Due repays principal of bond investments with no active market	200,000	6,766	-	-
Acquisition of financial assets held to maturity	(57,714)	(1,952)	(454,544)	(15,519)
Disposal of financial assets held to maturity	650,296	21,999	458,428	15,651
Increase in investments accounted for using the equity method	(472,953)	(16,000)	(59,120)	(2,018)
Acquisition of subsidiary	(338,612)	(11,455)	-	-
Cash returned by capital deduction from investments accounted for using equity method	13,067	442	49,288	1,683
Acquisition of property and equipment	(1,380,508)	(46,702)	(970,909)	(33,148)
Disposal of property and equipment	2,952	100	631	22
Increase in operating deposit	-	-	(5,000)	(171)
Increase (decrease) in clearing and settlement funds	7,715	261	(7,000)	(239)
Acquisition of intangible assets	(120,357)	(4,072)	(83,634)	(2,855)
Disposal of foreclosed collaterals	-	-	1,000	34
Acquisition of investment properties	(5,678,948)	(192,116)	(16,837,998)	(574,872)
Disposal of investment properties	-	-	764,528	26,102
Increase in other assets	(735,704)	(24,888)	(456,251)	(15,577)
Dividends received	58,936	1,994	119,411	4,077
Net cash used in investing activities	(172,297,505)	(5,828,738)	(167,644,812)	(5,723,619)
Cash flows from financing activities				
Increase in short-term borrowings	25,000	846	-	-
Increase (decrease) in funds borrowed from Central Bank and banks	3,085,980	104,397	(47,400)	(1,618)
Increase in commercial paper payable	2,240,000	75,778	1,680,000	57,358
Decrease in commercial paper payable	-	-	(6,430,000)	(219,529)
Issuance of corporate bonds	-	-	7,584,599	258,948
Issuance of bank debentures	9,901,957	334,978	6,722,796	229,525
Decrease in bills and bonds sold under agreements to repurchase	(3,576)	(121)	(124,127)	(4,238)
Increase in other liabilities	-	-	143,063	4,884
Decrease in other liabilities	(265,890)	(8,995)	(1,395)	(48)
Payment of cash dividends	(7,487,212)	(253,288)	(23,204)	(792)
Increase in cash capital	12,708,000	429,905	-	-
Exercise of employee stock options	203,408	6,881	-	-
Net cash flows from financing activities	20,407,667	690,381	9,504,332	324,490
Effects of exchange rate changes on cash and cash equivalents	407,870	13,798	(1,115,198)	(38,074)
Increase in cash and cash equivalents	9,163,795	310,007	89,491,855	3,055,372
Cash and cash equivalents at the beginning of periods	395,954,121	13,394,930	406,112,439	13,865,225
Cash and cash equivalents at the end of periods	\$405,117,916	\$13,704,937	\$495,604,294	\$16,920,597
The components of cash and cash equivalents				
Cash and cash equivalents presented in balance sheet	\$302,903,232	10,247,065	\$361,452,952	12,340,490
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	89,667,652	3,033,412	119,003,625	4,062,944
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	12,547,032	424,460	15,147,717	517,163
Cash and cash equivalents at the end of periods	\$405,117,916	\$13,704,937	\$495,604,294	\$16,920,597

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Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
30 September 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’s registered office and the main business location are at 296, Jen Ai Road, Sec. 4, Taipei, Taiwan, ROC. The Company mainly engages in financial holding business. As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the total numbers of the employees of the Company and its subsidiaries were 44,869, 44,461, 44,267 and 43,904, respectively.

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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 nine-month periods ended 30 September 2013 and 2012 were authorized for issue in accordance with a resolution of the board of directors on 29 October 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

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

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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.

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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 amendment of IAS 36 “Impairment of Assets”

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after 1 January 2014.

IFRIC 21 “Levies”

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after 1 January 2014.

The amendment of IAS 39 “Financial Instruments: Recognition and Measurement”

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

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group’s financial statements, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Group at this point in time.

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4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended 30 September 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.

(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.

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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	2013.9.30 Ownership interest	2012.12.31 Ownership interest	2012.9.30 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.
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.
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.

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Investor	Subsidiary	Business nature	2013.9.30 Ownership interest	2012.12.31 Ownership interest	2012.9.30 Ownership interest	2012.1.1 Ownership interest	Notes
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.
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd ("Lin Yuan")	Office equipment leasing company	100.00%	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).
Cathy 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.

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Investor	Subsidiary	Business nature	2013.9.30 Ownership interest	2012.12.31 Ownership interest	2012.9.30 Ownership interest	2012.1.1 Ownership interest	Notes
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	100.00%	70.00%	-	-	SBC Bank was incorporated in Cambodia on 1993.
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 by US\$22,500 on 13 December 2012, and acquired the rest 30% of the voting shares by US\$11,418 on 30 September 2013, became 100% holding subsidiary.

As of 30 September 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	2013.9.30 Ownership interest	2012.12.31 Ownership interest	2012.9.30 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.

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Investor	Investee	Business	2013.9.30 Ownership interest	2012.12.31 Ownership interest	2012.9.30 Ownership interest	2012.1.1 Ownership interest	Notes
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.

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.

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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

While preparing the consolidated financial statements, the assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

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

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency. The Group classifies time deposits as cash equivalents when having maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

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(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 classifies time deposits as cash equivalents when having maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

(7) 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:

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- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. 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
- c. 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 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:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. 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.

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

Held-to-maturity financial assets

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

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

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.

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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:

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

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

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

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

Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired
- b. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- c. 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.

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

The reclassification of financial assets

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

- a. The disallowance of reclassification of derivatives instruments held or issued at fair value through profit and loss.
- b. The disallowance of reclassification of any financial instrument which was originally designed as at fair value through profit and loss.
- c. The disallowance of reclassification from any financial instrument to the category recorded at fair value through profit and loss.
- d. If the change of intention or ability resulting in the impropriety that the investment is classified as 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.
- e. 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.

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B. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Compound instruments

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

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

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*.

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. 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
- c. 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:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. 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.

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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.

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.

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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.

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.

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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.

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.

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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.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(15) 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
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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.

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(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.

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.

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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.

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.

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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.

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

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:

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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.

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.

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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:

i. 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.

ii. Special capital reserve—Special reserve for fluctuation of risks

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

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used 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.

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- (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.

According to the regulations established by the authorities on 30 November 2012, the aforementioned special reserve for revaluation increments of property can be transferred to the reserve for life insurance liabilities—fair value of insurance contract liabilities after strengthening the reserve for life insurance liabilities calculated based on the regulations established by the authorities on 27 November 2012. If there is excess, 80% of it can be recovered in the first year or next five years and reserved to special capital reserve under equity. The amount which can be recovered and reserved to special capital reserve under equity each year, is limited to NT\$10 billion.

c. Premium deficiency reserve

For the contracts over 1 year of life insurance, health insurance, or annuities contracts commencing on 1 January 2001, the following rules applied: If the written premiums are lower than those of providing policy reserves, the special premium deficiency reserve will be set aside based on the premium deficiencies. In addition, for the insurance policy which period is within one year and has not met the due date or accidental insurance policy over one year, the following rules applied: If the probable indemnities and expenses are greater than the aggregate of unearned premium serves and collectable premiums in the future, the premium deficiency reserve is set aside based on the difference thereof. The method prescribed by law for computing premium deficiency reserve was amended by the regulator on 28 December 2012.

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d. Liability adequacy reserve

This is the reserve that is set aside based on the adequacy test of liability required by IFRS 4 *Insurance Contracts*.

e. 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.

f. 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”.

g. Liability adequacy test

Liability adequacy test is based on integrated insurance contract and related regulations following “ASP of IFRS 4 - Contract classification and liability adequacy test”. This test compares reserve for insurance contract net with deferred acquisition cost and related intangible assets and anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as expense and loss at that period is applicable.

B. Cathay Century

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.

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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.

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(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.

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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.

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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.

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.

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(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:

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.

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.

(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.

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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:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. 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.

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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.

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.

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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.

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.

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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.

(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. Impairment losses on loans and receivables

The Group reviews their loan and receivables to assess whether an impairment loss should be recorded in profit or loss on a monthly basis. When the Group determines to recognize impairment losses, they mainly decide if there is any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable change in debtor payment status, or sovereign or the local economic situation related to debt payment in appears. While analysing expected cash flow, the estimates by the management are based on past losses experience on the assets of similar credit risk characteristics. The Group periodically reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss.

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B. 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.

C. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the 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.)

D. Pension benefits

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

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.

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- E. 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.

- 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.

- 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'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.

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6. Cash and cash equivalents

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$13,395,669	\$453,169	\$13,493,296	\$464,485
Cash in banks	42,368,671	1,433,311	67,388,184	2,319,731
Time deposits	205,646,915	6,956,932	186,615,818	6,423,953
Cash equivalents	6,859,365	232,049	20,269,485	697,745
Checks for clearance	2,275,064	76,964	8,326,315	286,620
Due from commercial banks	32,357,548	1,094,640	13,367,602	460,158
Total	\$302,903,232	\$10,247,065	\$309,460,700	\$10,652,692

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$11,759,159	\$401,474	\$12,199,045	\$403,008
Cash in banks	85,288,380	2,911,860	78,220,073	2,584,079
Time deposits	224,757,994	7,673,540	220,073,303	7,270,343
Cash equivalents	20,266,721	691,933	5,616,954	185,562
Checks for clearance	7,484,444	255,529	8,641,570	285,483
Due from commercial banks	11,896,254	406,154	9,487,981	313,445
Total	\$361,452,952	\$12,340,490	\$334,238,926	\$11,041,920

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

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$16,129,630	\$545,657	\$13,933,929	\$479,653
Funds and beneficiary certificates	39,104,218	1,322,876	36,983,399	1,273,095
Short-term notes	123,211,543	4,168,184	59,110,475	2,034,784
Corporate bonds	5,454,984	184,539	2,996,054	103,134
Government bonds	14,324,289	484,584	4,588,851	157,964
Structured time deposits	12,328,700	417,074	18,334,342	631,131
Margin for futures trading-own funds	43,705	1,479	-	-
Derivative financial instruments	7,252,228	245,339	4,603,749	158,477
Overseas financial instruments	8,167,780	276,312	6,609,089	227,507
Total	\$226,017,077	\$7,646,044	\$147,159,888	\$5,065,745

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$13,189,790	\$450,317	\$8,727,561	\$288,324
Funds and beneficiary certificates	25,717,829	878,041	32,909,574	1,087,201
Short-term notes	13,199,843	450,660	14,865,231	491,088
Corporate bonds	3,394,339	115,887	2,152,029	71,094
Government bonds	2,166,619	73,971	2,608,737	86,182
Structured time deposits	16,504,649	563,491	10,972,727	362,495
Margin for futures trading-own funds	8,802	301	44,197	1,460
Derivative financial instruments	5,781,195	197,378	4,795,155	158,413
Overseas financial instruments	14,959,037	510,722	7,607,271	251,314
Total	\$94,922,103	\$3,240,768	\$84,682,482	\$2,797,571

- (1) As of 31 December 2012 and 30 September 2012, certain financial assets at fair value through profit or loss was sold under repurchase agreements with notional amounts of NT\$2,950,500 (US\$101,566) thousands and NT\$33,000 (US\$1,136) thousands. Such repurchase agreements amounting to NT\$3,252,317 (US\$111,956) thousands and NT\$33,000 (US\$1,127) thousands are recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 31 December 2012 and 30 September 2012 are settled at NT\$3,255,003 (US\$112,048) thousands and NT\$33,001 (US\$1,127) thousands, prior to 31 March 2013, 31 October 2012, respectively.
- (2) Please refer to Note 29 for related information on the above financial assets at fair value through profit or loss being pledged as collaterals as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012.

8. Available-for-sale financial assets

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$273,291,690	\$9,245,321	\$219,123,760	\$7,542,987
Funds and beneficiary certificates	10,675,962	361,163	23,462,894	807,672
Collateralized loans obligation and collateralized bonds obligation	19,008,331	643,042	6,430,972	221,376
Government bonds	230,394,136	7,794,118	228,054,133	7,850,401
Corporate bonds	71,537,401	2,420,074	70,973,516	2,443,150
Financial debentures	190,895,559	6,457,901	200,618,738	6,905,981
Overseas financial instruments	535,072,223	18,101,226	563,602,556	19,401,121
Less: Litigation deposits	(27,904)	(944)	-	-
Less: Securities serving as deposits paid-bonds	(9,483,535)	(320,823)	(9,523,307)	(327,825)
Total	\$1,321,363,863	\$44,701,078	\$1,302,743,262	\$44,844,863

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$226,800,484	\$7,743,274	\$210,678,067	\$6,959,963
Funds and beneficiary certificates	10,130,928	345,883	20,326,188	671,496
Collateralized loans obligation and collateralized bonds obligation	17,958,958	613,143	8,916,718	294,573
Government bonds	219,746,053	7,502,426	201,211,507	6,647,225
Corporate bonds	74,031,446	2,527,533	64,990,217	2,147,017
Financial debentures	201,473,934	6,878,591	194,860,184	6,437,403
Overseas financial instruments	562,658,742	19,209,926	658,329,673	21,748,585
Less: Securities serving as deposits				
paid-bonds	(9,557,808)	(326,316)	(10,615,126)	(350,681)
Total	\$1,303,242,737	\$44,494,460	\$1,348,697,428	\$44,555,581

- (1) As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$65,065,238 (US\$2,201,124) thousands, NT\$15,936,600 (US\$548,592) thousands, NT\$21,730,990 (US\$741,952) thousands and NT\$13,088,400 (US\$432,389) thousands, respectively. Such repurchase agreements amounting to NT\$55,899,348 (US\$1,891,047) thousands, NT\$17,116,932 (US\$589,223) thousands, NT\$20,104,644 (US\$686,400) 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 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012 are settled at NT\$55,902,042 (US\$1,891,138) thousands, NT\$17,125,290 (US\$589,511) thousands, NT\$20,113,827 (US\$686,713) thousands and NT\$13,557,277 (US\$447,878) thousands, prior to 31 March 2014, 30 June 2013, 31 December 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 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, Cathay Life and subsidiaries recognized impairment losses amounting to NT\$1,673,957 (US\$56,629) thousands, NT\$1,697,370 (US\$58,429) thousands, NT\$1,667,019 (US\$56,914) thousands and NT\$1,667,019 (US\$55,072) thousands, respectively.

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- (3) Cathay United Bank has recognized accumulated impairment loss for the available-for-sale financial assets in the amount of NT\$189,052 (US\$6,396), NT\$438,311 (US\$15,088) and NT\$383,512 (US\$13,094) as of 30 September 2013, 31 December 2012 and 30 September 2012, respectively, due to the existence of objective impairment evidence.
- (4) Please refer to Note 29 for related information on the above available-for-sale financial assets being pledged as collaterals as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012.

9. Receivable -net

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,251,872	\$76,180	\$3,252,289	\$111,955
Accounts receivable	44,123,624	1,492,680	40,138,695	1,381,710
Interest receivable	32,961,871	1,115,083	31,406,748	1,081,127
Foreign currency receivable	75,068	2,539	88,657	3,052
Acceptances	1,434,690	48,535	1,639,721	56,445
Others	62,893,943	2,127,671	38,779,040	1,334,907
Subtotal	143,741,068	4,862,688	115,305,150	3,969,196
Adjustment for discounts and premiums	(6,129)	(207)	(5,602)	(193)
Less: Allowance for bad debts	(2,345,905)	(79,361)	(2,123,529)	(73,099)
Total	\$141,389,034	\$4,783,120	\$113,176,019	\$3,895,904

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,828,744	\$96,577	\$3,687,311	\$121,814
Accounts receivable	40,730,088	1,390,580	44,981,235	1,486,000
Interest receivable	30,466,095	1,040,154	26,414,473	872,629
Foreign currency receivable	79,882	2,727	2,078,036	68,650
Acceptances	1,069,845	36,526	1,249,855	41,290
Others	25,458,968	869,203	20,141,058	665,380
Subtotal	100,633,622	3,435,767	98,551,968	3,255,763
Adjustment for discounts and premiums	(5,123)	(175)	(2,637)	(87)
Less: Allowance for bad debts	(2,171,190)	(74,127)	(2,902,512)	(95,887)
Total	\$98,457,309	\$3,361,465	\$95,646,819	\$3,159,789

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

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$2,123,529	\$71,838	\$2,902,512	\$99,096
Allowance (reversal) of doubtful accounts	71,763	2,428	(885,023)	(30,216)
Write-offs	(286,071)	(9,678)	(305,661)	(10,436)
Debt counseling recoveries	101,813	3,444	111,017	3,790
Recoveries	437,794	14,811	419,101	14,309
Reclassification	(103,837)	(3,513)	(70,123)	(2,394)
Effect of exchange rates change	914	31	(633)	(22)
Balance, end of the period	\$2,345,905	\$79,361	\$2,171,190	\$74,127

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

Item		Total receivables			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$20,592,700	\$696,641	\$24,591,363	\$846,518
	Collective assessment of impairment	159,023	5,380	140,445	4,835
Objective evidence of impairment does not exist individually	Collective assessment of impairment	122,989,345	4,160,667	90,573,342	3,117,843

Item		Total receivables			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$14,735,582	\$503,093	\$45,757,104	\$1,511,632
	Collective assessment of impairment	130,486	4,455	154,121	5,091
Objective evidence of impairment does not exist individually	Collective assessment of impairment	85,767,554	2,928,219	52,640,743	1,739,040

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Item		Allowance for bad debts			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$350,339	\$11,852	\$39,675	\$1,366
	Collective assessment of impairment	118,893	4,022	110,930	3,818
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,876,673	63,487	1,972,924	67,915

Item		Allowance for bad debts			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	51,178	\$1,747	\$59,883	\$1,978
	Collective assessment of impairment	103,426	3,531	125,533	4,147
Objective evidence of impairment does not exist individually	Collective assessment of impairment	2,016,586	68,849	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

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$1,708,581	\$57,800	\$1,764,969	\$60,756
Loans	1,594,611,748	53,944,917	1,528,199,382	52,605,831
Overdrafts	837,601	28,336	594,231	20,456
Delinquent accounts	4,921,618	166,496	4,532,217	156,014
Subtotal	1,602,079,548	54,197,549	1,535,090,799	52,843,057
Adjustment for discounts and premiums	1,021,266	34,549	1,097,491	37,779
Less: Allowance for bad debts	(18,399,861)	(622,458)	(16,183,237)	(557,082)
Total	\$1,584,700,953	\$53,609,640	\$1,520,005,053	\$52,323,754

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$935,349	\$31,934	\$355,418	\$11,742
Loans	1,490,848,982	50,899,590	1,498,549,498	49,506,095
Overdrafts	506,103	17,279	497,529	16,436
Delinquent accounts	5,223,163	178,326	2,824,214	93,301
Subtotal	1,497,513,597	51,127,129	1,502,226,659	49,627,574
Adjustment for discounts and premiums	1,101,978	37,623	866,689	28,632
Less: Allowance for bad debts	(14,155,404)	(483,285)	(11,017,946)	(363,989)
Total	\$1,484,460,171	\$50,681,467	\$1,492,075,402	\$49,292,217

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

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$16,183,237	\$547,471	\$11,017,946	\$376,167
Allowance of doubtful accounts	1,434,462	48,526	2,044,735	69,810
Write-offs	(341,165)	(11,541)	(341,698)	(11,666)
Debt counseling recoveries	86,542	2,928	93,049	3,177
Recoveries	1,045,256	35,360	1,287,460	43,956
Reclassification	(28,416)	(961)	117,558	4,014
Effect of exchange rates change	19,945	675	(63,646)	(2,173)
Balance, end of the period	\$18,399,861	\$622,458	\$14,155,404	\$483,285

(2) Assessment for loans are showed as followed:

Item		Total loans			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$74,008,522	\$2,503,671	\$57,128,853	\$1,966,570
	Collective assessment of impairment	9,906,731	335,140	4,574,126	157,457
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,518,164,295	51,358,738	1,473,387,820	50,719,030

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Item		Total loans			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$54,783,880	\$1,870,395	\$37,425,783	\$1,236,398
	Collective assessment of impairment	6,237,140	212,944	5,526,447	182,572
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,436,492,577	49,043,790	1,459,274,429	48,208,604

Item		Allowance for bad debts			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$5,463,583	\$184,830	\$4,887,318	\$168,238
	Collective assessment of impairment	1,668,547	56,446	713,956	24,577
Objective evidence of impairment does not exist individually	Collective assessment of impairment	11,267,731	381,182	10,581,963	364,267

Item		Allowance for bad debts			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$5,081,347	\$173,484	\$3,211,518	\$106,096
	Collective assessment of impairment	954,431	32,586	898,460	29,681
Objective evidence of impairment does not exist individually	Collective assessment of impairment	8,119,626	277,215	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).

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11. Held-to-maturity financial assets

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Government bonds	\$953,988	\$32,273	\$962,741	\$33,141
Financial debentures	-	-	200,000	6,885
Overseas financial instruments	50,430,460	1,706,037	23,218,244	799,251
Total	\$51,384,448	\$1,738,310	\$24,380,985	\$839,277

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Government bonds	\$1,267,467	\$43,273	\$1,275,423	\$42,135
Financial debentures	200,000	6,828	200,000	6,607
Overseas financial instruments	23,031,365	786,322	20,480,142	676,582
Total	\$24,498,832	\$836,423	\$21,955,565	\$725,324

Please refer to Note 29 for related information on the above held-to-maturity financial assets being pledged as collaterals as of 30 September 2013, 12 December 2012, 30 September 2012 and 1 January 2012.

12. Investments accounted for using the equity method

Investee	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$186,266	\$6,301	\$170,659	\$5,875
Seaward Card	38,758	1,311	39,753	1,368
Cathay Insurance (Bermuda)	112,283	3,798	101,761	3,503
Subtotal	337,307	11,410	312,173	10,746
Investments in associates:				
WK Technology Fund VI Co., Ltd	263,757	8,923	279,441	9,619
Vista Technology Venture Capital Corp.	6,431	218	10,532	362
Omnitek Venture Capital Corp.	39,648	1,341	31,694	1,091
Taiwan Real-estate Management Corp.	94,091	3,183	105,357	3,627
Taiwan Finance Corp.	1,377,634	46,605	1,418,699	48,836
IBT Venture Capital Corp.	47,175	1,596	56,435	1,943
Tien-Tai energy Corp.	39,651	1,341	-	-
Tien-Tai one energy Corp.	19,443	658	-	-
Tien-Tai Management Consulting Co., Ltd	150	5	-	-
CDBS Cathay Asset Management Co., Ltd.	304,976	10,317	-	-
Cathay Conning Asset Management Ltd.	93,017	3,147	21,543	742
Subtotal	2,285,973	77,334	1,923,701	66,220
Total	\$2,623,280	\$88,744	\$2,235,874	\$76,966

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Investee	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$155,361	\$5,304	\$161,913	\$5,349
Seaward Card	39,167	1,337	39,202	1,295
Cathay Insurance (Bermuda)	111,318	3,801	126,731	4,187
Subtotal	305,846	10,442	327,846	10,831
Investments in associates:				
WK Technology Fund VI Co., Ltd	293,049	10,005	336,537	11,118
Vista Technology Venture Capital Corp.	23,682	809	38,265	1,264
Omnitek Venture Capital Corp.	38,068	1,300	63,705	2,105
Taiwan Real-estate Management Corp.	103,610	3,537	98,115	3,241
Taiwan Finance Corp.	1,409,285	48,115	1,405,308	46,426
IBT Venture Capital Corp.	56,516	1,930	77,733	2,568
Cathay Conning Asset Management Ltd.	89,002	3,038	-	-
Subtotal	2,013,212	68,734	2,019,663	66,722
Prepayment for investment-Cathay Conning Assets Management Ltd.				
	-	-	29,883	987
Total	\$2,319,058	\$79,176	\$2,377,392	\$78,540

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

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$46,629,369	\$1,577,448	\$40,808,912	\$1,404,782
Total liabilities (100%)	(38,042,196)	(1,286,948)	(32,986,134)	\$1,135,495

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$44,091,228	\$1,505,334	\$38,621,981	\$1,275,916
Total liabilities (100%)	(36,196,561)	(1,235,799)	(30,328,673)	(1,001,938)

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	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$628,995	\$21,279	\$299,678	\$10,231
Profit (100%)	41,478	1,403	37,880	1,293

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$1,342,531	\$45,417	\$712,682	\$24,332
Profit (100%)	(11,323)	(383)	20,715	707

- (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 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the carrying amount of investments accounted for using the equity method amounted to NT\$2,285,973 (US\$77,334) thousands, NT\$1,923,701 (US\$66,220) thousands, NT\$2,013,212 (US\$68,734) thousands and NT\$2,019,663 (US\$66,722) thousands, respectively. The share of the (losses) profits of associates and joint ventures accounted for using the equity method amounts to NT\$(8,377) (US\$(283)) thousands and NT\$10,276 (US\$351) thousands for the nine-month periods ended 30 September 2013 and 2012, respectively. The share of the (losses) profits of associates and joint ventures accounted for using the equity method amounts to NT\$(31,801) (US\$(1,076)) thousands and NT\$(859) (US\$(29)) thousands for the three-month periods ended 30 September 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\$(38,135) (US\$(1,290)) thousands and NT\$(30,352) (US\$(1,036)) thousands for the nine-month periods ended 30 September 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\$9,570 (US\$324) thousands and NT\$10,276 (US\$351) thousands, as at 30 September 2013 and 2012, respectively. Until to 30 September 2013 and 2012, the remaining balance of related investments were NT\$1,980,997 (US\$67,016) and NT\$2,013,212 (US\$68,734) thousands, respectively.
- (3) The Group has no share of any contingent liabilities or capital commitments as at 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012.

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13. Other financial assets

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,357,046,326	\$45,908,198	\$1,242,272,317	\$42,763,247
Separate account product assets	367,150,507	12,420,518	329,557,246	11,344,483
Structured time deposits	39,400,000	1,332,882	23,500,000	808,950
Other miscellaneous financial assets	4,863,601	164,533	9,963,164	342,966
Total	\$1,768,460,434	\$59,826,131	\$1,605,292,727	\$55,259,646

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,200,611,503	\$40,990,492	\$941,402,270	\$31,100,174
Separate account product assets	317,518,669	10,840,515	294,051,012	9,714,272
Structured time deposits	24,000,000	819,392	13,300,000	439,379
Other miscellaneous financial assets	10,644,171	363,406	9,952,981	328,807
Total	\$1,552,774,343	\$53,013,805	\$1,258,706,263	\$41,582,632

14 Investments in debt securities with no active market

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,481,017	\$286,909	\$8,481,017	\$291,946
Corporate bonds	24,650,000	833,897	22,949,999	790,017
Overseas financial instruments	928,404,034	31,407,444	781,710,341	26,909,134
Time deposit	395,411,275	13,376,565	429,130,960	14,772,150
Beneficial right of real estate	100,000	3,383	-	-
Total	\$1,357,046,326	\$45,908,198	\$1,242,272,317	\$42,763,247

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,481,017	\$289,553	\$3,091,730	\$102,138
Corporate bonds	17,500,000	597,474	16,000,000	528,576
Overseas financial instruments	735,181,268	25,100,078	509,886,984	16,844,631
Time deposit	439,449,218	15,003,387	412,423,556	13,624,829
Total	\$1,200,611,503	\$40,990,492	\$941,402,270	\$31,100,174

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- (1) A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by Cathay Life and subsidiaries. As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, Cathay Life and subsidiaries recognized impairment losses amounting to NT\$385,710 (US\$13,048) thousands, NT\$378,768 (US\$13,038) thousands, NT\$381,446 (US\$13,023) thousands and NT\$393,770 (US\$13,009) thousands, respectively.
- (2) Cathay United Bank has recognized accumulated impairment loss for the investments in debt securities with no active market in the amount of NT\$1,100,147 (US\$37,217), NT\$1,167,518 (US\$40,190), NT\$1,469,192 (US\$50,160) and NT\$1,425,790 (US\$47,102) as of 30 September 2013, 31 December 2012, 30 September 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\$3,234), NT\$106,215 (US\$3,656), NT\$113,089 (US\$3,861), and NT\$121,794 (US\$4,024) as of 30 September 2013, 31 December 2012, 30 September 2012, 1 January 2012, respectively, due to the default on the convertible bonds.

- (3) Please refer to Note 36 for related information on the above investments in debt securities with no active market being pledged as collaterals as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012.

14. Investment property

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
1 January 2013	\$157,232,387	\$58,929,793	\$7,519,477	\$1,581,767	\$225,263,424
Additions	-	2,413	5,640,136	36,399	5,678,948
Reductions	-	-	-	-	-
Reclassification	5,305	106,484	(106,484)	(5,305)	-
30 September 2013	<u>\$157,237,692</u>	<u>\$59,038,690</u>	<u>\$13,053,129</u>	<u>\$1,612,861</u>	<u>\$230,942,372</u>

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	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
1 January 2013	\$5,319,093	\$1,993,565	\$254,380	\$53,510	\$7,620,548
Additions	-	82	190,804	1,231	192,117
Reductions	-	-	-	-	-
Reclassification	179	3,602	(3,602)	(179)	-
30 September 2013	<u>\$55,319,272</u>	<u>\$1,997,249</u>	<u>\$441,582</u>	<u>\$54,562</u>	<u>\$7,812,665</u>

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
1 January 2012	\$158,156,309	\$59,265,118	\$5,459,223	\$20,469	\$222,901,119
Additions	66,248	177,705	1,961,888	14,874,235	17,080,076
Reductions	(22,772)	-	-	-	(22,772)
Reclassification	(161,960)	(1,013,488)	(844,680)	(5,885,514)	(7,905,642)
30 September 2012	<u>\$158,037,825</u>	<u>\$58,429,335</u>	<u>\$6,576,431</u>	<u>\$9,009,190</u>	<u>\$232,052,781</u>

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Cost:					
1 January 2012	\$5,399,669	\$2,023,391	\$186,385	\$699	\$7,610,144
Additions	2,262	6,067	66,981	507,826	583,136
Reductions	(777)	-	-	-	(777)
Reclassification	(5,530)	(34,601)	(28,839)	(200,938)	(269,908)
30 September 2012	<u>\$5,395,624</u>	<u>\$1,994,857</u>	<u>\$224,527</u>	<u>\$307,587</u>	<u>\$7,922,595</u>

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	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	-	1,508,199	-	-	1,508,199
30 September 2013	\$193,950	\$13,642,904	\$-	\$-	\$13,836,854

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
1 January 2013	\$6,561	\$410,511	\$-	\$-	\$417,072
Depreciation	-	51,022	-	-	51,022
30 September 2013	\$6,561	\$461,533	\$-	\$-	\$468,094

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
1 January 2012	\$200,450	\$12,425,130	\$-	\$-	\$12,625,580
Depreciation	-	829,339	-	-	829,339
Reductions	(6,500)	(41,558)	-	-	(48,058)
Reclassification	-	(378,260)	-	-	(378,260)
30 September 2012	\$193,950	\$12,834,651	\$-	\$-	\$13,028,601

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
Depreciation and impairment:					
1 January 2012	\$6,844	\$424,211	\$-	\$-	\$431,055
Depreciation	-	28,315	-	-	28,315
Reductions	(222)	(1,419)	-	-	(1,641)
Reclassification	-	(12,914)	-	-	(12,914)
30 September 2012	\$6,622	\$438,193	\$-	\$-	\$444,815

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	NT\$			
	Land	Buildings	Construction	Prepayments for buildings and land Total
Net carrying amount as at:				
30 September 2013	\$157,043,742	\$45,395,786	\$13,053,129	\$217,105,518
31 December 2012	\$157,038,437	\$46,795,088	\$7,519,477	\$212,934,769
30 September 2012	\$157,843,875	\$45,594,684	\$6,576,431	\$219,024,180
1 January 2012	\$157,955,859	\$46,839,988	\$5,459,223	\$210,275,539

	US\$			
	Land	Buildings	Construction	Prepayments for buildings and land Total
Net carrying amount as at:				
30 September 2013	\$5,312,711	\$1,535,716	\$441,582	\$7,344,571
31 December 2012	\$5,312,532	\$1,583,054	\$254,380	\$7,203,476
30 September 2012	\$5,389,002	\$1,556,664	\$224,527	\$7,477,780
1 January 2012	\$5,392,825	\$1,599,180	\$186,385	\$7,179,089

	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Rent revenue from investment properties	\$1,741,555	\$58,916	\$1,422,170	\$48,555
Less: Direct operating expense related to investment properties	(61,074)	(2,066)	(65,421)	(2,234)
Direct operating expense related to investment properties not generating rent revenue	(3,732)	(126)	(4,244)	(145)
Subtotal	\$1,676,749	\$56,724	\$1,352,505	\$46,176

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Rent revenue from investment properties	\$5,305,185	\$179,472	\$4,806,553	\$164,102
Less: Direct operating expense related to investment properties	(239,760)	(8,111)	(237,568)	(8,111)
Direct operating expense related to investment properties not generating rent revenue	(13,988)	(473)	(11,627)	(397)
Subtotal	\$5,051,437	\$170,888	\$4,557,358	\$155,594

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The fair value of investment properties held by the Group at 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012 were NT\$264,827,047 (US\$8,958,966) thousands, NT\$253,127,873 (US\$8,713,524) thousands, NT\$241,748,609 (US\$8,253,623) thousands and NT\$229,492,637 (US\$7,581,521) thousands, respectively. The fair value evaluated by independent experts of appraisal are NT\$264,450,683 (US\$8,946,234) thousands, NT\$252,638,050 (US\$8,696,663) thousands, NT\$241,261,605 (US\$8,236,996) 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\$376,364 (US\$12,732) thousands, NT\$489,823 (US\$16,861) thousands, NT\$487,004 (US\$16,627) 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.

- (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 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012.

15. Property and equipment

NT\$									
		Building and	Computer	Transport	Other	Leasehold		Construction	
	Land	construction	equipment	equipment	equipment	improvement	Leased assets	in progress and	Total
Cost:								prepayment for	
								real estate	
1 January 2013	\$43,382,622	\$41,270,184	\$7,093,302	\$124,337	\$10,088,880	\$311,353	\$275,652	\$426,058	\$102,972,388
Additions	-	21,207	485,422	4,435	283,195	86,391	-	516,119	1,396,769
Transfers	-	22,884	54,549	(80)	106,277	(4,111)	-	(196,012)	(16,493)
Disposal	-	(337)	(416,635)	(12,011)	(79,783)	(25,846)	-	-	(534,612)
Reclassification	-	-	(404)	-	404	-	-	-	-
Exchange difference	2,315	124,286	18,087	1,514	1,748	7,086	-	3,027	158,063
30 September 2013	\$43,384,937	\$41,438,224	\$7,234,321	\$118,195	\$10,400,721	\$374,873	\$275,652	\$749,192	\$103,976,115

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Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and	Total
								prepayment for real estate	
1 January 2013	\$1,467,612	\$1,396,150	\$239,963	\$4,206	\$341,302	\$10,533	\$9,325	\$14,413	\$3,483,504
Additions	-	717	16,422	150	9,580	2,923	-	17,460	47,252
Transfers	-	774	1,845	(3)	3,595	(139)	-	(6,631)	(559)
Disposal	-	(11)	(14,095)	(406)	(2,699)	(874)	-	-	(18,085)
Reclassification	-	-	(14)	-	14	-	-	-	-
Exchange difference	78	4,206	613	51	59	241	-	102	5,350
30 September 2013	\$1,467,690	\$1,401,836	\$244,734	\$3,998	\$351,851	\$12,684	\$9,325	\$25,344	\$3,517,462

NT\$

Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and	Total
								prepayment for real estate	
1 January 2012	\$26,545,629	\$31,265,218	\$6,946,054	\$100,080	\$10,059,281	\$267,906	\$-	\$179,212	\$75,363,380
Additions	-	4,271	146,475	7,869	212,343	17,421	275,652	322,537	986,568
Transfers	5,257,907	1,915,083	74,704	-	83,641	-	-	(165,798)	7,165,537
Disposal	-	(5,446)	(196,734)	(2,190)	(106,463)	-	-	-	(310,833)
Reclassification	-	-	-	-	-	4,266	-	-	4,266
Exchange difference	-	(3,513)	(14,091)	(1,787)	(23,319)	(6,031)	-	(3,386)	(52,127)
30 September 2012	\$31,803,536	\$33,175,613	\$6,956,408	\$103,972	\$10,225,483	\$283,562	\$275,652	\$332,565	\$83,156,791

US\$

Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and	Total
								prepayment for real estate	
1 January 2012	\$906,303	\$1,067,437	\$237,148	\$3,417	\$343,437	\$9,147	\$-	\$6,119	\$2,573,008
Additions	-	146	5,001	269	7,250	595	9,411	11,012	33,684
Transfers	179,512	65,384	2,550	-	2,856	-	-	(5,661)	244,641
Disposal	-	(186)	(6,717)	(75)	(3,635)	-	-	-	(10,613)
Reclassification	-	-	-	-	-	146	-	-	146
Exchange difference	-	(120)	(482)	(61)	(797)	(206)	-	(116)	(1,782)
30 September 2012	\$1,085,815	\$1,132,661	\$237,500	\$3,550	\$349,111	\$9,682	\$9,411	\$11,354	\$2,839,084

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Depreciation and impairment:								Construction in progress and prepayment for	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	
1 January 2013	\$105,610	\$16,508,215	\$6,138,136	\$89,828	\$8,409,735	\$220,282	\$28,714	\$-	\$31,500,520
Depreciation	-	683,905	372,810	6,953	384,150	32,680	51,685	-	1,532,183
Transfers	-	42	(2,687)	45	7,439	-	-	-	4,839
Disposal	-	(175)	(407,288)	(11,094)	(75,722)	(22,289)	-	-	(516,568)
Reclassification	-	-	(299)	-	299	-	-	-	-
Exchange difference	-	2,431	9,069	932	2,742	5,218	-	-	20,392
30 September 2013	\$105,610	\$17,194,418	\$6,109,741	\$86,664	\$8,728,643	\$235,891	\$80,399	\$-	\$32,541,366

US\$

Depreciation and impairment:								Construction in progress and prepayment for	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	
1 January 2013	\$3,573	\$558,465	\$207,650	\$3,039	\$284,497	\$7,452	\$971	\$-	\$1,065,647
Depreciation	-	23,136	12,612	235	12,996	1,106	1,748	-	51,833
Transfers	-	1	(91)	2	252	-	-	-	164
Disposal	-	(6)	(13,778)	(375)	(2,562)	(754)	-	-	(17,475)
Reclassification	-	-	(10)	-	10	-	-	-	-
Exchange difference	-	82	307	32	93	177	-	-	691
30 September 2013	\$3,573	\$581,678	\$206,690	\$2,933	\$295,286	\$7,981	\$2,719	\$-	\$1,100,860

NT\$

Depreciation and impairment:								Construction in progress and prepayment for	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	
1 January 2012	\$105,610	\$13,510,447	\$5,784,893	\$77,192	\$8,268,803	\$187,261	\$-	\$-	\$27,934,206
Depreciation	-	1,273,654	354,564	5,061	481,309	32,226	11,486	-	2,158,300
Transfers	-	378,261	759	(8)	-	-	-	-	379,012
Disposal	-	(5,446)	(193,366)	(2,190)	(99,553)	-	-	-	(300,555)
Exchange difference	-	(1,288)	(9,403)	(1,114)	(89,892)	(4,259)	-	-	(105,956)
30 September 2012	\$105,610	\$15,155,628	\$5,937,447	\$78,941	\$8,560,667	\$215,228	\$11,486	\$-	\$30,065,007

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Depreciation and impairment:								Construction	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	in progress and prepayment for real estate	
1 January 2012	\$3,606	\$461,265	\$197,504	\$2,635	\$282,308	\$6,393	\$-	\$-	\$953,711
Depreciation	-	43,484	12,105	173	16,433	1,100	392	-	73,687
Transfers	-	12,914	26	-	-	-	-	-	12,940
Disposal	-	(186)	(6,602)	(75)	(3,399)	-	-	-	(10,262)
Exchange difference	-	(44)	(321)	(38)	(3,069)	(145)	-	-	(3,617)
30 September 2012	\$3,606	\$517,433	\$202,712	\$2,695	\$292,273	\$7,348	\$392	\$-	\$1,026,459

NT\$

Net book value								Construction	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	in progress and prepayment for real estate	
30 September 2013	\$43,279,327	\$24,243,806	\$1,124,580	\$31,531	\$1,672,078	\$138,982	\$195,253	\$749,192	\$71,434,749
31 December 2012	\$43,277,012	\$24,761,969	\$955,166	\$34,509	\$1,679,145	\$91,071	\$246,938	\$426,058	\$71,471,868
30 September 2012	31,697,926	\$18,019,985	\$1,018,961	\$25,031	\$1,664,816	\$68,334	\$264,166	\$332,565	\$53,091,784
1 January 2012	\$26,440,019	\$17,754,771	\$1,161,161	\$22,888	\$1,790,478	\$80,645	\$-	\$179,212	\$47,429,174

US\$

Net book value								Construction	Total
	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	in progress and prepayment for real estate	
30 September 2013	\$1,464,117	\$820,158	\$38,044	\$1,065	\$56,565	\$4,703	\$6,606	\$25,344	\$2,416,602
31 December 2012	\$1,464,039	\$837,685	\$32,313	\$1,167	\$56,805	\$3,081	\$8,354	\$14,413	\$2,417,857
30 September 2012	\$1,082,209	\$615,228	\$34,788	\$855	\$56,838	\$2,334	\$9,019	\$11,354	\$1,812,625
1 January 2012	\$902,697	\$606,172	\$39,644	\$782	\$61,129	\$2,754	\$-	\$6,119	\$1,619,297

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16. Intangible assets

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
1 January 2013	\$8,571,251	\$289,961	\$3,490,803	\$118,092	\$12,062,054	\$408,053
Addition-individual acquisition	-	-	120,336	4,071	120,336	4,071
Reduction	-	-	(59,227)	(2,004)	(59,227)	(2,004)
Transfer	-	-	23,694	802	23,694	802
Reclassification	-	-	(8,160)	(276)	(8,160)	(276)
Exchange difference	5,644	191	8,446	286	14,090	477
30 September 2013	\$8,576,895	\$290,152	\$3,575,892	\$120,971	\$12,152,787	\$411,123

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
1 January 2012	\$8,263,270	\$282,119	\$3,480,135	\$118,817	\$11,743,405	\$400,936
Addition-individual acquisition	-	-	86,945	2,968	86,945	2,968
Reduction	-	-	(99,996)	(3,414)	(99,996)	(3,414)
Reclassification	-	-	45,025	1,537	45,025	1,537
Exchange difference	-	-	(8,120)	(277)	(8,120)	(277)
30 September 2012	\$8,263,270	\$282,119	\$3,503,989	\$119,631	\$11,767,259	\$401,750

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
1 January 2013	\$-	\$-	\$2,669,047	\$90,293	\$2,669,047	\$90,293
Amortization	-	-	244,286	8,264	244,286	8,264
Reduction	-	-	(59,248)	(2,004)	(59,248)	(2,004)
Reclassification	-	-	(2,535)	(86)	(2,535)	(86)
Exchange difference	-	-	4,220	143	4,220	143
30 September 2013	\$-	\$-	\$2,855,770	\$96,610	\$2,855,770	\$96,610

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
1 January 2012	\$-	\$-	\$2,405,898	\$82,141	\$2,405,898	\$82,141
Amortization	-	-	257,445	8,790	257,445	8,790
Reduction	-	-	(99,996)	(3,414)	(99,996)	(3,414)
Reclassification	-	-	8	-	8	-
Exchange difference	-	-	(3,910)	(134)	(3,910)	(134)
30 September 2012	\$-	\$-	\$2,559,445	\$87,383	\$2,559,445	\$87,383

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	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net Book value:						
30 September 2013	\$8,576,895	\$290,152	\$720,122	\$24,361	\$9,297,017	\$314,513
31 December 2012	\$8,571,251	\$289,961	\$821,756	\$27,799	\$9,393,007	\$317,760
30 September 2012	\$8,263,270	\$282,119	\$944,544	\$32,248	\$9,207,814	\$314,367
1 January 2012	\$8,263,270	\$282,119	\$1,074,237	\$36,676	\$9,337,507	\$318,795

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

17. Financial liabilities at fair value through profit or loss

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$17,504,113	\$592,155	\$7,582,664	\$261,021
Security lending payables hedging	217,998	7,375	287,312	9,890
Security lending payables non-hedging	1,351,646	45,726	1,216,370	41,872
Total	\$19,073,757	\$645,256	\$9,086,346	\$312,783

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$8,502,438	\$290,285	\$21,801,787	\$720,244
Security lending payables hedging	208,295	7,111	374,345	12,367
Security lending payables non-hedging	1,283,621	43,825	960,011	31,715
Total	\$9,994,354	\$341,221	\$23,136,143	\$764,326

18. Commercial paper payables

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$7,780,000	\$263,194	\$5,540,000	\$190,706
Less: Discount on commercial paper payable	-	-	-	-
Total	\$7,780,000	\$263,194	\$5,540,000	\$190,706

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$3,970,000	\$135,541	\$8,720,000	\$288,074
Less: Discount on commercial paper payable	-	-	-	-
Total	\$3,970,000	\$135,541	\$8,720,000	\$288,074

As at 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the average interest rates for the commercial paper payables were 0.63%~0.97%, 0.74%~0.93%, 0.75%~0.93% and 0.47%~0.94% respectively.

19. Deposits

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$12,319,232	\$416,753	\$15,960,965	\$549,431
Demand deposits	274,854,592	9,298,193	250,331,642	8,617,268
Demand savings deposits	613,858,752	20,766,534	576,919,684	19,859,542
Time deposits	655,551,215	22,176,970	613,815,927	21,129,636
Remittances	1,755,413	59,385	1,559,758	53,692
Total	\$1,558,339,204	\$52,717,835	\$1,458,587,976	\$50,209,569

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$14,683,310	\$501,308	\$14,256,907	\$470,991
Demand deposits	245,030,204	8,365,661	224,538,903	7,417,869
Demand savings deposits	579,764,464	19,793,938	559,952,874	18,498,609
Time deposits	613,504,646	20,945,874	615,086,848	20,320,015
Remittances	1,558,783	53,219	586,296	19,369
Total	\$1,454,541,407	\$49,660,000	\$1,414,421,828	\$46,726,853

20. Bonds payable

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,353,180	\$40,000,000	\$1,376,936
Convertible bonds	7,548,048	255,347	7,412,199	255,153
Discount on convertible bonds	(54,790)	(1,854)	(99,823)	(3,436)
Subordinated financial debentures	51,613,364	1,746,054	41,438,544	1,426,456
Discount on financial debentures	(18,204)	(616)	(23,666)	(815)
Valuation adjustment	825,428	27,924	1,103,753	37,995
Total	\$99,913,846	\$3,380,035	\$89,831,007	\$3,092,289

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,365,654	\$40,000,000	\$1,321,440
Convertible bonds	7,464,605	254,851	-	-
Discount on convertible bonds	(115,912)	(3,957)	-	-
Subordinated financial debentures	41,505,984	1,417,070	34,724,925	1,147,173
Discount on financial debentures	(25,696)	(877)	(32,218)	(1,064)
Valuation adjustment	1,211,310	41,356	1,331,118	43,975
Total	\$90,040,291	\$3,074,097	\$76,023,825	\$2,511,524

(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 thousand, 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.

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- c. The Company is entitled to redeem all of the bonds at the price of call provision, if its cost rises due to change of relevant R. O. C tax laws.
 - d. The bondholders may demand the Company to redeem fully or partly the bonds at the price of call provision, if the Company's common stock issued at Taiwan Stock Exchange Corporation is delisted or is prohibited from trading in the market for consecutive thirty days or more.
 - e. The bondholders may demand the Company to redeem fully or partly the bonds at the price of call provision, if a change of controlling rights specified in the entrusted contract occurs.
- F. Redemption at maturity: the Company redeems the bonds at par value plus an annual interest rate of 0.25% unless any of the following event occurs prior to maturity:
- a. The bonds have been redeemed because the Company or the bondholders exercise the option.
 - b. The bondholders already exercised the conversion right.
 - c. The Company has redeemed or repurchased and cancelled the bonds.
- G. Conversion:
- a. Underlying stock: Common stock of the Company
 - b. The period of conversion: The bondholders may demand to convert bonds into issued common stocks of the Company from 24 September 2012 to 14 August 2014.
 - c. The conversion price was set at NT\$38.10 per share. The exchange rate used when conversion is 1:29.938. The conversion price is adjusted by the formula specified in the issuance prospectus if events relating to the Company's common stock identified in the prospectus occur.

The Company recognized discount amortization expense of the second Euro convertible bonds issued by the Company in the amount of NT\$47,096 (US\$1,593) thousands for the nine-month periods ended 30 September 2013 and loss on valuation of financial liabilities at NT\$1,135,926 (US\$38,428) thousands, which were recorded under "Interest Expense" and "Loss on valuation of trading financial assets", respectively.

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

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- (2) Cathay United Bank issued a 15-year US\$500,000 thousand 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 thousand on May 2009.
- (3) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 (US\$40,595) thousands 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\$33,829) thousands 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\$94,723) thousands 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\$676,590) thousands 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\$123,478) thousands 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\$50,744) thousands 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\$676,590) 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\$130,244) thousands with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.

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- (11) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$50,744) thousands 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\$131,935) thousands 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\$84,574) thousands 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\$6,766) thousands 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\$142,084) thousands 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\$189,445) thousands 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\$3,383) thousands 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\$334,912) thousands 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.

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21. Other financial liabilities

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$367,150,507	\$12,420,518	\$329,557,246	\$11,344,483
Principle received from the sale of structured products	28,460,292	962,797	17,340,691	596,926
Borrowed funds	49,163	1,663	85,500	2,943
Other financial liabilities	1,060,465	35,875	1,246,500	42,909
Total	\$396,720,427	\$13,420,853	\$348,229,937	\$11,987,261

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$317,518,669	\$10,840,515	\$294,051,012	\$9,714,272
Principle received from the sale of structured products	19,521,360	666,485	10,475,555	346,070
Borrowed funds	101,104	3,452	135,518	4,477
Other financial liabilities	1,155,755	39,459	1,104,358	36,484
Total	\$338,296,888	\$11,549,911	\$305,766,443	\$10,101,303

22. Provisions

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$23,093,190	\$781,231	\$22,176,220	\$763,381
Reserve for life insurance liabilities	3,188,304,950	107,858,760	2,993,462,480	103,045,180
Special reserve	52,372,525	1,771,736	59,874,744	2,061,093
Reserve for claims	10,576,364	357,793	10,356,844	356,518
Premium deficiency reserve	19,430,050	657,309	17,198,784	592,041
Reserve for insurance contracts with feature of financial instruments	58,276,728	1,971,473	61,350,872	2,111,906
Foreign exchange volatility reserve	8,544,887	289,069	4,270,856	147,017
Reserve for Guarantees	24,892	842	24,892	857
Reserve for employee benefits liabilities	5,930,467	200,625	5,813,917	200,134
Contingent liabilities reserve	956,515	32,359	1,158,682	39,886
Total	\$3,367,510,568	\$113,921,197	\$3,175,688,291	\$109,318,013

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	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$21,401,099	\$730,662	\$21,175,033	\$699,539
Reserve for life insurance liabilities	2,933,665,767	100,159,296	2,697,468,563	89,113,596
Special reserve	60,224,701	2,056,152	64,689,886	2,137,096
Reserve for claims	10,524,347	359,315	9,664,737	319,284
Premium deficiency reserve	15,927,127	543,774	13,624,753	450,107
Reserve for insurance contracts with feature of financial instruments	62,524,655	2,134,676	66,884,711	2,209,604
Foreign exchange volatility reserve	4,286,477	146,346	-	-
Reserve for Guarantees	24,892	850	24,892	822
Reserve for employee benefits liabilities	5,710,217	194,954	5,699,240	188,281
Contingent liabilities reserve	1,171,399	39,993	1,171,399	38,698
Total	\$3,115,460,681	\$106,366,018	\$2,880,403,214	\$95,157,027

(1) Life insurance subsidiaries

As of 30 September 2013, 31 December 2012, 30 September 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:

	2013.9.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary participation feature			Financial instruments with discretionary participation feature		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$2,723,920,157	\$42,693,646	\$2,766,613,803	\$2,543,865,959	\$44,435,855	\$2,588,301,814
Injury insurance	7,902,089	-	7,902,089	7,888,169	-	7,888,169
Health insurance	304,210,521	-	304,210,521	270,572,717	-	270,572,717
Annuity insurance	1,233,184	107,190,683	108,423,867	1,226,217	124,300,017	125,526,234
Investment-linked insurance	1,091,378	-	1,091,378	1,110,254	-	1,110,254
Recover from major incident reserve	63,292	-	63,292	63,292	-	63,292
Total	\$3,038,420,621	\$149,884,329	\$3,188,304,950	\$2,824,726,608	\$168,735,872	\$2,993,462,480

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	2013.9.30(US\$)			2012.12.31(US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$92,148,855	\$1,444,305	\$93,593,160	\$87,568,535	\$1,529,634	\$89,098,169
Injury insurance	267,324	-	267,324	271,538	-	271,538
Health insurance	10,291,289	-	10,291,289	9,314,035	-	9,314,035
Annuity insurance	41,718	3,626,207	3,667,925	42,210	4,278,830	4,321,040
Investment-linked insurance	36,921	-	36,921	38,219	-	38,219
Recover from major incident reserve	2,141	-	2,141	2,179	-	2,179
Total	\$102,788,248	\$5,070,512	\$107,858,760	\$97,236,716	\$5,808,464	\$103,045,180

	2012.9.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$2,494,842,446	\$44,767,606	\$2,539,610,052	\$2,264,820,789	\$44,410,268	\$2,309,231,057
Injury insurance	7,807,817	-	7,807,817	7,663,561	-	7,663,561
Health insurance	257,736,388	-	257,736,388	228,646,823	-	228,646,823
Annuity insurance	1,355,427	126,034,356	127,389,783	1,468,242	149,221,880	150,690,122
Investment-linked insurance	1,074,258	-	1,074,258	1,237,000	-	1,237,000
Recover from major incident reserve	47,469	-	47,469	-	-	-
Total	\$2,762,863,805	\$170,801,962	\$2,933,665,767	\$2,503,836,415	\$193,632,148	\$2,697,468,563

	2012.9.30 (US\$)			2012.1.1 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Life insurance	\$85,177,277	\$1,528,426	\$86,705,703	\$74,820,640	\$1,467,138	\$76,287,778
Injury insurance	266,569	-	266,569	253,173	-	253,173
Health insurance	8,799,467	-	8,799,467	7,553,579	-	7,553,579
Annuity insurance	46,276	4,302,983	4,349,259	48,505	4,929,695	4,978,200
Investment-linked insurance	36,677	-	36,677	40,866	-	40,866
Recover from major incident reserve	1,621	-	1,621	-	-	-
Total	\$94,327,887	\$5,831,409	\$100,159,296	\$82,716,763	\$6,396,833	\$89,113,596

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Reserve for life insurance liabilities is summarized below:

	2013.1.1~2013.9.30 (NT\$)			2012.1.1~2012.9.30 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$2,824,726,608	\$168,735,872	\$2,993,462,480	\$2,503,836,415	\$193,632,148	\$2,697,468,563
Reserve	295,577,675	8,835,260	304,412,935	360,769,393	773,556	361,542,949
Recover	(85,164,892)	(27,003,557)	(112,168,449)	(97,541,690)	(23,591,552)	(121,133,242)
Losses (gains) on foreign exchange	3,281,230	(683,246)	2,597,984	(4,200,313)	(12,190)	(4,212,503)
Ending balance	\$3,038,420,621	\$149,884,329	\$3,188,304,950	\$2,762,863,805	\$170,801,962	\$2,933,665,767

	2013.1.1~2013.9.30 (US\$)			2012.1.1~2012.9.30 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$95,559,087	\$5,708,250	\$101,267,337	\$85,484,343	\$6,610,862	\$92,095,205
Reserve	9,999,245	298,893	10,298,138	12,317,152	26,410	12,343,562
Recover	(2,881,086)	(913,517)	(3,794,603)	(3,330,204)	(805,447)	(4,135,651)
Losses (gains) on foreign exchange	111,002	(23,114)	87,888	(143,404)	(416)	(143,820)
Ending balance	\$102,788,248	\$5,070,512	\$107,858,760	\$94,327,887	\$5,831,409	\$100,159,296

B. Unearned premium reserve:

	2013.9.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$332,622	\$-	\$332,622	\$286,321	\$-	\$286,321
Individual injury insurance	4,582,620	-	4,582,620	4,536,860	-	4,536,860
Individual health insurance	6,079,407	-	6,079,407	6,137,375	-	6,137,375
Group insurance	1,125,567	-	1,125,567	1,025,604	-	1,025,604
Investment-linked insurance	111,070	-	111,070	118,616	-	118,616
Total	12,231,286	-	12,231,286	12,104,776	-	12,104,776
Less ceded unearned premium reserve:						
Individual life insurance	2,667,015	-	2,667,015	3,686,674	-	3,686,674
Individual injury insurance	474,455	-	474,455	4,690,485	-	4,690,485
Individual health insurance	4,519	-	4,519	2,862	-	2,862
Group insurance	23,801	-	23,801	4,260	-	4,260
Total	3,169,790	-	3,169,790	8,384,281	-	8,384,281
Net	\$9,061,496	\$-	\$9,061,496	\$3,720,495	\$-	\$3,720,495

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	2013.9.30 (US\$)			2012.12.31 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$11,253	\$-	\$11,253	\$9,856	\$-	\$9,856
Individual injury insurance	155,028	-	155,028	156,174	-	156,174
Individual health insurance	205,663	-	205,663	211,269	-	211,269
Group insurance	38,077	-	38,077	35,305	-	35,305
Investment-linked insurance	3,757	-	3,757	4,083	-	4,083
Total	413,778	-	\$413,778	416,687	-	\$416,687
Less ceded unearned premium reserve:						
Individual life insurance	90,224	-	90,224	126,907	-	126,907
Individual injury insurance	16,050	-	16,050	161,462	-	161,462
Individual health insurance	153	-	153	99	-	99
Group insurance	805	-	805	147	-	147
Total	107,232	-	107,232	288,615	-	288,615
Net	\$306,546	\$-	\$306,546	\$128,072	\$-	\$128,072

	2012.9.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$256,348	\$2	\$256,350	\$209,502	\$4	\$209,506
Individual injury insurance	4,427,770	-	4,427,770	4,356,325	-	4,356,325
Individual health insurance	5,741,025	-	5,741,025	5,764,803	-	5,764,803
Group insurance	1,038,079	-	1,038,079	1,808,627	-	1,808,627
Investment-linked insurance	113,228	-	113,228	120,773	-	120,773
Total	11,576,450	2	11,576,452	12,260,030	4	12,260,034
Less ceded unearned premium reserve:						
Individual life insurance	3,745,700	-	3,745,700	2,513,092	-	2,513,092
Individual injury insurance	4,593,480	-	4,593,480	4,807,335	-	4,807,335
Individual health insurance	3,432	-	3,432	2,937	-	2,937
Group insurance	4,166	-	4,166	5,106	-	5,106
Investment-linked insurance	-	-	-	1,289,194	-	1,289,194
Total	8,346,778	-	8,346,778	8,617,664	-	8,617,664
Net	\$3,229,672	\$2	\$3,229,674	\$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)

	2012.9.30 (US\$)			2012.1.1 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$8,752	\$-	\$8,752	\$6,921	\$-	\$6,921
Individual injury insurance	151,170	-	151,170	143,916	-	143,916
Individual health insurance	196,006	-	196,006	190,446	-	190,446
Group insurance	35,441	-	35,441	59,750	-	59,750
Investment-linked insurance	3,866	-	3,866	3,990	-	3,990
Total	395,235	-	\$395,235	405,023	-	\$405,023
Less ceded unearned premium reserve:						
Individual life insurance	127,883	-	127,883	83,023	-	83,023
Individual injury insurance	156,828	-	156,828	158,815	-	158,815
Individual health insurance	117	-	117	97	-	97
Group insurance	142	-	142	169	-	169
Investment-linked insurance	-	-	-	42,590	-	42,590
Total	284,970	-	284,970	284,694	-	284,694
Net	\$110,265	\$-	\$110,265	\$120,329	\$-	\$120,329

Unearned premium reserve is summarized below:

	2013.1.1~2013.9.30 (NT\$)			2012.1.1~2012.9.30 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$12,104,776	\$-	\$12,104,776	\$12,260,030	\$4	\$12,260,034
Reserve	12,178,438	-	12,178,438	11,507,839	2	11,507,841
Recover	(12,061,844)	-	(12,061,844)	(12,183,614)	(4)	(12,183,618)
Losses (gains) on foreign exchange	9,916	-	9,916	(7,805)	-	(7,805)
Ending balance	12,231,286	-	12,231,286	11,576,450	2	11,576,452
Less ceded unearned premium reserve:						
Beginning balance-Net	8,384,281	-	8,384,281	8,617,664	-	8,617,664
Increase	173,595	-	173,595	24	-	24
Decrease	(5,388,551)	-	(5,388,551)	(270,690)	-	(270,690)
Gain or loss on foreign exchange	465	-	465	(220)	-	(220)
Total	3,169,790	-	3,169,790	8,346,778	-	8,346,778
Ending balance-Net	\$9,061,496	\$-	\$9,061,496	\$3,229,672	\$2	\$3,229,674

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	2013.1.1~2013.9.30 (US\$)			2012.1.1~2012.9.30 (US\$)		
	Financial instruments with discretionary		Total	Financial instruments with discretionary		Total
	Insurance contract	participation feature		Insurance contract	participation feature	
Beginning balance	\$409,499	\$-	\$409,499	\$418,574	\$-	\$418,574
Reserve	411,990	-	411,990	392,893	-	392,893
Recover	(408,046)	-	(408,046)	(415,965)	-	(415,965)
Exchange	335	-	335	(267)	-	(267)
Ending balance	413,778	-	413,778	395,235	-	395,235
Less ceded unearned premium reserve:						
Beginning balance-Net	283,636	-	283,636	294,219	-	294,219
Increase	5,872	-	5,872	1	-	1
Decrease	(182,292)	-	(182,292)	(9,242)	-	(9,242)
Gain or loss on foreign exchange	16	-	16	(8)	-	(8)
Total	107,232	-	107,232	284,970	-	284,970
Ending balance-Net	\$306,546	\$-	\$306,546	\$110,265	\$-	\$110,265

C. Reserve for claims:

	2013.9.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary		Total	Financial instruments with discretionary		Total
	Insurance contract	participation feature		Insurance contract	participation feature	
Individual life insurance						
– Reported but not paid claim	\$147,605	\$797	\$148,402	\$110,006	\$797	\$110,803
– Unreported claim	52,838	-	52,838	52,108	-	52,108
Individual injury insurance						
– Reported but not paid claim	127,011	-	127,011	150,906	-	150,906
– Unreported claim	1,077,209	-	1,077,209	1,027,670	-	1,027,670
Individual health insurance						
– Reported but not paid claim	147,109	-	147,109	127,591	-	127,591
– Unreported claim	1,698,416	-	1,698,416	1,542,886	-	1,542,886
Group insurance						
– Reported but not paid claim	95,102	-	95,102	102,306	-	102,306
– Unreported claim	1,293,175	-	1,293,175	1,432,384	-	1,432,384
Investment-linked insurance						
– Reported but not paid claim	10,900	-	10,900	4,600	-	4,600
Total	4,649,365	797	4,650,162	4,550,457	797	4,551,254
Less ceded reserve for claims:						
Individual injury insurance	695,322	-	695,322	781,354	-	781,354
Net	\$3,954,043	\$797	\$3,954,840	\$3,769,103	\$797	\$3,769,900

English Translation of Financial Statements Originally Issued in Chinese

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	2013.9.30 (US\$)			2012.12.31 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$4,993	\$27	\$5,020	\$3,787	\$27	\$3,814
– Unreported claim	1,787	-	1,787	1,794	-	1,794
Individual injury insurance						
– Reported but not paid claim	4,297	-	4,297	5,195	-	5,195
– Unreported claim	36,441		36,441	35,376		35,376
Individual health insurance						
– Reported but not paid claim	4,977	-	4,977	4,392	-	4,392
– Unreported claim	57,457	-	57,457	53,111	-	53,111
Group insurance						
– Reported but not paid claim	3,217	-	3,217	3,522	-	3,522
– Unreported claim	43,747	-	43,747	49,308	-	49,308
Investment-linked insurance						
– Reported but not paid claim	369	-	369	158	-	158
Total	157,285	27	157,312	156,643	27	156,670
Less ceded reserve for claims:						
Individual injury insurance	23,522	-	23,522	26,897	-	26,897
Net	\$133,763	\$27	\$133,790	\$129,746	\$27	\$129,773

	2012.9.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$162,429	\$2,459	\$164,888	\$139,339	\$3,242	\$142,581
– Unreported claim	48,065	-	48,065	35,995	-	35,995
Individual injury insurance						
– Reported but not paid claim	166,579	-	166,579	195,470	-	195,470
– Unreported claim	989,822	-	989,822	789,700	-	789,700
Individual health insurance						
– Reported but not paid claim	161,481	-	161,481	117,473	-	117,473
– Unreported claim	1,525,966	-	1,525,966	1,326,391	-	1,326,391
Group insurance						
– Reported but not paid claim	108,929	-	108,929	40,850	-	40,850
– Unreported claim	1,564,315	-	1,564,315	1,641,113	-	1,641,113
Investment-linked insurance						
– Reported but not paid claim	15,437	-	15,437	10,510	-	10,510
Total	4,743,023	2,459	4,745,482	4,296,841	3,242	4,300,083
Less ceded reserve for claims:						
Individual injury insurance	761,769	-	761,769	550,769	-	550,769
Net	\$3,981,254	\$2,459	\$3,983,713	\$3,746,072	\$3,242	\$3,749,314

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	2012.9.30 (US\$)			2012.1.1 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance						
– Reported but not paid claim	\$5,545	\$84	\$5,629	\$4,603	\$107	\$4,710
– Unreported claim	1,641	-	1,641	1,189	-	1,189
Individual injury insurance						
– Reported but not paid claim	5,687	-	5,687	6,457	-	6,457
– Unreported claim	33,794	-	33,794	26,088	-	26,088
Individual health insurance						
– Reported but not paid claim	5,513	-	5,513	3,881	-	3,881
– Unreported claim	52,099	-	52,099	43,819	-	43,819
Group insurance						
– Reported but not paid claim	3,719	-	3,719	1,350	-	1,350
– Unreported claim	53,408	-	53,408	54,216	-	54,216
Investment-linked insurance						
– Reported but not paid claim	527	-	527	347	-	347
Total	161,933	84	162,017	141,950	107	142,057
Less ceded reserve for claims:						
Individual injury insurance	26,008	-	26,008	18,195	-	18,195
Net	\$135,925	\$84	\$136,009	\$123,755	\$107	\$123,862

Reserve for claims is summarized below:

	2013.1.1~2013.9.30 (NT\$)			2012.1.1~2012.9.30 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$4,550,457	\$797	\$4,551,254	\$4,296,841	\$3,242	\$4,300,083
Reserve	4,600,603	797	4,601,400	4,996,739	2,459	4,999,198
Recover	(4,516,617)	(797)	(4,517,414)	(4,538,001)	(3,242)	(4,541,243)
Gains (loss) on foreign exchange	14,922	-	14,922	(12,556)	-	(12,556)
Ending balance	4,649,365	797	4,650,162	4,743,023	2,459	4,745,482
Less ceded reserve for claims:						
Beginning balance-Net	781,354	-	781,354	550,769	-	550,769
Increase	5,568	-	5,568	211,655	-	211,655
Decrease	(91,674)	-	(91,674)	(626)	-	(626)
Gains (loss) on foreign exchange	74	-	74	(29)	-	(29)
Total	695,322	-	695,322	761,769	-	761,769
Net	\$3,954,043	\$797	\$3,954,840	\$3,981,254	\$2,459	\$3,983,713

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	2013.1.1~2013.9.30 (US\$)			2012.1.1~2012.9.30 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$153,939	\$27	\$153,966	\$146,700	\$111	\$146,811
Reserve	155,636	27	155,663	170,595	84	170,679
Recover	(152,795)	(27)	(152,822)	(154,933)	(111)	(155,044)
Gains (loss) on foreign exchange	505	-	505	(429)	-	(429)
Ending balance	157,285	27	157,312	161,933	84	162,017
Less ceded reserve for claims:						
Beginning balance-Net	26,433	-	26,433	18,804	-	18,804
Increase	188	-	188	7,226	-	7,226
Decrease	(3,101)	-	(3,101)	(21)	-	(21)
Gains (loss) on foreign exchange	2	-	2	(1)	-	(1)
Total	23,522	-	23,522	26,008	-	26,008
Net	\$133,763	\$27	\$133,790	\$135,925	\$84	\$136,009

D. Special reserve:

	2013.9.30 (NT\$)				2012.12.31 (NT\$)			
	Financial instruments with discretionary				Financial instruments with discretionary			
	Insurance contract	participation feature	Other	Total	Insurance contract	participation feature	Other	Total
Participating policies dividends reserve	\$1,683	\$-	\$-	\$1,683	\$1,970	\$-	\$-	\$1,970
Special reserve for revaluation increments of property	-	-	47,946,619	47,946,619	517	-	55,416,619	55,417,136
Others	517	-	-	517	-	-	-	-
Total	\$2,200	\$-	\$47,946,619	\$47,948,819	\$2,487	\$-	\$55,416,619	\$55,419,106

	2013.9.30 (US\$)				2012.12.31 (US\$)			
	Financial instruments with discretionary				Financial instruments with discretionary			
	Insurance contract	participation feature	Other	Total	Insurance contract	participation feature	Other	Total
Participating policies dividends reserve	\$57	\$-	\$-	\$57	\$68	\$-	\$-	\$68
Special reserve for revaluation increments of property	-	-	1,622,010	1,622,010	18	-	1,907,629	1,907,647
Others	17	-	-	17	-	-	-	-
Total	\$74	\$-	\$1,622,010	\$1,622,084	\$86	\$-	\$1,907,629	\$1,907,715

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	2012.9.30 (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	\$1,520	\$-	\$-	\$1,520	\$227	\$-	\$-	\$227
Special reserve for revaluation increments of property	-	-	55,416,619	55,416,619	-	-	55,416,619	55,416,619
Reclassify to foreign exchange volatility reserve	-	-	-	-	4,511,406	-	-	4,511,406
Others	522	-	-	522	533	-	-	533
Total	\$2,042	\$-	\$55,416,619	\$55,418,661	\$4,512,166	\$-	\$55,416,619	\$59,928,785

	2012.9.30 (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	\$52	\$-	\$-	\$52	\$7	\$-	\$-	\$7
Special reserve for revaluation increments of property	-	-	1,891,998	1,891,998	-	-	1,830,744	1,830,744
Reclassify to foreign exchange volatility reserve	-	-	-	-	149,039	-	-	149,039
Others	18	-	-	18	18	-	-	18
Total	\$70	\$-	\$1,891,998	\$1,892,068	\$149,064	\$-	\$1,830,744	\$1,979,808

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Special reserve is summarized below:

	2013.1.1~2013.9.30 (NT\$)				2012.1.1~2012.9.30 (NT\$)			
	Financial instruments with discretionary insurance participation				Financial instruments with discretionary insurance participation			
	contract	feature	Other	Total	contract	feature	Other	Total
Beginning balance	\$2,487	\$-	\$55,416,619	\$55,419,106	\$4,512,166	\$-	\$55,416,619	\$59,928,785
Reserves for major incidents over 15 years	908	-	-	908	1,614	-	-	1,614
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	(1,195)	-	-	(1,195)	(321)	-	-	(321)
Reclassify to foreign exchange volatility reserve	-	-	-	-	(4,511,406)	-	-	(4,511,406)
Recover from special reserve for revaluation increments of property (Note)	-	-	(7,470,000)	(7,470,000)	-	-	-	-
Exchange difference	-	-	-	-	(11)	-	-	(11)
Ending balance	\$2,200	\$-	\$47,946,619	\$47,948,819	\$2,042	\$-	\$55,416,619	\$55,418,661

	2013.1.1~2013.9.30 (US\$)				2012.1.1~2012.9.30 (US\$)			
	Financial instruments with discretionary insurance participation				Financial instruments with discretionary insurance participation			
	contract	feature	Other	Total	contract	feature	Other	Total
Beginning balance	\$83	\$-	\$1,874,716	\$1,874,799	\$154,051	\$-	\$1,891,998	\$2,046,049
Reserves for major incidents over 15 years	31	-	-	31	55	-	-	55
Accumulated provision for special reserves for fluctuation of risks is more than 30 percent of the retained earned premium for the current year	(40)	-	-	(40)	(11)	-	-	(11)
Reclassify to foreign exchange volatility reserve	-	-	-	-	(154,025)	-	-	(154,025)
Recover from special reserve for revaluation increments of property (Note)	-	-	(252,706)	(252,706)	-	-	-	-
Exchange difference	-	-	-	-	-	-	-	-
Ending balance	\$74	\$-	\$1,622,010	\$1,622,084	\$70	\$-	\$1,891,998	\$1,892,068

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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.

E. Premium deficiency reserve:

	2013.9.30 (NT\$)			2012.12.31 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$18,667,313	\$-	\$18,667,313	\$16,389,516	\$-	\$16,389,516
Individual health insurance	614,810	-	614,810	690,546	-	690,546
Group insurance	1,461	-	1,461	41,573	-	41,573
Total	\$19,283,584	\$-	\$19,283,584	\$17,121,635	\$-	\$17,121,635

	2013.9.30 (US\$)			2012.12.31 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$631,506	\$-	\$631,506	\$564,183	\$-	\$564,183
Individual health insurance	20,799	-	20,799	23,771	-	23,771
Group insurance	49	-	49	1,431	-	1,431
Total	\$652,354	\$-	\$652,354	\$589,385	\$-	\$589,385

	2012.9.30 (NT\$)			2012.1.1 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$15,160,562	\$-	\$15,160,562	\$12,872,878	\$-	\$12,872,878
Individual health insurance	686,928	-	686,928	673,880	-	673,880
Group insurance	44,213	-	44,213	52,969	-	52,969
Total	\$15,891,703	\$-	\$15,891,703	\$13,599,727	\$-	\$13,599,727

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	2012.9.30 (US\$)			2012.1.1 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Individual life insurance	\$517,603	\$-	\$517,603	\$425,269	\$-	\$425,269
Individual health insurance	23,453	-	23,453	22,262	-	22,262
Group insurance	1,509	-	1,509	1,749	-	1,749
Total	\$542,565	\$-	\$542,565	\$449,280	\$-	\$449,280

Premium deficiency reserve is summarized below:

	2013.1.1~2013.9.30 (NT\$)			2012.1.1~2012.9.30 (NT\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$17,121,635	\$-	\$17,121,635	\$13,599,727	\$-	\$13,599,727
Reserve	2,382,523	-	2,382,523	2,475,914	-	2,475,914
Recover	(347,578)	-	(347,578)	-	-	-
Losses (gains) on foreign exchange	127,004	-	127,004	(183,938)	-	(183,938)
Ending balance	\$19,283,584	\$-	\$19,283,584	\$15,891,703	\$-	\$15,891,703

	2013.1.1~2013.9.30 (US\$)			2012.1.1~2012.9.30 (US\$)		
	Financial instruments with discretionary			Financial instruments with discretionary		
	Insurance contract	participation feature	Total	Insurance contract	participation feature	Total
Beginning balance	\$579,216	\$-	\$579,216	\$464,314	\$-	\$464,314
Reserve	80,600	-	80,600	84,531	-	84,531
Recover	(11,758)	-	(11,758)	-	-	-
Losses (gains) on foreign exchange	4,296	-	4,296	(6,280)	-	(6,280)
Ending balance	\$652,354	\$-	\$652,354	\$542,565	\$-	\$542,565

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share data and unless otherwise stated)**

F. Liability adequacy reserve

	<u>2013.9.30 (NT\$)</u>	<u>2013.9.30 (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	\$3,188,304,950	\$107,858,760
Unearned premium reserve	12,231,286	413,778
Premium deficiency reserve	19,283,584	652,354
Total	<u>\$3,219,819,820</u>	<u>\$108,924,892</u>
Book value of insurance liabilities	<u>\$3,219,819,820</u>	<u>\$108,924,892</u>
Estimated present value of cash flows	<u>\$2,768,317,572</u>	<u>\$93,650,797</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	\$103,045,180
Unearned premium reserve	12,104,776	416,687
Premium deficiency reserve	17,121,635	589,385
Total	<u>\$3,022,688,891</u>	<u>\$104,051,252</u>
Book value of insurance liabilities	<u>\$3,022,688,891</u>	<u>\$104,051,252</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>2012.9.30 (NT\$)</u>	<u>2012.9.30 (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	\$2,933,665,767	\$100,159,296
Unearned premium reserve	11,576,452	395,235
Premium deficiency reserve	15,891,703	542,565
Total	<u>\$2,961,133,922</u>	<u>\$101,097,096</u>
Book value of insurance liabilities	<u>\$2,961,133,922</u>	<u>\$101,097,096</u>
Estimated present value of cash flows	<u>\$2,136,802,876</u>	<u>\$72,953,325</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>

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	<u>2012.1.1 (NT\$)</u>	<u>2012.1.1 (US\$)</u>
	<u>Insurance contract and financial instruments with discretionary participation feature</u>	<u>Insurance contract and financial instruments with discretionary participation feature</u>
Reserve for life insurance liabilities	\$2,697,468,563	\$89,113,596
Unearned premium reserve	12,260,034	405,023
Premium deficiency reserve	13,599,727	449,280
Total	<u>\$2,723,328,324</u>	<u>\$89,967,899</u>
Book value of insurance liabilities	<u>\$2,723,328,324</u>	<u>\$89,967,899</u>
Estimated present value of cash flows	<u>\$2,370,460,405</u>	<u>\$78,310,552</u>
Balance of liability adequacy reserve	<u>\$-</u>	<u>\$-</u>

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

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 September 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 September 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.

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31 December 2012	
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2012. (2) Discount rate: Under assets allocation plan of current semi-annual report, discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2011, with neutral assumption for discount rates after 30 years.
31 September 2012	
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 30 September 2012. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2011, with neutral assumption for discount rates after 30 years.
1 January 2012	
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 1 January 2011. (2) Discount rate: Under assets allocation plan of current semi-annual report, discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2010, with neutral assumption for discount rates after 30 years (after 2041).

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

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

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1 January 2012

Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 1 January 2011.
	(2) Discount rate: Under assets allocation plan of annual report of 2010, discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2009.

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

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Life insurance	\$58,276,567	\$1,971,468	\$61,350,872	\$2,111,906
Investment-linked insurance	161	5	-	-
Total	\$58,276,728	\$1,971,473	\$61,350,872	\$2,111,906

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Life insurance	\$62,524,655	\$2,134,676	\$66,884,711	\$2,209,604

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$61,350,872	\$2,075,469	\$66,884,711	\$2,283,534
Premiums (returned) received	1,084,282	36,681	1,248,237	42,617
Insurance claim payments	(3,866,189)	(130,791)	(4,636,594)	(158,300)
Net provision of statutory reserve	(467,000)	(15,798)	(793,434)	(27,089)
Gain (losses) on foreign exchange	174,763	5,912	(178,265)	(6,086)
Ending balance	\$58,276,728	\$1,971,473	\$62,524,655	\$2,134,676

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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:

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$4,270,856	\$144,481	\$4,511,406	\$154,025
Reserve:				
Compulsory reserve	1,658,930	56,121	1,095,032	37,386
Extra reserve	3,558,051	120,367	944,888	32,260
Subtotal	5,216,981	176,488	2,039,920	69,646
Recover	942,950	31,900	2,264,849	77,325
Total	\$8,544,887	\$289,069	\$4,286,477	\$146,346

c. Effects due to foreign exchange volatility reserve:

<u>2013.9.30</u>	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	Item	NT\$	US\$	NT\$	US\$	NT\$
Consolidated income	\$30,326,478	\$1,025,929	\$26,779,032	\$905,921	\$(3,547,446)	\$(120,008)
Earnings per share	2.63	0.09	2.32	0.08	(0.31)	(0.01)
Foreign exchange volatility reserve	-	-	8,544,887	289,069	8,544,887	289,069
Equity	261,083,495	8,832,324	257,735,706	8,719,070	(3,347,789)	(113,254)
<u>2012.9.30</u>						
Item	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	\$12,554,152	\$428,616	\$12,740,843	\$434,990	\$186,691	\$6,374
Earnings per share	1.08	0.04	1.10	0.04	0.02	-
Foreign exchange volatility reserve	-	-	4,286,477	146,346	4,286,477	146,346
Equity	246,651,215	8,421,004	246,837,906	8,427,378	186,691	6,374

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(2) Century Insurance subsidiaries

A. Unearned premiums reserve

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

2013.9.30								
Item	Unearned premium reserve				Ceded unearned premium reserve			
	Assumed reinsurance							
	Direct business		business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,139,405	\$72,376	\$62,222	\$2,105	\$823,532	\$27,860	\$1,378,095	\$46,621
Marine insurance	160,604	5,434	11,984	405	118,871	4,021	53,717	1,818
Land and air insurance	3,294,044	111,436	13,153	445	116,206	3,931	3,190,991	107,950
Liability insurance	522,982	17,692	60	2	169,083	5,720	353,959	11,974
Bonding insurance	28,404	961	50	2	13,148	445	15,306	518
Other property insurance	1,373,786	46,474	30,806	1,042	475,198	16,076	929,394	31,440
Accident insurance	1,516,340	51,297	2,289	77	51,695	1,749	1,466,934	49,625
Health insurance	58,153	1,967	-	-	190	6	57,963	1,961
Compulsory automobile liability insurance	1,459,824	49,385	187,798	6,353	505,256	17,093	1,142,366	38,645
Total	\$10,553,542	\$357,022	\$308,362	\$10,431	\$2,273,179	\$76,901	\$8,588,725	\$290,552

2012.12.31								
Item	Unearned premium reserve				Ceded unearned premium reserve			
	Assumed reinsurance							
	Direct business		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

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2012.9.30

Item	2012.9.30							
	Unearned premium reserve				Ceded unearned premium reserve			
	Assumed reinsurance							
	Direct business		business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,135,220	\$72,898	\$47,775	\$1,631	\$903,894	\$30,860	\$1,279,101	\$43,669
Marine insurance	251,444	8,585	15,144	517	222,292	7,589	44,296	1,513
Land and air insurance	2,783,103	95,019	10,310	352	95,516	3,261	2,697,897	92,110
Liability insurance	492,505	16,815	191	7	172,035	5,874	320,661	10,948
Bonding insurance	27,323	933	487	17	11,811	403	15,999	547
Other property insurance	1,055,021	36,020	13,489	461	500,723	17,096	567,787	19,385
Accident insurance	1,496,079	51,078	24,879	849	70,360	2,402	1,450,598	49,525
Health insurance	96,250	3,286	-	-	1,083	37	95,167	3,249
Compulsory automobile liability insurance	1,191,387	40,676	184,040	6,283	476,555	16,270	898,872	30,689
Total	\$9,528,332	\$325,310	\$296,315	\$10,117	\$2,454,269	\$83,792	\$7,370,378	\$251,635

2012.1.1

Item	2012.1.1							
	Unearned premium reserve				Ceded unearned premium reserve			
	Assumed reinsurance							
	Direct business		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

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

Item	2013.1.1~2013.9.30			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$10,071,444	\$340,712	\$2,547,036	\$86,165
Reserve	10,843,524	366,831	2,262,874	76,552
Recover	(10,104,026)	(341,814)	(2,539,836)	(85,921)
Effects of exchange rate changes	50,962	1,724	3,105	105
Ending balance	\$10,861,904	\$367,453	\$2,273,179	\$76,901

Item	2012.1.1~2012.9.30			
	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$8,914,999	\$304,370	\$2,254,873	\$76,984
Reserve	9,829,323	335,586	2,455,426	83,832
Recover	(8,918,931)	(304,504)	(2,252,820)	(76,914)
Effects of exchange rate changes	(744)	(25)	(3,210)	(110)
Ending balance	\$9,824,647	\$335,427	\$2,454,269	\$83,792

B. Claims reserve

a. Claims reserve and ceded claims reserve

Item	2013.9.30							
	Claims reserve				Ceded claims reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	(1)	(2)	(3)	(4)=(1)+(2)-(3)	(1)	(2)	(3)	(4)
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,793,036	\$128,317	\$309,903	\$10,484	\$1,404,635	\$47,518	\$2,698,304	\$91,283
Unreported claims	1,754,952	59,369	68,311	2,311	377,943	12,786	1,445,320	48,894
Total	\$5,547,988	\$187,686	\$378,214	\$12,795	\$1,782,578	\$60,304	\$4,143,624	\$140,177

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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	\$5,474,182	\$188,440	\$331,408	\$11,408	\$2,014,316	\$69,339	\$3,791,274	\$130,509

2012.9.30								
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	\$4,498,800	\$153,595	\$235,870	\$8,053	\$1,869,798	\$63,837	\$2,864,872	\$97,811
Unreported claims	1,033,114	35,272	11,081	378	127,092	4,339	917,103	31,311
Total	\$5,531,914	\$188,867	\$246,951	\$8,431	\$1,996,890	\$68,176	\$3,781,975	\$129,122

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	\$5,120,540	\$169,162	\$244,114	\$8,065	\$2,175,269	\$71,862	\$3,189,385	\$105,365

b. Net changes for claims reserve and ceded claims reserve

2013.1.1~2013.9.30 (NT\$)								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claim reserve (5)= (1)-(2)+(3)-(4)	Ceded reinsurance business		Net change for ceded claims reserve (8)=(6)-(7)
	Reserve	Recover	Reserve	Recover		Reserve	Recover	
	(1)	(2)	(3)	(4)	(6)	(7)		
Claims reported but not paid off	\$3,788,450	\$4,125,018	\$309,903	\$293,676	\$(320,341)	\$1,404,561	\$1,728,408	\$(323,847)
Unreported claims	1,751,241	1,369,881	68,273	39,583	410,050	377,170	292,173	84,997
Total	\$5,539,691	\$5,494,899	\$378,176	\$333,259	\$89,709	\$1,781,731	\$2,020,581	\$(238,850)

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2013.1.1~2013.9.30 (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)=	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)
Claims reported but not paid off	\$128,161	\$139,547	\$10,484	\$9,935	\$(10,837)	\$47,516	\$58,471	\$(10,955)
Unreported claims	59,244	46,343	2,310	1,339	13,872	12,759	9,884	2,875
Total	\$187,405	\$185,890	\$12,794	\$11,274	\$3,035	\$60,275	\$68,355	\$(8,080)

2012.1.1~2012.9.30(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)=	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)
Claims reported but not paid off	\$4,502,685	\$4,058,390	\$235,870	\$196,679	\$483,486	\$1,871,257	\$1,895,603	\$(24,346)
Unreported claims	1,035,061	1,055,374	11,081	47,503	(56,735)	127,531	276,917	(149,386)
Total	\$5,537,746	\$5,113,764	\$246,951	\$244,182	\$426,751	\$1,998,788	\$2,172,520	\$(173,732)

2012.1.1~2012.9.30 (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)=	Reserve	Recover	(8)=(6)-(7)
	(1)	(2)	(3)	(4)	(1)-(2)+(3)-(4)	(6)	(7)	(8)=(6)-(7)
Claims reported but not paid off	\$153,728	\$138,559	\$8,053	\$6,715	\$16,507	\$63,887	\$64,719	\$(832)
Unreported claims	35,338	36,032	378	1,622	(1,938)	4,354	9,454	(5,100)
Total	\$189,066	\$174,591	\$8,431	\$8,337	\$14,569	\$68,241	\$74,173	\$(5,932)

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

Item	2013.9.30					
	Claims reserve					
	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$848,335	\$28,699	\$43,566	\$1,474	\$891,901	\$30,173
Marine insurance	692,563	23,429	269,284	9,110	961,847	32,539
Land and air insurance	802,050	27,133	609,528	20,620	1,411,578	47,753
Liability insurance	252,927	8,556	298,340	10,093	551,267	18,649
Bonding insurance	19,604	663	1,387	47	20,991	710
Other property insurance	589,824	19,954	189,576	6,413	779,400	26,367
Accident insurance	89,694	3,034	331,934	11,229	421,628	14,263
Health insurance	100	3	41,492	1,404	41,592	1,407
Compulsory automobile liability insurance	807,842	27,329	38,156	1,291	845,998	28,620
Total	\$4,102,939	\$138,800	\$1,823,263	\$61,681	\$5,926,202	\$200,481

Item	2012.12.31					
	Claims reserve					
	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,338,560	\$46,078	\$19,362	\$666	\$1,357,922	\$46,744
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	\$4,405,566	\$151,655	\$1,400,024	\$48,193	\$5,805,590	\$199,848

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

2012.9.30						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,013,975	\$68,760	\$36,232	\$1,237	\$2,050,207	\$69,997
Marine insurance	764,294	26,094	20,057	685	784,351	26,779
Land and air insurance	770,633	26,310	355,624	12,141	1,126,257	38,451
Liability insurance	192,305	6,566	202,811	6,924	395,116	13,490
Bonding insurance	20,905	714	2,000	68	22,905	782
Other property insurance	390,279	13,325	107,367	3,666	497,646	16,991
Accident insurance	120,319	4,108	261,668	8,934	381,987	13,042
Health insurance	7,744	264	37,141	1,268	44,885	1,532
Compulsory automobile liability insurance	454,216	15,507	21,295	727	475,511	16,234
Total	\$4,734,670	\$161,648	\$1,044,195	\$35,650	\$5,778,865	\$197,298

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

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d. Reinsurance asset- Ceded claims reserve for policyholder

Item	2013.9.30					
	Claims reserve					
	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$355,159	\$12,015	\$10,491	\$355	\$365,650	\$12,370
Marine insurance	484,814	16,401	207,344	7,014	692,158	23,415
Land and air insurance	61,028	2,065	16,602	562	77,630	2,627
Liability insurance	67,851	2,295	88,398	2,990	156,249	5,285
Bonding insurance	18,162	614	542	18	18,704	632
Other property insurance	139,267	4,711	16,680	564	155,947	5,275
Accident insurance	7,322	248	29,186	988	36,508	1,236
Health insurance	-	-	816	28	816	28
Compulsory automobile liability insurance	271,032	9,169	7,884	267	278,916	9,436
Total	\$1,404,635	\$47,518	\$377,943	\$12,786	\$1,782,578	\$60,304

Item	2012.12.31					
	Claims reserve					
	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	\$1,723,922	\$59,343	\$290,394	\$9,996	\$2,014,316	\$69,339

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2012.9.30						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$983,070	\$33,563	\$(1,288)	\$(44)	\$981,782	\$33,519
Marine insurance	427,893	14,609	3,517	120	431,410	14,729
Land and air insurance	92,890	3,171	8,689	297	101,579	3,468
Liability insurance	44,783	1,529	65,229	2,227	110,012	3,756
Bonding insurance	19,329	660	259	9	19,588	669
Other property insurance	140,925	4,811	8,324	284	149,249	5,095
Accident insurance	12,432	425	33,073	1,129	45,505	1,554
Health insurance	-	-	1,853	63	1,853	63
Compulsory automobile liability insurance	148,476	5,069	7,436	254	155,912	5,323
Total	\$1,869,798	\$63,837	\$127,092	\$4,339	\$1,996,890	\$68,176

2012.1.1						
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

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e. Reconciliation statement of claims reserve and ceded claims reserve

Item	2013.1.1~2013.9.30			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,805,590	\$196,400	\$2,014,316	\$68,143
Reserve	5,917,867	200,199	1,781,731	60,275
Recover	(5,828,158)	(197,164)	(2,020,581)	(68,355)
Effects of exchange rate changes	30,903	1,046	7,112	241
Ending balance	\$5,926,202	\$200,481	\$1,782,578	\$60,304

Item	2013.1.1~2013.9.30			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,364,654	\$183,157	\$2,175,269	\$74,267
Reserve	5,784,697	197,497	1,998,788	68,241
Recover	(5,357,946)	(182,928)	(2,172,520)	(74,173)
Effects of exchange rate changes	(12,540)	(428)	(4,647)	(159)
Ending balance	\$5,778,865	\$197,298	\$1,996,890	\$68,176

C. Special reserve

a. Special reserve - Compulsory automobile liability insurance

Item	2012.1.1~2012.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
	Beginning balance	\$2,307,591	\$78,065	\$2,434,890
Reserve	215,710	7,297	207,314	7,078
Recover	(247,643)	(8,378)	(140,978)	(4,813)
Ending balance	\$2,275,658	\$76,984	\$2,501,226	\$85,395

b. Special reserve - Non-compulsory automobile liability insurance

Item	2013.1.1~2013.9.30					
	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,113,068	\$37,655	\$1,034,979	\$35,013	\$2,148,047	\$72,668
Reserve	-	-	-	-	-	-
Recover	-	-	-	-	-	-
Ending balance	\$1,113,068	\$37,655	\$1,034,979	\$35,013	\$2,148,047	\$72,668

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Item	2012.1.1~2012.9.30					
	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,172,396	\$40,027	\$1,153,815	\$39,393	\$2,326,211	\$79,420
Reserve	-	-	-	-	-	-
Recover	-	-	(21,397)	(731)	(21,397)	(731)
Ending balance	\$1,172,396	\$40,027	\$1,132,418	\$38,662	\$2,304,814	\$78,689

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.

D. Premiums deficiency reserve

a. Premiums deficiency reserve and ceded premium deficiency reserve

Item	2013.9.30							
	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	\$3,840	\$130	\$80	\$3	\$-	\$-	\$3,920	\$133
Marine insurance	127	4	3	-	(10,632)	(359)	10,762	363
Land and air insurance	-	-	561	19	-	-	561	19
Liability insurance	15,489	524	7	-	-	-	15,496	524
Bonding insurance	7,223	244	-	-	6,516	220	707	24
Other property insurance	86,900	2,940	433	15	2	-	87,331	2,955
Accident insurance	-	-	120	4	-	-	120	4
Health insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	31,683	1,072	-	-	-	-	31,683	1,072
Total	\$145,262	\$4,914	\$1,204	\$41	\$(4,114)	\$(139)	\$150,580	\$5,094

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(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

2012.9.30

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	9,413	321	621	21	(1,836)	(63)	11,870	405
Land and air insurance	-	-	7,229	247	-	-	7,229	247
Liability insurance	245	8	-	-	-	-	245	8
Bonding insurance	3,516	120	-	-	3,460	118	56	2
Other property insurance	14,400	492	-	-	-	-	14,400	492
Accident insurance	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-
Total	\$27,574	\$941	\$7,850	\$268	\$1,624	\$55	\$33,800	\$1,154

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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	11,296	373	6	-	11,186	369	116	4	
Other property insurance	3,316	110	54	2	-	-	3,370	112	
Accident insurance	-	-	11	-	-	-	11	-	
Health insurance	-	-	-	-	-	-	-	-	
Total	\$24,418	\$807	\$608	\$20	\$6,137	\$203	\$18,889	\$624	

b. Net loss recognized for premiums deficiency reserve- Net change for premium deficiency reserve and ceded premiums deficiency reserve

2013.1.1~2013.9.30 (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	\$3,802	\$6,341	\$80	\$24	\$(2,483)	\$-	\$-	\$-	\$(2,483)
Marine insurance	126	9,328	3	726	(9,925)	(10,633)	(7,183)	(3,450)	(6,475)
Land and air insurance	-	-	561	9,320	(8,759)	-	-	-	(8,759)
Liability insurance	15,338	13,409	7	10	1,926	-	-	-	1,926
Bonding insurance	7,222	2,207	-	-	5,015	6,516	2,096	4,420	595
Other property insurance	86,054	36,637	429	447	49,399	2	35	(33)	49,432
Accident insurance	-	-	119	199	(80)	-	-	-	(80)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	31,374	-	-	-	31,374	-	-	-	31,374
Total	\$143,916	\$67,922	\$1,199	\$10,726	\$66,467	\$(4,115)	\$(5,052)	\$937	\$65,530

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2013.1.1~2013.9.30 (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	\$129	\$214	\$3	\$1	\$(83)	\$-	\$-	\$-	\$(83)
Marine insurance	4	316	-	25	(337)	(359)	(243)	(116)	(221)
Land and air insurance	-	-	19	315	(296)	-	-	-	(296)
Liability insurance	519	454	-	-	65	-	-	-	65
Bonding insurance	244	75	-	-	169	220	71	149	20
Other property insurance	2,911	1,239	14	15	1,671	-	1	(1)	1,673
Accident insurance	-	-	4	7	(3)	-	-	-	(3)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	1,062	-	-	-	1,062	-	-	-	1,062
Total	\$4,869	\$2,298	\$40	\$363	\$2,248	\$(139)	\$(171)	\$32	\$2,217

2012.1.1~2012.9.30 (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	\$-	\$-	\$-	\$432	\$(432)	\$-	\$(5,485)	\$5,485	\$(5,917)
Marine insurance	9,413	9,805	621	55	174	(1,836)	1,867	(3,703)	3,877
Land and air insurance	-	-	7,229	2	7,227	-	(1,480)	1,480	5,747
Liability insurance	247	-	-	49	198	-	49	(49)	247
Bonding insurance	3,517	11,293	-	6	(7,782)	3,460	11,185	(7,725)	(57)
Other property insurance	14,532	3,246	-	53	11,233	-	-	-	11,233
Accident insurance	-	-	-	11	(11)	-	-	-	(11)
Health insurance	-	-	-	-	-	-	-	-	-
Total	\$27,709	\$24,344	\$7,850	\$608	\$10,607	\$1,624	\$6,136	\$(4,512)	\$15,119

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2012.1.1~2012.9.30 (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	\$-	\$-	\$-	\$15	\$(15)	\$-	\$(187)	\$187	\$(202)
Marine insurance	321	335	21	2	5	(63)	64	(127)	132
Land and air insurance	-	-	247	-	247	-	(52)	52	195
Liability insurance	9	-	-	2	7	-	2	(2)	9
Bonding insurance	120	385	-	-	(265)	118	382	(264)	(1)
Other property insurance	496	111	-	2	383	-	-	-	383
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Total	\$946	\$831	\$268	\$21	\$362	\$55	\$209	\$(154)	\$516

c. Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

2013.1.1~2013.9.30				
Item	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$77,149	\$2,610	\$(5,055)	\$(171)
Reserve	145,115	4,909	(4,115)	(139)
Recover	(78,648)	(2,661)	5,052	171
Effects of exchange rate changes	2,850	97	4	-
Ending balance	\$146,466	\$4,955	\$(4,114)	\$(139)

2012.1.1~2012.9.30				
Item	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$25,026	\$854	\$6,137	\$209
Reserve	35,559	1,214	1,624	55
Recover	(24,952)	(852)	(6,136)	(209)
Effects of exchange rate changes	(209)	(7)	(1)	-
Ending balance	\$35,424	\$1,209	\$1,624	\$55

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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

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

The Group recognized expenses for defined contribution plan for the three-month periods ended 30 September 2013 and 2012, amounted to NT\$312,223 (US\$10,562) thousands and NT\$289,191 (US\$9,873) thousands, for the nine-month periods end 30 September 2013 and 2012, amounted to NT\$952,827 (US\$32,234) thousand and NT\$858,937 (US\$29,325) thousands, respectively.

(2) Defined benefit plans

Please refer to the consolidated financial report for the three-month periods ended 31 March 2013 and 2012 for information of the Group's defined benefit plans and the disclosure of 2012 defined benefit plans.

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The Group reconciliation expense for defined benefit plans for the three-month period ended 30 September 2013 and 2012, amounted to NT\$143,810 (US\$4,865) and NT\$149,512 (US\$5,105), for the nine-month period ended 30 September 2013 and 2012, amounted to NT\$431,266 (US\$14,590) and NT\$448,044 (US\$15,297).

(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 31 March 2013 and 2012.

Expenses under preferential interest rate deposits plan for the three-month period ended 30 September 2013 and 2012, amounted to 74,759 (US\$2,529) and NT\$46,142 (US\$1,575), for the nine-month period ended 30 September 2013 and 2012, amounted to NT\$218,041 (US\$7,376) and NT\$139,806 (US\$4,773), and were recorded as "Employee benefits expenses".

24. Common stock

- (1) As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the authorized share capital amounted to NT\$120,000,000 (US\$4,059,540) thousands, and the issued share capital amounted NT\$112,183,851 (US\$3,795,124) thousands, NT\$108,653,851 (US\$3,740,236) thousands, NT\$108,653,851 (US\$3,709,589) thousands and NT\$103,575,096 (US\$3,421,708) thousands, respectively.
- (2) 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 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\$1.22) and the contributed capital is NT\$12,708,000 (US\$429,905) on 12 July 2013. The recapitalization record date was 9 September 2013.
- (3) The recapitalization of undistributed earnings of NT\$ 7,465,770 (US\$252,563) thousands by issuing 746,577 thousand shares with par value of NT\$10 (US\$0.34) was resolved at the Company's shareholders' meeting on 14 June 2013. The recapitalization approved by the Financial Supervisory commission on 3 October 2013 and record date was 8 November 2013.

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- (4) The recapitalization of undistributed earnings of NT\$5,078,755 (US\$173,396) 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. The recapitalization approved by the Financial Supervisory commission on 12 July 2012 and record date was 8 August 2012.
- (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

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$85,126,187	\$2,879,776	\$75,948,187	\$2,614,395
Treasury share transactions	2,539,377	85,906	2,539,377	87,414
Additional paid-in capital -Employee stock option	203,408	6,881	-	-
Others	20,584	697	20,584	709
Total	<u>\$87,889,556</u>	<u>\$2,973,260</u>	<u>\$78,508,148</u>	<u>\$2,702,518</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$75,948,187	\$2,592,973	\$75,948,187	\$2,509,025
Treasury share transactions	2,539,377	86,698	2,539,377	83,891
Others	20,584	703	20,584	680
Total	<u>\$78,508,148</u>	<u>\$2,680,374</u>	<u>\$78,508,148</u>	<u>\$2,593,596</u>

- (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\$87,889,556 (US\$2,973,260) thousands, NT\$78,508,148 (US\$2,702,518) thousands, NT\$78,508,148 (US\$2,680,374) thousands and NT\$78,508,148 (US\$2,593,596) thousands as of 30 September 2013, 31 December 2012, 30 September 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\$9,040) thousands were included in the capital surplus as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012.

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- (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. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

- (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.

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- 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. On 30 April 2013, Cathay Life's board of directors resolved to recognize special capital reserves of NT\$2,658,684 (US\$89,942) thousands, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of NT\$1,119,727 (US\$37,880) thousands had been recognized at the end of 2012 in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." The remaining amount of NT\$1,538,957(US\$52,062) will be recognized in 2013.
- 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\$91,627) 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 September 2013, the reserves amounted to NT\$869,978 (US\$29,431) 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.

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- B. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- C. When distributing distributable earnings for the years ended 2011 and 2012, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.
- D. The estimation of employee bonus and remuneration of directors For the six-month periods ended 30 September 2013 and 2012 were NT\$5,400 (US\$183) 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.
- E. 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	\$57,516	\$38,141	\$-	\$-
Common stock -cash dividend	252,563	173,396	0.02	0.02
Common stock-stock dividend	252,563	173,396	0.02	0.02
Directors' remuneration	183	184	-	-
Employee bonus – cash	51	35	-	-

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.

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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 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the amount and share number of treasury stocks were all NT\$7,179,872 (US\$242,891) thousands and 200,000 thousands shares.

28. Non-Controlling Interests

	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$3,751,614	\$126,914	\$4,050,638	\$138,293
Net income attributed to non-controlling interests	232,224	7,856	149,341	5,099
Other comprehensive income attributed to non-controlling interests:				
Exchange differences resulting from translating the financial statements of a foreign operation	84,572	2,861	(129,591)	(4,424)
Unrealized gains from available-for-sale financial assets	(27,382)	(926)	28,908	987
The movement of non-controlling interests	119,730	4,051	(410,650)	(14,020)
Ending balance	<u>\$4,160,758</u>	<u>\$140,756</u>	<u>\$3,688,646</u>	<u>\$125,935</u>

29. Employee benefits, depreciation and amortization

Summary statement of employee benefits and depreciation expenses breakdown:

	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$5,909,674	\$199,922	\$6,994,849	\$238,814
Labor and health insurance	792,838	26,821	764,242	26,092
Pension expense	477,933	16,168	438,382	14,967
Other employee benefits	652,066	22,059	567,187	19,364
Depreciation	998,814	33,790	951,505	32,486
Amortization	82,564	2,793	85,881	2,932

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	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$19,169,809	\$648,505	\$18,835,786	\$643,079
Labor and health insurance	2,604,421	88,106	2,264,292	77,306
Pension expense	1,451,372	49,099	1,306,046	44,590
Other employee benefits	1,647,013	55,718	1,707,953	58,312
Depreciation	3,040,382	102,855	2,901,219	99,052
Amortization	245,187	8,294	259,401	8,856

30. The Components of other comprehensive income

For the three-month period ended 30 September 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	\$(360,960)	\$-	\$(360,960)	\$32,733	\$(328,227)
Unrealized gains (losses) from available-for-sale financial assets	(3,736,893)	(4,012,659)	(7,749,552)	(136,762)	(7,886,314)
Gain (loss) on cash flow hedges	(24,791)	(173,909)	(198,700)	33,616	(165,084)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(23,784)	-	(23,784)	-	(23,784)
Total of other comprehensive income	\$(4,146,428)	\$(4,186,568)	\$(8,332,996)	\$(70,143)	\$(8,403,409)

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For the three-month period ended 30 September 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	\$ (12,211)	\$ -	\$ (12,211)	\$ 1,108	\$ (11,103)
Unrealized gains (losses) from available-for-sale financial assets	(126,417)	(135,746)	(262,163)	(4,627)	(266,790)
Gain (loss) on cash flow hedges	(839)	(5,883)	(6,722)	1,137	(5,585)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(805)	-	(805)	-	(805)
Total of other comprehensive income	\$(140,272)	\$(141,629)	\$(281,901)	\$(2,382)	\$(284,283)

For the three-month period ended 30 September 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	\$ (353,566)	\$ -	\$ (353,566)	\$ 43,492	\$ (310,074)
Unrealized gains (losses) from available-for-sale financial assets	19,230,983	(991,178)	18,239,805	(1,011,164)	17,228,641
Gain (loss) on cash flow hedges	(7,414)	(199,449)	(206,863)	34,492	(172,371)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,936)	-	(2,936)	-	(2,936)
Total of other comprehensive income	\$18,867,067	\$(1,190,627)	\$17,676,440	\$933,180	\$16,743,260

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For the three-month period ended 30 September 2012

	US\$				
				Income tax relating to components of	
	Reclassification	Other	other	Other	
Arising during the period	adjustments during the period	comprehensive income, before tax	comprehensive income	comprehensive income, net of tax	
Exchange differences resulting from translating the financial statements of a foreign operation	\$ (12,071)	\$ -	\$ (12,071)	\$ 1,485	\$ (10,586)
Unrealized gains (losses) from available-for-sale financial assets	656,572	(33,841)	622,731	(34,522)	588,209
Gain (loss) on cash flow hedges	(253)	(6,810)	(7,063)	1,177	(5,886)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(100)	-	(100)	-	(100)
Total of other comprehensive income	\$644,148	\$(40,651)	\$603,497	\$(31,860)	\$571,637

For the nine-month period ended 30 September 2013:

	NT\$				
				Income tax relating to components of	
	Reclassification	Other	other	Other	
Arising during the period	adjustments during the period	comprehensive income, before tax	comprehensive income	comprehensive income, net of tax	
Exchange differences resulting from translating the financial statements of a foreign operation	\$371,207	\$ -	\$371,207	\$(31,874)	\$339,333
Unrealized gains (losses) from available-for-sale financial assets	(11,818,817)	(13,378,480)	(25,197,297)	2,673,265	(22,524,032)
Gain (loss) on cash flow hedges	(45,135)	(545,993)	(591,128)	99,379	(491,749)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(33,441)	-	(33,441)	-	(33,441)
Total of other comprehensive income	\$(11,526,186)	\$(13,924,473)	\$(25,450,659)	\$2,740,770	\$(22,709,889)

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For the nine-month period ended 30 September 2013:

	US\$				
				Income tax relating to components of	
	Reclassification	Other	Other	other	Other
Arising during the	adjustments	comprehensive	comprehensive	comprehensive	comprehensive
period	during the period	income, before tax	income	income	income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$12,558	\$-	\$12,558	\$(1,078)	\$11,480
Unrealized gains (losses) from available-for-sale financial assets	(399,825)	(452,587)	(852,412)	90,435	(761,977)
Gain (loss) on cash flow hedges	(1,527)	(18,471)	(19,998)	3,362	(16,636)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,131)	-	(1,131)	-	(1,131)
Total of other comprehensive income	\$(389,925)	\$(471,058)	\$(860,983)	\$92,719	\$(768,264)

For the nine-month period ended 30 September 2012:

	NT\$				
				Income tax relating to components of	
	Reclassification	Other	Other	other	Other
Arising during the	adjustments	comprehensive	comprehensive	comprehensive	comprehensive
period	during the period	income, before tax	income	income	income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$(834,280)	\$-	\$(834,280)	\$102,791	\$(731,489)
Unrealized gains (losses) from available-for-sale financial assets	34,368,736	(11,436,686)	22,932,050	(983,360)	21,948,690
Gain (loss) on cash flow hedges	(22,419)	(600,634)	(623,053)	104,164	(518,889)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(34,126)	-	(34,126)	-	(34,126)
Total of other comprehensive income	\$33,477,911	\$(12,037,320)	\$21,440,591	\$(776,405)	\$20,664,186

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For the nine-month period ended 30 September 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	\$ (28,483)	\$ -	\$ (28,483)	\$ 3,509	\$ (24,974)
Unrealized gains (losses) from available-for-sale financial assets	1,173,395	(390,464)	782,931	(33,573)	749,358
Gain (loss) on cash flow hedges	(765)	(20,507)	(21,272)	3,556	(17,716)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,165)	-	(1,165)	-	(1,165)
Total of other comprehensive income	\$1,142,982	\$(410,971)	\$732,011	\$(26,508)	\$705,503

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\$			
	2013.7.1~ 2013.9.30	2012.7.1~ 2012.9.30	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Current income tax expense (income):				
Current income tax charge	\$389,026	\$626,906	\$1,733,949	\$1,855,862
Adjustments in respect of current income tax of prior periods	(17,833)	(34,036)	(355,414)	(11,225)
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(93,673)	(59,190)	1,397,485	(966,249)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	3,921	4,237	4,477	14,759
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(20,833)	23,832	89,507	23,787
Other components of deferred tax expense (income)	(301,037)	(841,779)	(957,565)	(743,617)
Total income tax expense (income)	\$(40,429)	\$(280,030)	\$1,912,439	\$173,317

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	US\$			
	2013.7.1~ 2013.9.30	2012.7.1~ 2012.9.30	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Current income tax expense (income):				
Current income tax charge	\$13,160	\$21,403	\$58,659	\$63,362
Adjustments in respect of current income tax of prior periods	(603)	(1,162)	(12,023)	(383)
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(3,169)	(2,021)	47,276	(32,989)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	133	145	151	504
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(705)	814	3,028	812
Other components of deferred tax expense (income)	(10,184)	(28,740)	(32,394)	(25,389)
Total income tax expense (income)	<u>\$ (1,368)</u>	<u>\$ (9,561)</u>	<u>\$ 64,697</u>	<u>\$ 5,917</u>

Income tax relating to components of other comprehensive income

	NT\$			
	2013.7.1~ 2013.9.30	2012.7.1~ 2012.9.30	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Deferred tax expense (income):				
Unrealized gains (losses) from available-for-sale financial assets	\$136,762	\$1,011,164	\$(2,673,265)	\$983,360
Exchange difference resulting from translating the financial statements of a foreign operation	(32,733)	(43,492)	31,874	(102,791)
Loss on cash flow hedges	(33,616)	(34,492)	(99,379)	(104,164)
Income tax relating to components of other comprehensive income	<u>\$70,413</u>	<u>\$933,180</u>	<u>\$(2,740,770)</u>	<u>\$776,405</u>

	US\$			
	2013.7.1~ 2013.9.30	2012.7.1~ 2012.9.30	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Deferred tax expense (income):				
Unrealized gains (losses) from available-for-sale financial assets	\$4,627	\$34,522	\$(90,435)	\$33,573
Exchange difference resulting from translating the financial statements of a foreign operation	(1,108)	(1,485)	1,078	(3,509)
Loss on cash flow hedges	(1,137)	(1,177)	(3,362)	(3,556)
Income tax relating to components of other comprehensive income	<u>\$2,382</u>	<u>\$31,860</u>	<u>\$(92,719)</u>	<u>\$26,508</u>

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

	NT\$	
	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Accounting profit (loss) before tax from continuous operations	\$28,691,471	\$12,914,160
Income tax computed by applicable income tax rate 17%	\$9,600,077	\$4,501,894
Tax effect of revenues exempt from taxation	(9,673,800)	(5,744,611)
Tax effect of expenses not deductible for tax purposes	349,502	163,530
Return of cash dividends	1,843,866	1,827,293
Unrecognized tax losses of deferred tax assets	918,006	-
Alternative minimum tax	144,379	-
Tax effect of deferred tax assets/liabilities	(68,901)	116,035
Adjustments in respect of current income tax of prior periods	(362,706)	386
Others	(837,984)	(691,210)
Total income tax expense (income) recognized in profit or loss	\$1,912,439	\$173,317

	US\$	
	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Accounting profit (loss) before tax from continuing operations	\$970,618	\$440,907
Income tax computed by applicable income tax rate 17%	\$324,766	\$153,701
Tax effect of revenues exempt from taxation	(327,260)	(196,129)
Tax effect of expenses not deductible for tax purposes	11,823	5,583
Return of cash dividends	62,377	62,386
Unrecognized tax losses of deferred tax assets	31,056	-
Alternative minimum tax	4,884	-
Tax effect of deferred tax assets/liabilities	(2,331)	3,962
Adjustments in respect of current income tax of prior periods	(12,270)	13
Others	(28,348)	(23,599)
Total income tax expense (income) recognized in profit or loss	\$64,697	\$5,917

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

	2013.1.1~2013.9.30(NT\$)				Ending balance
	Beginning balance	Recognition in profit or loss	Recognition in other comprehensive income or loss	Exchange differences	
Temporary differences:					
Property, plant and equipment	\$647,720	\$(162,336)	\$-	\$-	\$485,384
Investment property	(7,798,917)	176,443	-	-	(7,622,474)
Financial assets at fair value through profit and loss	(818,484)	(253,747)	-	-	(1,072,231)
Available-for-sale financial assets	(5,827,942)	-	3,030,636	-	(2,797,306)
Derivative financial assets for hedging	(196,534)	-	99,379	-	(97,155)
Impairment on bond investments for which no active market	50,801	(15,925)	-	-	34,876
Investments accounted for using the equity method	(77,649)	(4,875)	-	-	(82,524)
Prepaid pensions	-	-	-	(267)	(267)
Preferential interest rate deposits	107,150	(168)	-	-	106,982
Financial liabilities at fair value through profit or loss	358,911	1,146,340	-	-	1,505,251
Other receivables	(46,622)	(3,970)	-	-	(50,592)
Provisions for employee benefits liabilities	882,302	17,863	-	-	900,165
Bad debt losses	650,376	27,633	-	-	678,009
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	14,565,624	(3,352,159)	(389,245)	(83,159)	10,741,061
Provisions	(777,916)	740,753	-	-	(37,163)
Convertible bonds payables	31,087	172,612	-	-	203,699
Deferred revenue on customer loyalty programs	102,821	97,154	-	-	199,975
Fair value adjustments from business consolidation	(261,404)	(45,615)	-	-	(307,019)
Guarantee deposits paid	1,250	57,459	-	-	58,709
Office supplies	5,596	-	-	-	5,596
Others	127,253	1,565	-	-	128,818
Unused tax losses	10,968	(3,935)	-	-	7,033
Tax effect under consolidated income tax	923,802	259,521	-	-	1,183,323
Deferred income tax expenses (income)		<u>\$(1,145,387)</u>	<u>\$2,740,770</u>	<u>\$(83,426)</u>	
Deferred income tax assets (liabilities)-net	<u>\$2,660,193</u>				<u>\$4,172,150</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$18,964,587</u>				<u>\$16,376,126</u>
Deferred income tax liabilities	<u>\$(16,304,394)</u>				<u>\$(12,203,976)</u>

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	2013.1.1~2013.9.30(US\$)				
	Beginning	Recognition in	Recognition in other	Exchange	Ending
	balance	profit or loss	comprehensive income or loss	differences	balance
Temporary differences:					
Property, plant and equipment	\$21,912	\$(5,492)	\$-	\$-	\$16,420
Investment property	(263,833)	5,969	-	-	(257,864)
Financial assets at fair value through profit and loss	(27,689)	(8,584)	-	-	(36,273)
Available-for-sale financial assets	(197,156)	-	102,525	-	(94,631)
Derivative financial assets for hedging	(6,649)	-	3,362	-	(3,287)
Impairment on bond investments for which no active market	1,719	(539)	-	-	1,180
Investments accounted for using the equity method	(2,627)	(165)	-	-	(2,792)
Prepaid pensions	-	-	-	(9)	(9)
Preferential interest rate deposits	3,625	(6)	-	-	3,619
Financial liabilities at fair value through profit or loss	12,142	38,780	-	-	50,922
Other receivables	(1,577)	(134)	-	-	(1,711)
Provisions for employee benefits liabilities	29,848	604	-	-	30,452
Bad debt losses	22,002	935	-	-	22,937
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	492,748	(113,402)	(13,168)	(2,812)	363,366
Provisions	(26,317)	25,059	-	-	(1,258)
Convertible bonds payables	1,052	5,839	-	-	6,891
Deferred revenue on customer loyalty programs	3,478	3,287	-	-	6,765
Fair value adjustments from business consolidation	(8,843)	(1,543)	-	-	(10,386)
Guarantee deposits paid	42	1,944	-	-	1,986
Office supplies	189	-	-	-	189
Others	4,304	53	-	-	4,357
Unused tax losses	371	(133)	-	-	238
Tax effect under consolidated income tax	31,252	8,779	-	-	40,031
Deferred income tax expenses (income)		<u>\$(38,749)</u>	<u>\$92,719</u>	<u>\$(2,821)</u>	
Deferred income tax assets (liabilities)-net	<u>\$89,993</u>				<u>\$141,142</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$641,562</u>				<u>\$553,996</u>
Deferred income tax liabilities	<u>\$(551,569)</u>				<u>\$(412,854)</u>

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	2012.1.1~2012.9.30(NT\$)				
	Beginning	Recognition in	Recognition in other	Exchange	Ending
	balance	profit or loss	comprehensive income or loss	differences	balance
Temporary differences:					
Property, plant and equipment	\$392,434	\$155,290	\$-	\$-	\$547,724
Investment property	(7,604,517)	(104,876)	-	-	(7,709,393)
Financial assets at fair value through profit and loss	(789,597)	(1,261,823)	-	-	(2,051,420)
Available-for-sale financial assets	(3,542,489)	32,863	(1,733,740)	-	(5,243,366)
Derivative financial assets for hedging	(339,526)	-	104,164	-	(235,362)
Impairment on bond investments for which no active market	48,034	2,274	-	-	50,308
Investments accounted for using the equity method	(113,464)	46,256	-	-	(67,208)
Preferential interest rate deposits	104,570	(11,239)	-	-	93,331
Financial liabilities at fair value through profit or loss	3,013,504	(2,736,424)	-	-	277,080
Other receivables	(61,699)	11,794	-	-	(49,905)
Provisions for employee benefits liabilities	866,677	11,717	-	-	878,394
Bad debt losses	198,352	187,943	-	-	386,295
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	8,001,645	4,669,778	853,171	52,161	13,576,755
Provisions	(804,925)	22,466	-	-	(782,459)
Deferred revenue on customer loyalty programs	100,827	5,578	-	-	106,405
Fair value adjustments from business consolidation	(200,584)	(45,615)	-	-	(246,199)
Office supplies	3,796	-	-	-	3,796
Guarantee deposits paid	109	1,429	-	-	1,538
Others	89,819	(22,497)	-	-	67,322
Unused tax losses	13,147	(10,175)	-	-	2,972
Unused tax credits	53,847	(53,847)	-	-	-
Tax effect under consolidated income tax	1,891,427	(536,663)	-	-	1,354,764
Deferred income tax expenses (income)		\$364,229	\$ (776,405)	\$52,161	
Deferred income tax assets (liabilities)-net	\$1,321,387				\$961,372
Reflected in balance sheet as flows:					
Deferred income tax assets	\$15,354,753				\$17,890,590
Deferred income tax liabilities	\$(14,033,366)				\$(16,929,218)

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	2012.1.1~2012.9.30(US\$)				
	Beginning	Recognition		Exchange	Ending
	balance	in	in other	differences	balance
	balance	profit or loss	comprehensive income or loss	differences	balance
Temporary differences:					
Property, plant and equipment	\$13,398	\$5,302	\$-	\$-	\$18,700
Investment property	(259,628)	(3,581)	-	-	(263,209)
Financial assets at fair value through profit and loss	(26,958)	43,080	-	-	(70,038)
Available-for-sale financial assets	(120,945)	1,122	(59,192)	-	(179,015)
Derivative financial assets for hedging	(11,592)	-	3,556	-	(8,036)
Impairment on bond investments for which no active market	1,640	78	-	-	1,718
Investments accounted for using the equity method	(3,874)	1,579	-	-	(2,295)
Preferential interest rate deposits	3,570	(384)	-	-	3,186
Financial liabilities at fair value through profit or loss	102,885	(93,425)	-	-	9,460
Other receivables	(2,106)	403	-	-	(1,703)
Provisions for employee benefits liabilities	29,590	400	-	-	29,990
Bad debt losses	6,772	6,417	-	-	13,189
Deferred income tax assets (liabilities) resulted from income or loss on foreign exchange	273,187	159,433	29,128	1,779	463,527
Provisions	(27,481)	767	-	-	(26,714)
Deferred revenue on customer loyalty programs	3,442	190	-	-	3,632
Fair value adjustments from business consolidation	(6,848)	(1,557)	-	-	(8,405)
Office supplies	129	-	-	-	129
Guarantee deposits paid	4	49	-	-	53
Others	3,066	(768)	-	-	2,298
Unused tax losses	449	(347)	-	-	102
Unused tax credits	1,838	(1,838)	-	-	-
Tax effect under consolidated income tax	64,576	(18,322)	-	-	46,254
Deferred income tax expenses (income)		<u>\$12,438</u>	<u>\$(26,508)</u>	<u>\$1,779</u>	
Deferred income tax assets (liabilities)-net	<u>\$45,114</u>				<u>\$32,823</u>
Reflected in balance sheet as flows:					
Deferred income tax assets	<u>\$524,232</u>				<u>\$610,809</u>
Deferred income tax liabilities	<u>\$(479,118)</u>				<u>\$(577,986)</u>

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(4) Unrecognized deferred income tax assets

Until to 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the amount of deferred income tax assets arisen from not probable taxable income were NT\$5,149,132 (US\$174,193) thousands, NT\$5,341,957 (US\$183,888) thousands, NT\$5,229,485 (US\$178,542) 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 September 2013, 31 December 2012, 30 September 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\$12,339 (US\$417) thousands, NT\$10,550 (US\$363) thousands, NT\$12,175 (US\$416) thousands and NT\$14,795 (US\$489) thousands, respectively.

(6) Income tax returns:

		2013.9.30
	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 and 2010	Cathay Securities was in the process of administrative procedure for 2007 tax return
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 2011	-
Cathay Futures	through 2011	-

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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:

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$1,963,758	\$66,433	\$1,665,811	\$57,343

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$1,661,372	\$56,721	\$1,063,636	\$35,138

The Company tax credit ratio applied to its distribution was 17.20%, the rate applied to stock dividends-imputed tax credit was 18.07% 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\$9,040) 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.

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	2013.7.1~ 2013.9.30	2012.7.1~ 2012.9.30	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
(1) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$11,739,041</u>	<u>\$7,334,151</u>	<u>\$26,546,808</u>	<u>\$12,591,502</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>11,440,409</u>	<u>11,411,962</u>	<u>11,440,409</u>	<u>11,411,962</u>
	2013.7.1~ 2013.9.30	2012.7.1~ 2012.9.30	2013.1.1~ 2013.9.30	2012.1.1~ 2012.9.30
Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand US\$)	<u>\$397,126</u>	<u>\$250,398</u>	<u>\$898,065</u>	<u>\$429,891</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>11,440,409</u>	<u>11,411,962</u>	<u>11,440,409</u>	<u>11,411,962</u>

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 diluted earnings per share for the nine-month periods ended 30 September 2013 had an antidilutive effect; as a result, diluted earnings per share was not calculated.

33. Business combinations

Cathay United Bank acquired 70% of the voting shares of SBC Bank on 13 December 2012, and acquired the rest 30% of the voting shares on 30 September 2013, became 100% holding subsidiary. 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.

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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 regulatory compliance; therefore, to accomplish 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.
- (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 to report the execution results to the board periodically and make necessary improvement suggestions.

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- (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 the following functions based on activity categories:
 - i. Assist with drafting and execute the risk management policies set by the board of directors.
 - ii. Assist with determining the risk quotas based on risk appetite.
 - iii. Summarize the risk information provided by all departments. Facilitate and communicate the execution of the policies as well as the risk quotas with departments.
 - iv. Periodically provide risk management related reports.
 - v. Periodically monitor all operating department's risk quotas and manage the exceptions attributable to exceed the risk quotas granted.
 - vi. Assist in the pressure test. Execute back testing if necessary.
 - vii. Other risk management issues.

d. Operating departments

- (a) Managers of the operating departments:
 - i. Responsible for the departments' daily risk management report and respond to issues if necessary.
 - ii. Make sure to delivery risk management information periodically to the risk management department.

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(b) Operating departments:

- i. Address and measure risks and report the pervasiveness of exposure.
- ii. Periodically review the risk quotas. In the event of an exception, report the exceptions as well as the actions taken.
- iii. Assist with developing the risk model. Ensure the measurement of risk, the usage of the model and the assumptions made are reasonable and has been applied consistently.
- iv. Ensure internal control operates effectively to comply with relevant regulations and Cathay Life's risk management policies.
- v. Assist with gathering risk management related data.

e. Audit department

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

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

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

a. Market risk

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

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b. Credit risk

This risk represents Cathay Life's loss due to the default of debtors or counterparties. 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 groups 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 further causes price fluctuation or default that eventually results in a loss. Cathay Life takes international credit rating agency's 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 manages to maintain the ratio below high risk. Operating departments have established funding communication system. The risk management department manages funding liquidity based on the information provided by the operating departments. Furthermore, operating departments have also built up their own cash flow analysis models and monitor the result of the analysis. 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 lacks depth which further causes drastic change of market price. All investment departments have evaluated the market liquidity risk based on the characteristics and intentions of current investment portfolio.

e. Operating risk

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

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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, due to unexpected change Cathay Life assumes a loss. 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 type of risks happens when the changes in value of assets and liability are not equal. 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 for 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.
- (b) Establish methods to evaluate insurance risks.
- (c) Periodically provide the insurance risk management report to the risk management committee for supervising insurance risks and developing insurance risk management strategies.
- (d) When a risk exceptional incident occurs, related departments should draft the responsive measure and submit it to the risk management committee and Cathay Financial Holding's risk management committee.

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- b. Ensure proper risk classification and underwriting policies of premium level:
 - (a) Underwriters should ensure the clients' financial underwriting, check insurance notification for exceptions, consider the amount insured, types of insurance, age, family members, reason for insurance, employment, etc., to confirm client's appropriateness of the amount insured and the ability to meet premium deadlines.
 - (b) Cathay Life has an underwriter team dealing with controversial issues with respect to new business and change of conservation, to clarifying related underwriting standards.
 - (c) Cathay Life has a review team for major insurance policies to enhance its risk management and prevent adverse selection and moral hazard.

E. Evaluation based on the corporate entity taken as a whole and range of insurance risk management

- 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 soliciting business, underwriting activities and approval, other expenditure activities, etc.
 - (c) Reinsurance risks: This type of risk arises from failing to reinsure the excess 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 solvency.
 - (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 arising from underestimating liabilities. As a result, Cathay Life fails to fulfill its anticipated responsibility.

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b. Range of managing insurance risks

- (a) Establish Cathay Life's insurance risk management standards as the guidance of performing risk management.
- (b) Establish Cathay Life's insurance risk management standards including the definition and range of risks, management structure, risk management indicators and other risk management measures.
- (c) Draft action plans to work in line with Cathay Life's expanding strategy and the changes of the financial environment worldwide.
- (d) Establish methods to measure insurance risks.
- (e) Periodically provide insurance risks management report to monitor insurance risk and draft insurance management 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 including characteristics of the risk, regulatory issues and development technique factors all together to determine the scope of reinsurance. In order to maintain safety of risk transfer and control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

G. Methods for managing assets and liabilities

- a. Cathay Life has set up an assets and liabilities management committee to ensure full application of the management 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.

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c. When exceptional situation occurs, the related departments should hold a meeting to formulate possible action plans and deliver the report to assets and liabilities management committee, risk management committee and the risk management committee of Cathay Financial Holding.

H. When special incidence happens, the managing, monitoring and controlling procedures relating to extra liability or commitment of contributing extra owner equity are as following:

To comply with the relevant laws and regulation, Cathay Life is required 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 a set of capital adequacy management standards as follows:

a. Capital adequacy management

- (a) Periodically provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holding.
- (b) Periodically provide the risk management committee the capital adequacy management analysis report.
- (c) Implement scenario analysis for capital adequacy ratio focusing on Cathay Life's use of funding, changes of the financial environment and updates of laws and regulations.
- (d) Periodically review the capital adequacy ratio and related control standards to fulfill the management of 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 finance department of Cathay Financial Holding enclosed with the capital adequacy analysis report and related action plans.

I. Risk mitigation and avoidance policies and sustainable risk monitoring procedures

a. Cathay Life also enters into derivative transactions such as stock index options, index futures, interest rate future, interest rate swaps, currency forwards, cross currency swap and credit default swaps to protect against the price risk of stock value, interest rate risk, foreign currency risk and credit risk from investment activities. Cathay Life does not enter into derivative transactions for the purpose of increasing investment income; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

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- b. Hedging instrument against business risks and implementation are made preliminarily based on the risk tolerance levels. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
- c. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by board of directors; 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 show 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 there is any individual reason to require Cathay Life to undertake it, the anticipated investment or loan needs to be reviewed by the loan review or investment decision committee and approved by the risk management department of Cathay Financial Holdings.

Information of insurance risk

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

a. Cathay Life

	2013.1.1~2013.9.30 (NT\$)		
	Change in assumption	Change in income before tax	Change in equity
Life table/Morbidity	×1.05 (×0.95)	Decrease (increase) (1,470,683)	Decrease (increase) 1,220,667
Expense	×1.05 (×0.95)	Decrease (increase) 1,936,196	Decrease (increase) 1,607,043
Surrender rates	×1.05 (×0.95)	Increase (decrease) 240,101	Increase (decrease) 199,284
Investment return rate	+0.1%	Increase 2,425,167	Increase 2,012,888
Investment return rate	-0.1%	Decrease 2,426,957	Decrease 2,014,374

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2013.1.1~2013.9.30 (US\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	49,752	41,295
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	65,501	54,365
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	8,122	6,742
Investment return rate	+0.1%	Increase 82,042	Increase 68,095
Investment return rate	-0.1%	Decrease 82,103	Decrease 68,145
2012.1.1~2012.9.30 (NT\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	1,528,313	1,268,500
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,978,469	1,642,130
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	242,238	201,058
Investment return rate	+0.1%	Increase 2,208,555	Increase 1,833,101
Investment return rate	-0.1%	Decrease 2,210,187	Decrease 1,834,455
2012.1.1~2012.9.30 (US\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	52,179	43,308
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	67,548	56,065
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	8,270	6,864
Investment return rate	+0.1%	Increase 75,403	Increase 62,585
Investment return rate	-0.1%	Decrease 75,459	Decrease 62,631

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b. Cathay Life (China)

2013.1.1~2013.9.30 (NT\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	60,919	45,689
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	54,840	41,130
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	19,356	14,517
Investment return rate	+0.25%	Increase 234,339	Increase 175,754
Investment return rate	-0.25%	Decrease 212,091	Decrease 159,068

2013.1.1~2013.9.30 (US\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	2,061	1,546
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,855	1,391
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	655	491
Investment return rate	+0.25%	Increase 7,928	Increase 5,946
Investment return rate	-0.25%	Decrease 7,175	Decrease 5,381

2012.1.1~2012.9.30 (NT\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	33,759	25,319
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	32,463	24,347
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	17,354	13,015
Investment return rate	+0.25%	Increase 112,273	Increase 84,205
Investment return rate	-0.25%	Decrease 122,334	Decrease 91,751

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2012.1.1~2012.9.30 (US\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.10 (×0.90)	1,153	864
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	1,108	831
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.10 (×0.90)	592	444
Investment return rate	+0.25%	Increase 3,833	Increase 2,875
Investment return rate	-0.25%	Decrease 4,177	Decrease 3,133

c. Cathay Life (Vietnam)

2013.1.1~2013.9.30 (NT\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	182	137
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	6,757	5,068
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	478	359
Investment return rate	+0.1%	Increase 1,718	Increase 1,288
Investment return rate	-0.1%	Decrease 1,719	Decrease 1,289

2013.1.1~2013.9.30 (US\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	6	5
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	229	171
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	16	12
Investment return rate	+0.1%	Increase 58	Increase 44
Investment return rate	-0.1%	Decrease 58	Decrease 44

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2012.1.1~2012.9.30 (NT\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	172	129
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	9,639	7,229
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	2,276	1,707
Investment return rate	+0.1%	Increase 1,111	Increase 833
Investment return rate	-0.1%	Decrease 1,112	Decrease 834

2012.1.1~2012.9.30 (US\$)			
	Change in assumption	Change in income before tax	Change in equity
		Decrease (increase)	Decrease (increase)
Life table/Morbidity	×1.05 (×0.95)	6	4
		Decrease (increase)	Decrease (increase)
Expense	×1.05 (×0.95)	329	247
		Increase (decrease)	Increase (decrease)
Surrender rates	×1.05 (×0.95)	78	58
Investment return rate	+0.1%	Increase 38	Increase 28
Investment return rate	-0.1%	Decrease 38	Decrease 28

- (a) Changes in income before tax listed above refer to the effects of income before tax arising from by the assumption for the nine-month periods ended 30 September 2013 and 2012. Equity changes of Cathay Life, Cathay Life (China) and Cathay Life (Vietnam) are calculated by assuming 17%, 25% and 25%, respectively, of income tax rates.
- (b) An increase (decrease) of 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity. The result of the test shows adequate. However, if the discount rate keeps declining to a significant degree, income before tax and equity will probably be affected.

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(c) Test of Sensitivity

- i. 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.
- ii. Expense sensitivity is measured by all expenses listed in statements of comprehensive income (Note 1) multiplied by changes in assumption, in relation to the change in income before tax.
- iii. Surrender rate sensitivity test is measured by surrender rate multiplied by changes in assumption, in relation to the change in income before tax.
- iv. The rate of returns sensitivity test is measured by the rate of returns (Note 2) increases (decreases) change in assumption, in relation to income before tax.

Note 1: Expenses includes brokerage expenses, commission expenses, other operating expenses under operating costs as well as business expenses, administration expenses and staff training expenses under operating expenses.

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

B. Interpretation of concentration on insurance risk

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 risks consistently, but also by making reinsurance arrangements.

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Cathay Life reviews the profits and losses on compensation as a whole and the capability of assuming risk periodically. Depending upon the feature of each risk, Cathay Life assesses the amount of coverage a company 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 Setting Aside of Various Reserves by Insurance Enterprises.”, the annual increase of after-tax amount of special capital reserve for major incidents and fluctuation of risks 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 IAS 12.

C. Trend of the development on claims

a. Cathay Life

(a) Direct business trend of development

Accident year	Development period (years)							Expected future payment	
	1	2	3	4	5	6	7		
2006Q4~2007Q3	12,374,187	14,656,331	14,786,549	14,848,145	14,877,814	14,930,922	14,938,703	-	
2007Q4~2008Q3	12,783,636	15,205,962	15,380,662	15,435,648	15,496,567	15,521,291	15,529,318	8,027	
2008Q4~2009Q3	14,093,398	16,952,010	17,187,343	17,269,392	17,320,234	17,362,963	17,371,943	51,709	
2009Q4~2010Q3	13,987,020	17,033,181	17,304,931	17,391,259	17,442,167	17,482,575	17,491,444	100,185	
2010Q4~2011Q3	14,706,765	18,104,960	18,434,572	18,515,456	18,570,414	18,615,945	18,625,385	190,813	
2011Q4~2012Q3	14,695,125	17,851,082	18,085,626	18,160,138	18,209,227	18,247,293	18,256,528	405,446	
2012Q4~2013Q3	13,727,342	16,473,448	16,683,611	16,746,183	16,783,003	16,817,981	16,826,575	3,099,233	
								Expected future payment	\$3,855,413
								Less: Expected reported but not paid claim	137,355
								Add: Assumed reserve for incurred but not reported claim	44,655
								Reserve for unreported claim	3,762,713
								Add: Reported but not paid claim	446,897
								Reserve claim balance	<u>\$4,209,610</u>

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Accident year	Development period (years)							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	418,613	495,816	500,222	502,305	503,309	505,106	505,369	-
2007Q4~2008Q3	432,464	514,410	520,320	522,180	524,241	525,077	525,349	272
2008Q4~2009Q3	476,773	573,478	581,439	584,215	585,935	587,380	587,684	1,749
2009Q4~2010Q3	473,174	576,224	585,417	588,338	590,060	591,427	591,727	3,389
2010Q4~2011Q3	497,522	612,482	623,632	626,369	628,228	629,768	630,087	6,455
2011Q4~2012Q3	497,129	603,893	611,828	614,348	616,009	617,297	617,609	13,716
2012Q4~2013Q3	464,389	557,288	564,398	566,515	567,761	568,944	569,235	104,846

Expected future payment	\$130,427
Less: Expected reported but not paid claim	4,647
Add: Assumed reserve for incurred but not reported claim	1,511
Reserve for unreported claim	127,291
Add: Reported but not paid claim	15,118
Reserve claim balance	<u>\$142,409</u>

(b) Retained business trend of development

Accident year	Development period (years)							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	12,437,182	14,765,445	14,905,939	14,962,421	14,991,748	15,045,974	15,066,651	-
2007Q4~2008Q3	12,863,789	15,317,597	15,488,906	15,544,002	15,606,343	15,644,322	15,652,468	8,146
2008Q4~2009Q3	13,684,254	16,249,006	16,454,191	16,527,815	16,590,899	16,630,217	16,638,527	47,628
2009Q4~2010Q3	12,196,792	14,610,767	14,798,898	14,881,636	14,919,031	14,947,662	14,954,219	72,583
2010Q4~2011Q3	12,826,507	15,522,187	15,772,327	15,834,146	15,874,604	15,907,495	15,914,456	142,129
2011Q4~2012Q3	12,912,737	15,465,512	15,636,784	15,693,795	15,729,569	15,756,032	15,762,990	297,478
2012Q4~2013Q3	12,415,113	14,781,811	14,946,932	14,997,037	15,024,370	15,051,087	15,058,060	2,642,947

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

Expected future payment	\$3,210,911
Less: Expected reported but not paid claim	(137,355)
Add: Reported but not paid claim	446,897
Retained reserve claim balance	<u>\$3,520,453</u>

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Accident year	Development period (years)							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	420,744	499,508	504,260	506,171	507,163	508,998	509,697	-
2007Q4~2008Q3	435,176	518,187	523,982	525,846	527,955	529,240	529,516	276
2008Q4~2009Q3	462,931	549,696	556,637	559,128	561,262	562,592	562,873	1,611
2009Q4~2010Q3	412,611	494,275	500,639	503,439	504,703	505,672	505,894	2,455
2010Q4~2011Q3	433,914	525,108	533,570	535,661	537,030	538,143	538,378	4,808
2011Q4~2012Q3	436,831	523,191	528,985	530,913	532,123	533,019	533,255	10,064
2012Q4~2013Q3	419,997	500,061	505,647	507,342	508,267	509,171	509,407	89,410

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

Expected future payment	\$108,624
Less: Expected reported but not paid claim	(4,647)
Add: Reported but not paid claim	15,118
Retained reserve claim balance	<u>\$119,095</u>

c. Cathay life (China)

(a) Direct business trend of development

Accident year	Development period (years)							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	27	53	55	55	55	55	55	-
2007Q4~2008Q3	812	3,265	3,277	3,277	3,277	3,277	3,277	-
2008Q4~2009Q3	9,325	17,960	18,755	18,755	18,755	18,755	18,755	-
2009Q4~2010Q3	51,412	116,174	122,271	122,271	122,271	122,271	122,271	-
2010Q4~2011Q3	96,646	193,416	205,796	205,796	205,796	205,796	205,796	-
2011Q4~2012Q3	130,085	358,071	377,068	377,068	377,068	377,068	377,068	18,997
2012Q4~2013Q3	147,881	522,231	519,590	519,590	519,590	519,590	519,590	371,709

Expected future payment	\$390,706
Less: Expected reported but not paid claim	32,090
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	358,616
Add: Reported but not paid claim	81,310
Reserve claim balance	<u>\$439,926</u>

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Accident year	Development period (years)							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	1	2	2	2	2	2	2	-
2007Q4~2008Q3	27	110	111	111	111	111	111	-
2008Q4~2009Q3	315	608	634	634	634	634	634	-
2009Q4~2010Q3	1,739	3,930	4,136	4,136	4,136	4,136	4,136	-
2010Q4~2011Q3	3,269	6,543	6,962	6,962	6,962	6,962	6,962	-
2011Q4~2012Q3	4,401	12,113	12,756	12,756	12,756	12,756	12,756	642
2012Q4~2013Q3	5,002	17,667	17,577	17,577	17,577	17,577	17,577	12,575

Expected future payment	\$13,217
Less: Expected reported but not paid claim	1,086
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	12,131
Add: Reported but not paid claim	2,751
Reserve claim balance	<u>\$14,882</u>

(b) Retained business trend of development

Accident year	Development period (years)							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	27	53	55	55	55	55	55	-
2007Q4~2008Q3	812	3,265	3,277	3,277	3,277	3,277	3,277	-
2008Q4~2009Q3	9,325	17,960	18,755	18,755	18,755	18,755	18,755	-
2009Q4~2010Q3	51,412	116,174	122,271	122,271	122,271	122,271	122,271	-
2010Q4~2011Q3	96,646	193,280	205,658	205,658	205,658	205,658	205,658	-
2011Q4~2012Q3	119,990	363,967	375,121	375,121	375,121	375,121	375,121	11,154
2012Q4~2013Q3	138,626	480,551	512,013	512,013	512,013	512,013	512,013	373,387

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

Expected future payment	\$384,541
Less: Expected reported but not paid claim	32,090
Add: Reported but not paid claim	81,310
Retained reserve claim balance	<u>\$433,761</u>

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Accident year	Development period (years)							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2006Q4~2007Q3	1	2	2	2	2	2	2	-
2007Q4~2008Q3	27	110	111	111	111	111	111	-
2008Q4~2009Q3	315	608	634	634	634	634	634	-
2009Q4~2010Q3	1,739	3,930	4,136	4,136	4,136	4,136	4,136	-
2010Q4~2011Q3	3,269	6,539	6,957	6,957	6,957	6,957	6,957	-
2011Q4~2012Q3	4,059	12,313	12,690	12,690	12,690	12,690	12,690	377
2012Q4~2013Q3	4,689	16,257	17,321	17,321	17,321	17,321	17,321	12,632

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

Expected future payment	\$13,009
Less: Expected reported but not paid claim	1,086
Add: Reported but not paid claim	2,751
Retained reserve claim balance	<u>\$14,674</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.

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d. Cathay life (Vietnam)

Direct business trend of development (and retained business trend of development)

Accident year	Development period (years)				
	NT\$				
	1	2	3	4	5
2008Q4~2009Q3	6	9	9	9	9
2009Q4~2010Q3	215	225	225	225	225
2010Q4~2011Q3	230	326	326	326	326
2011Q4~2012Q3	1,070	1,238	1,238	1,238	1,238
2012Q4~2013Q3	774	915	915	915	915

Accident year	Development period (years)				
	US \$				
	1	2	3	4	5
2008Q4~2009Q3	-	-	-	-	-
2009Q4~2010Q3	7	8	8	8	8
2010Q4~2011Q3	8	11	11	11	11
2011Q4~2012Q3	36	42	42	42	42
2012Q4~2013Q3	26	31	31	31	31

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 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 loss reserve for anticipated payment of reported claims and unreported claims. The estimation method of unreported claim is earned premium reserve multiplied by claim rate based upon the past loss 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 not be equal to the final settled amount of claim.

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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 September 2013	Unit: Billion		
NT\$	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	(52.1)	115.2	103,152

30 September 2013	Unit: Billion		
US\$	Within 1 year	1 to 5 year	Over 5 year
Insurance contracts and financial instruments with discretionary participation feature	(1.8)	3.9	3,489.6

Note: Separate account products are not included in.

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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 company 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.

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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 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

Risk management department is established independent of sales function to take charge of tasks such as the supervision and evaluation of various major risks.

- (a) Responsibility of risk management division :
 - i. To assist in drafting risk management policies and the execution when ratified by the board of directors.
 - ii. To assist in setting up risk limits according to the risk appetite.
 - iii. To compile risk information from various departments, coordinate and communicate with them to execute policies and limits.
 - iv. To propose risk management related reports on a regular basis.
 - v. To supervise risk limit and its use in each business unit on a regular basis.
 - vi. To assist in stress tests and conduct back-testing when necessary.
 - vii. To conduct other risk management related tasks.

d. Business unit

- (a) The responsibilities of business's risk management are as follows:
 - i. To supervise the daily risk management and report of the responsible unit and take necessary responsive actions.
 - ii. To oversee the sharing of risk management information to risk management on a regular basis.

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- (b) The business unit's responsibilities for risk management are as follows:
- i. To identify risk and report risk exposure.
 - ii. To evaluate (quantitative or qualitative) the degree of influence when risks occur and pass the risk information in a timely and correct manner.
 - iii. To review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.
 - iv. To oversee risk exposure and report when over-limit occur, including measures taken against it.
 - v. 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.
 - vi. To assure effective execution of internal control within business unit to comply with relevant regulations and risk management policies of Cathay Century.
 - vii. To assist in collecting information regarding operation risk.

e. Internal audit room

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

B. Scope and nature of risk reporting and evaluation system of property insurance

a. Risks reporting

- (a) Each business unit within Cathay Century should pass risk information to risk management unit for overseeing purpose, and propose over-limit report and responding measures when risk exposure is over limit.
- (b) Risk management unit compiles risk information from each department, examine and track the use of major risk limit, submit a monthly risk management report to the general manager, and make quarterly report to the board of director to oversee risks on a regular basis.

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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 Limited, 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 it would only be authorized to risk management personnel.

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

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 managing mechanism. Each related department is the execution unit of insurance risk control. They report execution process to risk management department every month based on regulation, internal rules, and professional knowledge and experience of their respective field. Risk management department then propose insurance risk management report to the board of directors each quarter.

D. Evaluate risk from the perspective of enterprise as a whole and the scope in managing insurance risk

Scope of insurance risk management of Cathay Century includes product design and pricing, underwriting, reinsurance, risks related to catastrophe, claim, and provision. Proper management mechanisms are set up and execute thoroughly.

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

Before a business is introduced, the underwriting personnel will evaluate the quality of the business based on the underwriting guideline of each insurance to decide whether to undertake the business. Risk is properly avoided and controlled to reduce exposure.

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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 self-retain 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 summary amount of stockholder’s equities and special reserves (excluding of 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	\$22,767	\$613,000	\$20,929
Marine insurance	673,000	22,767	613,000	20,929
Engineering insurance	673,000	22,767	613,000	20,929
Other property insurance	673,000	22,767	613,000	20,929
Automobile insurance	673,000	22,767	613,000	20,929
Health and injury insurance	673,000	22,767	613,000	20,929

F. Methods of asset/liability management

Provisions are evaluated on a regular basis based on Cathay Century’s business characteristics to insure current fund allocation and the liquidity of asset investment is sufficient to meet possible future claims. Cash flow management with comprehensive consideration of the amount of fund required and its timeline of every department is conducted through fund procurement department, which is independent of trading unit.

Operation standards under crisis are set up in accordance with the “Directions for Handling Financial Institute Crisis” issued by Financial Supervision Commission. When tremendous sum of fund is lost or liquidity is severely compromised, the operation crisis team will be set up immediately to evaluate the impact on fund liquidity of Cathay Century cautiously and assess the amount, timeline, and benefit of making up the funding gap so as to assure rights of clients and Cathay Century.

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G. Management, supervision, control process when additional liability or commitment to equity contribution is required for the property insurance business

Cathay Century has established a management mechanism for capital adequacy, which includes capital adequacy indicators for regular review, and every six month a capital adequacy management report will be compiled to implement 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 Holdings, to review the impact on the group's capital adequacy ratio.

Receivables and payables of insurance contracts

A. Receivables of insurance contracts

Item	Premiums receivable(Note)			
	NT\$			
	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Fire insurance	\$749,334	\$665,154	\$591,235	\$342,994
Marine insurance	273,734	369,048	426,743	477,307
Land and air insurance	700,570	748,157	564,863	638,561
Liability insurance	143,607	217,416	177,531	135,547
Bonding insurance	24,022	13,983	14,340	11,456
Other property insurance	412,203	345,181	356,817	440,887
Accident insurance	278,923	288,526	256,482	235,275
Health insurance	24,763	22,994	19,002	87,566
Compulsory automobile liability insurance	292,442	268,872	262,186	251,058
Total	2,899,598	2,939,331	2,669,199	2,620,651
Less: Allowance for bad debts	(72,594)	(69,978)	(98,027)	(78,752)
Net	\$2,827,004	\$2,869,353	\$2,571,172	\$2,541,899

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Item	Premiums receivable(Note)			
	US\$			
	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Fire insurance	\$25,349	\$22,897	\$20,185	\$11,331
Marine insurance	9,260	12,704	14,570	15,768
Land and air insurance	23,700	25,754	19,285	21,096
Liability insurance	4,858	7,484	6,061	4,478
Bonding insurance	813	482	490	378
Other property insurance	13,945	11,882	12,182	14,565
Accident insurance	9,436	9,932	8,757	7,773
Health insurance	838	792	649	2,893
Compulsory automobile liability insurance	9,893	9,255	8,951	8,294
Total	98,092	101,182	91,130	86,576
Less: Allowance for bad debts	(2,456)	(2,409)	(3,347)	(2,602)
Net	\$95,636	\$98,773	\$87,783	\$83,974

Note: As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the receivables included overdue receivables amounted to NT\$896,863 (US\$30,340), NT\$497,914(US\$17,140), NT\$654,231 (US\$22,336) and NT\$281,695 (US\$9,307), the allowance for bad debts amounted to NT\$26,346 (US\$891), NT\$31,767 (US\$1,094), NT\$54,251 (US\$1,852) 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\$			
	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Fire insurance	\$16,566	\$241,267	\$13,261	\$76,577
Marine insurance	63,699	42,699	25,697	58,775
Land and air insurance	22,497	40,214	17,250	18,463
Liability insurance	11,463	13,506	10,362	14,907
Bonding insurance	-	8	81	2,406
Other property insurance	10,103	8,231	25,117	25,509
Accident insurance	15,785	23,435	17,834	17,873
Health insurance	-	-	-	-
Compulsory automobile liability insurance	156,674	144,232	119,303	53,741
Total	296,787	513,592	228,905	268,251
Less: Allowance for bad debts	-	-	-	-
Net	\$296,787	\$513,592	\$228,905	\$268,251

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Item	Claims reported and paid off			
	US\$			
	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Fire insurance	\$560	\$8,305	\$453	\$2,530
Marine insurance	2,155	1,470	877	1,942
Land and air insurance	761	1,385	589	610
Liability insurance	388	465	354	493
Bonding insurance	-	-	3	79
Other property insurance	342	283	857	843
Accident insurance	534	807	609	590
Health insurance	-	-	-	-
Compulsory automobile liability insurance	5,300	4,965	4,073	1,775
Total	10,040	17,680	7,815	8,862
Less: Allowance for bad debts	-	-	-	-
Net	\$10,040	\$17,680	\$7,815	\$8,862

C. Payables of insurance contract

Item	2013.9.30					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$6,235	\$211	\$7,730	\$262	\$13,965	\$473
Marine insurance	2,633	89	4,620	156	7,253	245
Land and air insurance	7,096	240	97,360	3,294	104,456	3,534
Liability insurance	2,831	96	5,855	198	8,686	294
Bonding insurance	98	3	67	2	165	5
Other property insurance	37,340	1,263	8,230	278	45,570	1,541
Accident insurance	1,231	42	42,229	1,429	43,460	1,471
Health insurance	517	17	5,279	179	5,796	196
Compulsory automobile liability insurance	107,686	3,643	-	-	107,686	3,643
Total	\$165,667	\$5,604	\$171,370	\$5,798	\$337,037	\$11,402

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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	2012.9.30					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$3,526	\$120	\$7,369	\$252	\$10,895	\$372
Marine insurance	1,745	60	13,972	477	15,717	537
Land and air insurance	2,177	74	83,586	2,854	85,763	2,928
Liability insurance	1,807	62	12,960	442	14,767	504
Bonding insurance	65	2	43	1	108	3
Other property insurance	27,419	936	4,065	139	31,484	1,075
Accident insurance	-	-	39,861	1,361	39,861	1,361
Health insurance	2,077	71	3,879	132	5,956	203
Compulsory automobile liability insurance	99,927	3,412	-	-	99,927	3,412
Total	\$138,743	\$4,737	\$165,735	\$5,658	\$304,478	\$10,395

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

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

Item	2013.9.30			
	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	\$57,116	\$1,932	\$207,174	\$7,009
AON	31,762	1,074	13,911	471
Best Re	51,572	1,745	6,479	219
Central Re	10,314	349	79,565	2,692
Elite	24,851	841	20,636	698
FP Marine	25,663	868	41,338	1,399
Guy Carpenter	-	-	44,435	1,503
Hannover Re	22,944	776	73,834	2,498
Korean Re	75,855	2,566	90,390	3,058
Marsh	26,633	901	79,291	2,682
Swiss Re	4,657	158	108,615	3,674
Wills	61,831	2,092	67,540	2,285
Zurich	1,960	66	68,978	2,333
Others	265,814	8,992	407,665	13,791
Total	660,972	22,360	1,309,851	44,312
Less: Allowance for bad debts	(3,765)	(127)	-	-
Net	\$657,207	\$22,233	\$1,309,851	\$44,312

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

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Item	2012.9.30			
	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	\$55,133	\$1,882	\$199,522	\$6,812
Taian	33,084	1,129	8,011	274
Fubon	43,775	1,494	2,741	94
Asia Capital Re	18,043	616	8,157	279
Best Re	19,126	653	11,372	388
Central Re	7,155	244	63,309	2,161
Cubic	13,185	450	5,988	204
Elite	18,201	622	40,577	1,385
FP Marine	48,934	1,671	58,044	1,982
Guy Carpenter	3,485	119	72,162	2,464
Korean Re	5,706	195	40,164	1,371
Marsh	43,115	1,472	49,646	1,695
Swiss Re	-	-	78,221	2,671
Zurich	49	2	67,078	2,290
Others	103,445	3,532	322,234	11,001
Total	412,436	14,081	1,027,226	35,071
Less: Allowance for bad debts	(4,656)	(159)	-	-
Net	\$407,780	\$13,922	\$1,027,226	\$35,071

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

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Notes: As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the due from reinsurers and ceding companies included overdue receivables amounted to NT\$37,653 (US\$1,274), NT\$54,939 (US\$1,891), NT\$46,458 (US\$1,586) and NT\$52,091 (US\$1,721), the allowance for bad debts amounted to NT\$3,765 (US\$127), NT\$5,494 (US\$189), NT\$4,656 (US\$159) and NT\$52,091 (US\$1,721).

Information of management achievements

A. Acquisition cost for insurance contracts

Item	2013.7.1 ~ 2013.9.30 (NT\$)					
	Commission expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$(3,267)	\$3,581	\$6,920	\$1,104	\$25,886	\$34,224
Marine insurance	2,945	964	2,178	766	10,570	17,423
Land and air insurance	14,937	1,106	-	670	190,961	207,674
Liability insurance	5,161	569	11,837	24	15,883	33,474
Bonding insurance	737	8	73	-	350	1,168
Other property insurance	5,039	597	72,051	2,416	22,183	102,286
Accident insurance	7,521	782	-	3	96,199	104,505
Health insurance	4,066	405	-	-	93	4,564
Compulsory automobile liability insurance	-	-	121,565	-	3,029	124,594
Total	\$37,139	\$8,012	\$214,624	\$4,983	\$365,154	\$629,912

Item	2013.7.1 ~ 2013.9.30 (US\$)					
	Commission expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$(111)	\$121	\$234	\$37	\$876	\$1,157
Marine insurance	100	33	74	26	358	591
Land and air insurance	505	37	-	23	6,460	7,025
Liability insurance	175	19	400	1	537	1,132
Bonding insurance	25	-	2	-	12	39
Other property insurance	171	20	2,437	82	750	3,460
Accident insurance	254	27	-	-	3,254	3,535
Health insurance	138	14	-	-	3	155
Compulsory automobile liability insurance	-	-	4,113	-	102	4,215
Total	\$1,257	\$271	\$7,260	\$169	\$12,352	\$21,309

English Translation of Financial Statements Originally Issued in Chinese

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

2012.7.1 ~ 2012.9.30 (NT\$)						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$11,383	\$3,590	\$8,458	\$813	\$23,503	\$47,747
Marine insurance	2,504	763	2,768	1,014	11,558	18,607
Land and air insurance	10,049	563	-	1,492	168,377	180,481
Liability insurance	4,885	555	11,930	73	13,910	31,353
Bonding insurance	15	4	(172)	1	330	178
Other property insurance	3,973	421	27,368	9,278	23,302	64,342
Accident insurance	2,941	294	1	31	91,950	95,217
Health insurance	1,461	131	-	-	229	1,821
Compulsory automobile liability insurance	-	-	104,281	-	2,570	106,851
Total	\$37,211	\$6,321	\$154,634	\$12,702	\$335,729	\$546,597

2012.7.1 ~ 2012.9.30 (US\$)						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$388	\$123	\$289	\$28	\$802	\$1,630
Marine insurance	85	26	95	35	394	635
Land and air insurance	343	19	-	51	5,749	6,162
Liability insurance	167	19	407	2	475	1,070
Bonding insurance	1	-	(6)	-	11	6
Other property insurance	136	14	934	317	796	2,197
Accident insurance	100	10	-	1	3,140	3,251
Health insurance	50	5	-	-	7	62
Compulsory automobile liability insurance	-	-	3,560	-	88	3,648
Total	\$1,270	\$216	\$5,279	\$434	\$11,462	\$18,661

English 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 ~ 2013.9.30 (NT\$)						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$32,935	\$6,865	\$22,439	\$2,688	\$68,598	\$133,525
Marine insurance	8,567	2,179	5,217	2,340	38,400	56,703
Land and air insurance	45,815	2,715	-	1,677	582,442	632,649
Liability insurance	19,321	1,780	39,617	183	45,615	106,516
Bonding insurance	1,722	36	221	-	1,014	2,993
Other property insurance	11,883	1,407	154,151	6,395	58,948	232,784
Accident insurance	15,141	1,655	-	21	262,425	279,242
Health insurance	11,010	886	-	-	10,599	22,495
Compulsory automobile liability insurance	-	-	354,116	-	7,973	362,089
Total	\$146,394	\$17,523	\$575,761	\$13,304	\$1,076,014	\$1,828,996

2013.1.1 ~ 2013.9.30 (US\$)						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$1,114	\$232	\$759	\$91	\$2,321	\$4,517
Marine insurance	290	74	176	79	1,299	1,918
Land and air insurance	1,550	92	-	57	19,704	21,403
Liability insurance	654	60	1,340	6	1,543	3,603
Bonding insurance	58	1	7	-	34	100
Other property insurance	402	48	5,215	216	1,994	7,875
Accident insurance	512	56	-	1	8,878	9,447
Health insurance	373	30	-	-	358	762
Compulsory automobile liability insurance	-	-	11,980	-	270	12,250
Total	\$4,953	\$593	\$19,477	\$450	\$36,401	\$61,874

English 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 ~ 2012.9.30 (NT\$)						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$15,824	\$5,727	\$28,166	\$1,299	\$66,330	\$117,346
Marine insurance	7,260	1,932	6,760	2,555	52,382	70,889
Land and air insurance	24,774	1,412	-	2,371	495,652	524,209
Liability insurance	12,650	1,269	26,469	156	40,773	81,317
Bonding insurance	620	14	585	(1)	1,280	2,498
Other property insurance	17,011	2,411	62,787	5,307	60,541	148,057
Accident insurance	8,970	745	7	495	249,413	259,630
Health insurance	2,757	227	-	-	8,556	11,540
Compulsory automobile liability insurance	-	-	295,028	-	7,071	302,099
Total	\$89,866	\$13,737	\$419,802	\$12,182	\$981,998	\$1,517,585

2012.1.1 ~ 2012.9.30 (US\$)						
Item	Commission			Reinsurance		Total
	expense	Agency fee	Surcharge	commission expense	Other cost	
Fire insurance	\$540	\$196	\$962	\$44	\$2,265	\$4,007
Marine insurance	248	66	231	87	1,788	2,420
Land and air insurance	846	48	-	81	16,922	17,897
Liability insurance	432	42	904	6	1,392	2,776
Bonding insurance	21	-	20	-	44	85
Other property insurance	581	83	2,143	181	2,067	5,055
Accident insurance	306	26	-	17	8,515	8,864
Health insurance	94	8	-	-	292	394
Compulsory automobile liability insurance	-	-	10,073	-	241	10,314
Total	\$3,068	\$469	\$14,333	\$416	\$33,526	\$51,812

English 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	2012.1.1 ~ 2012.9.30 (US\$)					
	Direct	Net change for	Acquisition	Insurance	Net change for	
	premium	unearned	cost for	claims	claims	reserve
	income	premiums	insurance	paid	reserve	Net gain(loss)
		reserve	contract			
Fire insurance	\$678,863	\$(93,466)	\$(33,120)	\$(243,159)	\$83,447	\$392,565
Marine insurance	117,481	66,900	(16,657)	(135,204)	(50,336)	(17,816)
Land and air insurance	1,430,945	56,285	(207,004)	(871,767)	(42,643)	365,816
Liability insurance	250,501	19,617	(33,450)	(109,015)	9,316	136,969
Bonding insurance	14,509	3,500	(1,168)	(334)	983	17,490
Other property insurance	619,289	(56,447)	(99,870)	(223,941)	(93,169)	145,862
Accident insurance	614,691	37,226	(104,502)	(249,998)	(8,582)	288,835
Health insurance	45,699	36,696	(4,564)	(24,219)	7,109	60,721
Compulsory automobile liability insurance	902,970	(86,419)	(124,594)	(580,101)	100,721	212,577
Total	\$4,674,948	\$(16,108)	\$(624,929)	\$(2,437,738)	\$6,846	\$1,603,019

Item	2013.7.1 ~ 2013.9.30 (US\$)					
	Direct	Net change for	Acquisition	Insurance	Net change for	
	premium	unearned	cost for	claims	claims	reserve
	income	premiums	insurance	paid	reserve	Net gain(loss)
		reserve	contract			
Fire insurance	\$22,966	\$(3,162)	\$(1,120)	\$(8,226)	\$2,823	\$13,281
Marine insurance	3,974	2,263	(563)	(4,574)	(1,703)	(603)
Land and air insurance	48,408	1,904	(7,003)	(29,491)	(1,443)	12,375
Liability insurance	8,474	664	(1,132)	(3,688)	315	4,633
Bonding insurance	491	118	(40)	(11)	33	591
Other property insurance	20,950	(1,909)	(3,379)	(7,576)	(3,152)	4,934
Accident insurance	20,795	1,259	(3,535)	(8,457)	(290)	9,772
Health insurance	1,546	1,242	(154)	(819)	241	2,056
Compulsory automobile liability insurance	30,547	(2,924)	(4,215)	(19,625)	3,407	7,190
Total	\$158,151	\$(545)	\$(21,141)	\$(82,467)	\$231	\$54,229

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)

2012.7.1 ~ 2012.9.30 (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)
Marine insurance	207,893	18,883	(17,593)	(77,462)	(78,555)	53,166
Land and air insurance	1,214,117	(41,816)	(178,989)	(681,346)	(84,170)	227,796
Liability insurance	238,172	(4,331)	(31,280)	(71,320)	(74,197)	57,044
Bonding insurance	9,235	6,104	(177)	(708)	5,414	19,868
Other property insurance	341,837	(31,209)	(55,064)	(132,006)	(107,951)	15,607
Accident insurance	585,855	43,736	(95,186)	(259,883)	(8,486)	266,036
Health insurance	40,706	24,760	(1,821)	(32,464)	(5,139)	26,042
Compulsory automobile liability insurance	736,439	(18,396)	(106,851)	(419,729)	(70,402)	121,061
Total	\$4,050,772	\$74,418	\$(533,895)	\$(1,795,916)	\$(535,511)	\$1,259,868

2012.7.1 ~ 2012.9.30 (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	7,098	645	(601)	(2,645)	(2,682)	1,815
Land and air insurance	41,451	(1,428)	(6,111)	(23,262)	(2,873)	7,777
Liability insurance	8,132	(148)	(1,068)	(2,435)	(2,533)	1,948
Bonding insurance	315	209	(6)	(24)	185	679
Other property insurance	11,671	(1,066)	(1,880)	(4,507)	(3,686)	532
Accident insurance	20,002	1,493	(3,250)	(8,873)	(290)	9,082
Health insurance	1,390	846	(62)	(1,108)	(175)	891
Compulsory automobile liability insurance	25,143	(628)	(3,648)	(14,330)	(2,404)	4,133
Total	\$138,299	\$2,541	\$(18,228)	\$(61,315)	\$(18,283)	\$43,014

English 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 ~ 2013.9.30 (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	\$2,267,389	\$(37,547)	\$(130,837)	\$(842,559)	\$521,511	\$1,777,957
Marine insurance	491,504	80,473	(54,363)	(290,351)	(17,783)	209,480
Land and air insurance	4,373,830	(334,598)	(630,972)	(2,459,591)	(225,440)	723,229
Liability insurance	772,082	(5,587)	(106,333)	(310,894)	(68,167)	281,101
Bonding insurance	50,589	(1,881)	(2,993)	(5,088)	13,226	53,853
Other property insurance	1,562,642	(210,209)	(226,389)	(543,280)	(133,252)	449,512
Accident insurance	1,880,776	12,954	(279,221)	(677,829)	(69,366)	867,314
Health insurance	123,192	29,949	(22,495)	(91,033)	4,452	44,065
Compulsory automobile liability insurance	2,558,124	(259,898)	(362,089)	(1,542,011)	(69,973)	324,153
Total	\$14,080,128	\$(726,344)	\$(1,815,692)	\$(6,762,636)	\$(44,792)	\$4,730,664

2013.1.1 ~ 2013.9.30 (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	\$76,705	\$(1,270)	\$(4,426)	\$(28,503)	\$17,642	\$60,148
Marine insurance	16,627	2,722	(1,839)	(9,822)	(601)	7,087
Land and air insurance	147,965	(11,319)	(21,346)	(83,207)	(7,627)	24,466
Liability insurance	26,119	(189)	(3,597)	(10,517)	(2,306)	9,510
Bonding insurance	1,711	(64)	(100)	(172)	447	1,822
Other property insurance	52,863	(7,111)	(7,659)	(18,379)	(4,508)	15,206
Accident insurance	63,626	438	(9,446)	(22,930)	(2,346)	29,342
Health insurance	4,168	1,013	(762)	(3,080)	151	1,490
Compulsory automobile liability insurance	86,540	(8,792)	(12,250)	(52,166)	(2,367)	10,965
Total	\$476,324	\$(24,572)	\$(61,425)	\$(228,776)	\$(1,515)	\$160,036

English Translation of Financial Statements Originally Issued in Chinese

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2012.1.1 ~ 2012.9.30 (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)
Marine insurance	640,671	5,930	(68,334)	(240,289)	(15,765)	322,213
Land and air insurance	3,532,008	(308,723)	(521,838)	(2,022,209)	(145,228)	534,010
Liability insurance	726,893	(97,447)	(81,161)	(223,239)	(110,258)	214,788
Bonding insurance	47,968	(2,660)	(2,499)	(3,557)	4,848	44,100
Other property insurance	950,466	(164,506)	(142,750)	(275,467)	(151,210)	216,533
Accident insurance	1,754,186	13,874	(259,135)	(727,162)	(85,475)	696,288
Health insurance	92,170	51,392	(11,540)	(113,778)	(32,965)	(14,721)
Compulsory automobile liability insurance	2,105,140	(44,247)	(302,099)	(1,264,459)	(49,995)	444,340
Total	\$12,212,562	\$(884,860)	\$(1,505,403)	\$(5,543,479)	\$(423,982)	\$3,854,838

2012.1.1 ~ 2012.9.30 (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	21,873	202	(2,333)	(8,204)	(538)	11,000
Land and air insurance	120,588	(10,540)	(17,816)	(69,041)	(4,958)	18,233
Liability insurance	24,817	(3,327)	(2,770)	(7,622)	(3,764)	7,334
Bonding insurance	1,638	(91)	(85)	(121)	166	1,507
Other property insurance	32,450	(5,616)	(4,874)	(9,405)	(5,163)	7,392
Accident insurance	59,890	474	(8,847)	(24,826)	(2,918)	23,773
Health insurance	3,147	1,755	(394)	(3,885)	(1,126)	(503)
Compulsory automobile liability insurance	71,872	(1,511)	(10,314)	(43,170)	(1,707)	15,170
Total	\$416,953	\$(30,210)	\$(51,396)	\$(189,262)	\$(14,475)	\$131,610

English Translation of Financial Statements Originally Issued in Chinese

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b. Recognized gain (loss) for reinsurance contract purchased

Item	2013.7.1 ~ 2013.9.30(NT\$)					Net (loss) gain for assumed reinsurance business
	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	
Fire insurance	\$33,645	\$(1,302)	\$(1,104)	\$(915)	\$(50,437)	\$(20,113)
Marine insurance	10,768	2,693	(766)	(5,010)	(11,372)	(3,687)
Land and air insurance	9,118	(4,984)	(670)	(4,089)	355	(270)
Liability insurance	63	78	(24)	(73)	(28)	16
Bonding insurance	245	532	-	(158)	(1)	618
Other property insurance	13,043	(20,316)	(2,416)	(2,024)	2,131	(9,582)
Accident insurance	1,581	867	(3)	(8)	(2,223)	214
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	71,646	37	-	(77,901)	62	(6,156)
Total	\$140,109	\$(22,395)	\$(4,983)	\$(90,178)	\$(61,513)	\$(38,960)

Item	2013.7.1 ~ 2013.9.30 (US\$)					Net (loss) gain for assumed reinsurance business
	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	
Fire insurance	\$1,138	\$(44)	\$(37)	\$(31)	\$(1,706)	\$(680)
Marine insurance	364	91	(26)	(170)	(385)	(126)
Land and air insurance	309	(169)	(23)	(138)	12	(9)
Liability insurance	2	3	(1)	(3)	(1)	0
Bonding insurance	8	18	-	(5)	-	21
Other property insurance	441	(686)	(82)	(69)	72	(324)
Accident insurance	54	29	-	-	(75)	8
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,424	1	-	(2,635)	2	(208)
Total	\$4,740	\$(757)	\$(169)	\$(3,051)	\$(2,081)	\$(1,318)

English Translation of Financial Statements Originally Issued in Chinese

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

2012.7.1 ~ 2012.9.30 (NT\$)						
Item	Net change for					Net (loss) gain for assumed reinsurance business
	Reinsurance premium income	unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	
Fire insurance	\$19,783	\$(976)	\$(813)	\$(803)	\$373	\$17,564
Marine insurance	15,804	(6,308)	(1,014)	11,076	13,857	33,415
Land and air insurance	8,469	(5,472)	(1,492)	(3,343)	(19,010)	(20,848)
Liability insurance	154	4	(73)	(1)	114	198
Bonding insurance	219	62	(1)	(7)	-	273
Other property insurance	16,204	(768)	(9,278)	(1,745)	3,026	7,439
Accident insurance	1,599	(20,056)	(31)	(4,405)	1,344	(21,549)
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	71,772	(1,189)	-	(64,718)	(219)	5,646
Total	\$134,004	\$(34,703)	\$(12,702)	\$(63,946)	\$(515)	\$22,138

2012.7.1 ~ 2012.9.30 (US\$)						
Item	Net change for					Net (loss) gain for assumed reinsurance business
	Reinsurance premium income	unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	
Fire insurance	\$675	\$(33)	\$(28)	\$(27)	\$13	\$600
Marine insurance	540	(215)	(35)	378	473	1,141
Land and air insurance	289	(187)	(51)	(114)	(649)	(712)
Liability insurance	5	-	(2)	-	4	7
Bonding insurance	8	2	-	-	-	10
Other property insurance	553	(26)	(317)	(60)	103	253
Accident insurance	55	(685)	(1)	(150)	46	(735)
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,450	(41)	-	(2,210)	(7)	192
Total	\$4,575	\$(1,185)	\$(434)	\$(2,183)	\$(17)	\$756

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2013.1.1 ~ 2013.9.30 (NT\$)						
Item	Net change for					Net (loss) gain for assumed reinsurance business
	Reinsurance premium income	unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	
Fire insurance	\$75,855	\$(5,308)	\$(2,688)	\$(2,626)	\$(50,586)	\$14,647
Marine insurance	31,830	5,448	(2,340)	(54,958)	12,386	(7,634)
Land and air insurance	14,051	43	(1,677)	(8,669)	(4,407)	(659)
Liability insurance	469	116	(183)	(96)	27	333
Bonding insurance	870	488	-	(166)	22	1,214
Other property insurance	32,527	(14,751)	(6,395)	(11,097)	22	306
Accident insurance	4,488	1,704	(21)	(1,694)	1,193	5,670
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	210,238	(894)	-	(226,026)	(3,574)	(20,256)
Total	\$370,328	\$(13,154)	\$(13,304)	\$(305,332)	\$(44,917)	\$(6,379)

2013.1.1 ~ 2013.9.30 (US\$)						
Item	Net change for					Net (loss) gain for assumed reinsurance business
	Reinsurance premium income	unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	
Fire insurance	\$2,567	\$(180)	\$(91)	\$(89)	\$(1,712)	\$495
Marine insurance	1,077	184	(79)	(1,859)	419	(258)
Land and air insurance	475	1	(57)	(293)	(149)	(23)
Liability insurance	16	4	(6)	(4)	1	11
Bonding insurance	29	17	-	(6)	1	41
Other property insurance	1,100	(499)	(216)	(375)	1	11
Accident insurance	152	58	(1)	(57)	40	192
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	7,112	(30)	-	(7,646)	(121)	(685)
Total	\$12,528	\$(445)	\$(450)	\$(10,329)	\$(1,520)	\$(216)

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2012.1.1 ~ 2012.9.30 (NT\$)						
Item	Net change for				Net (loss) gain	
	Reinsurance premium income	unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	for assumed reinsurance business
Fire insurance	\$61,428	\$(7,266)	\$(1,299)	\$(1,939)	\$1,491	\$52,415
Marine insurance	35,331	(13,722)	(2,555)	5,112	34,287	58,453
Land and air insurance	12,920	(4,988)	(2,371)	(7,662)	(17,875)	(19,976)
Liability insurance	504	(71)	(156)	(128)	1,155	1,304
Bonding insurance	914	(90)	1	(51)	13	787
Other property insurance	26,325	1,578	(5,307)	(7,144)	2,954	18,406
Accident insurance	6,498	996	(495)	(8,044)	(6,871)	(7,916)
Health insurance	-	-	-	-	114	114
Compulsory automobile liability insurance	208,028	(1,969)	-	(186,208)	(18,037)	1,814
Total	\$351,948	\$(25,532)	\$(12,182)	\$(206,064)	\$(2,769)	\$105,401

2012.1.1 ~ 2012.9.30 (US\$)						
Item	Net change for				Net (loss) gain	
	Reinsurance premium income	unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	for assumed reinsurance business
Fire insurance	\$2,097	\$(248)	\$(44)	\$(66)	\$51	\$1,790
Marine insurance	1,206	(469)	(87)	174	1,171	1,995
Land and air insurance	441	(170)	(81)	(262)	(610)	(682)
Liability insurance	18	(3)	(6)	(4)	39	44
Bonding insurance	31	(3)	-	(2)	-	26
Other property insurance	899	54	(181)	(244)	101	629
Accident insurance	222	34	(17)	(274)	(235)	(270)
Health insurance	-	-	-	-	4	4
Compulsory automobile liability insurance	7,102	(67)	-	(6,357)	(616)	62
Total	\$12,016	\$(872)	\$(416)	\$(7,035)	\$(95)	\$3,598

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c. Recognized gain (loss) for reinsurance contract purchased

Item	2013.7.1 ~ 2013.9.30 (NT\$)						
	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	\$353,029	\$115,306	\$(35,163)	\$(80,137)	\$(43,068)	\$309,967	
Marine insurance	92,104	63,749	(12,333)	(113,917)	(17,931)	11,672	
Land and air insurance	52,156	29,372	(11,267)	(33,773)	3,314	39,802	
Liability insurance	80,121	1,807	(21,220)	(35,841)	2,429	27,296	
Bonding insurance	3,555	3,712	(967)	1,223	763	8,286	
Other property insurance	121,485	68,710	(14,351)	(18,325)	(14,044)	143,475	
Accident insurance	29,483	34,369	(8,334)	(20,622)	(12,744)	22,152	
Health insurance	(8)	381	22	-	9,675	10,070	
Compulsory automobile liability insurance	213,431	(6,977)	-	(222,714)	53,680	37,420	
Total	\$945,356	\$310,429	\$(103,613)	\$(524,106)	\$(17,926)	\$610,140	

Item	2013.7.1 ~ 2013.9.30 (NT\$)						
	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	\$11,943	\$3,901	\$(1,190)	\$(2,711)	\$(1,457)	\$10,486	
Marine insurance	3,116	2,157	(417)	(3,854)	(607)	395	
Land and air insurance	1,764	994	(381)	(1,142)	112	1,347	
Liability insurance	2,711	61	(718)	(1,212)	82	924	
Bonding insurance	120	126	(33)	41	26	280	
Other property insurance	4,110	2,324	(485)	(620)	(475)	4,854	
Accident insurance	997	1,162	(282)	(698)	(431)	748	
Health insurance	-	13	1	-	327	341	
Compulsory automobile liability insurance	7,220	(236)	-	(7,534)	1,816	1,266	
Total	\$31,981	\$10,502	\$(3,505)	\$(17,730)	\$(607)	\$20,641	

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2012.7.1 ~ 2012.9.30 (NT\$)						
Item	Reinsurance expense	Net change for		Claims		Net loss (gain) for reinsurance ceded
		premiums reserve ceded	Reinsurance commission earned	recovered from reinsurers	Net change for claims reserve ceded	
Fire insurance	\$325,143	\$88,527	\$(34,981)	\$(33,065)	\$(10,133)	\$335,491
Marine insurance	167,932	17,548	(26,841)	(29,622)	88,351	217,368
Land and air insurance	38,086	23,418	(11,081)	(19,812)	(66,228)	(35,617)
Liability insurance	85,893	(11,023)	(21,481)	(22,355)	(13,308)	17,726
Bonding insurance	2,772	3,296	(845)	(3,124)	162	2,261
Other property insurance	82,705	13,987	(7,645)	(33,419)	(31,352)	24,276
Accident insurance	32,454	(1,239)	(8,093)	(19,979)	(1,352)	1,791
Health insurance	206	402	(68)	-	23	563
Compulsory automobile liability insurance	201,864	(7,249)	-	(163,201)	(28,161)	3,253
Total	\$937,055	\$127,667	\$(111,035)	\$(324,577)	\$(61,998)	\$567,112

2012.7.1 ~ 2012.9.30 (US\$)						
Item	Reinsurance expense	Net change for		Claims		Net loss (gain) for reinsurance ceded
		premiums reserve ceded	Reinsurance commission earned	recovered from reinsurers	Net change for claims reserve ceded	
Fire insurance	\$11,101	\$3,022	\$(1,194)	\$(1,129)	\$(346)	\$11,454
Marine insurance	5,733	599	(916)	(1,011)	3,016	7,421
Land and air insurance	1,300	799	(378)	(676)	(2,261)	(1,216)
Liability insurance	2,933	(376)	(734)	(763)	(455)	605
Bonding insurance	94	113	(29)	(107)	6	77
Other property insurance	2,824	477	(261)	(1,141)	(1,070)	829
Accident insurance	1,108	(42)	(277)	(682)	(46)	61
Health insurance	7	14	(2)	-	1	20
Compulsory automobile liability insurance	6,892	(247)	-	(5,572)	(962)	111
Total	\$31,992	\$4,359	\$(3,791)	\$(11,081)	\$(2,117)	\$19,362

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2013.1.1 ~ 2013.9.30 (NT\$)						
Item	Reinsurance expense	Net change for		Claims		Net loss (gain) for reinsurance ceded
		unearned premiums reserve ceded	Reinsurance commission earned	recovered from reinsurers	Net change for claims reserve ceded	
Fire insurance	\$1,392,488	\$90,584	\$(108,964)	\$(289,102)	\$196,442	\$1,281,448
Marine insurance	377,419	89,063	(50,644)	(285,312)	56,778	187,304
Land and air insurance	166,993	42,379	(44,038)	(78,895)	(23,710)	62,729
Liability insurance	248,063	3,907	(68,475)	(87,928)	(8,321)	87,246
Bonding insurance	25,294	(3,985)	(5,288)	1,027	5,259	22,307
Other property insurance	362,390	47,084	(51,971)	(49,409)	15,600	323,694
Accident insurance	113,949	32,995	(33,337)	(47,790)	1,971	67,788
Health insurance	427	963	(152)	(160)	656	1,734
Compulsory automobile liability insurance	622,210	(26,028)	-	(597,126)	(5,825)	(6,769)
Total	\$3,309,233	\$276,962	\$(362,869)	\$(1,434,695)	\$238,850	\$2,027,481

2013.1.1 ~ 2013.9.30 (US\$)						
Item	Reinsurance expense	Net change for		Claims		Net loss (gain) for reinsurance ceded
		unearned premiums reserve ceded	Reinsurance commission earned	recovered from reinsurers	Net change for claims reserve ceded	
Fire insurance	\$47,107	\$3,064	\$(3,686)	\$(9,780)	\$6,645	\$43,350
Marine insurance	12,768	3,013	(1,713)	(9,652)	1,921	6,337
Land and air insurance	5,649	1,434	(1,490)	(2,669)	(802)	2,122
Liability insurance	8,392	132	(2,317)	(2,975)	(281)	2,951
Bonding insurance	856	(135)	(179)	35	178	755
Other property insurance	12,260	1,593	(1,758)	(1,672)	528	10,951
Accident insurance	3,855	1,116	(1,128)	(1,617)	66	2,292
Health insurance	14	33	(5)	(5)	22	59
Compulsory automobile liability insurance	21,049	(881)	-	(20,200)	(197)	(229)
Total	\$111,950	\$9,369	\$(12,276)	\$(48,535)	\$8,080	\$68,588

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2012.1.1 ~ 2012.9.30 (NT\$)						
Item	Reinsurance expense	Net change for		Claims		Net loss (gain) for reinsurance ceded
		unearned premiums reserve ceded	Reinsurance commission earned	recovered from reinsurers	Net change for claims reserve ceded	
Fire insurance	\$1,356,139	\$(176,206)	\$(90,611)	\$(284,566)	\$166,115	\$970,871
Marine insurance	530,068	(3,822)	(75,176)	(108,763)	142,645	484,952
Land and air insurance	99,483	54,240	(27,632)	(56,427)	(77,962)	(8,298)
Liability insurance	254,384	(54,225)	(65,052)	(54,516)	(7,009)	73,582
Bonding insurance	23,187	(5,087)	(4,939)	(6,405)	540	7,296
Other property insurance	291,738	(4,742)	(44,275)	(54,455)	(16,451)	171,815
Accident insurance	109,498	3,598	(30,317)	(66,794)	(12,403)	3,582
Health insurance	1,569	1,334	(549)	(950)	(1,721)	(317)
Compulsory automobile liability insurance	576,420	(17,696)	-	(496,130)	(20,022)	42,572
Total	\$3,242,486	\$(202,606)	\$(338,551)	\$(1,129,006)	\$173,732	\$1,746,055

2012.1.1 ~ 2012.9.30 (US\$)						
Item	Reinsurance expense	Net change for		Claims		Net loss (gain) for reinsurance ceded
		unearned premiums reserve ceded	Reinsurance commission earned	recovered from reinsurers	Net change for claims reserve ceded	
Fire insurance	\$46,300	\$(6,016)	\$(3,094)	\$(9,715)	\$5,671	\$33,146
Marine insurance	18,097	(131)	(2,566)	(3,713)	4,870	16,557
Land and air insurance	3,396	1,852	(943)	(1,926)	(2,662)	(283)
Liability insurance	8,685	(1,851)	(2,221)	(1,861)	(239)	2,513
Bonding insurance	792	(174)	(169)	(219)	19	249
Other property insurance	9,961	(162)	(1,512)	(1,859)	(562)	5,866
Accident insurance	3,738	123	(1,034)	(2,281)	(423)	123
Health insurance	54	45	(19)	(33)	(58)	(11)
Compulsory automobile liability insurance	19,680	(604)	-	(16,939)	(684)	1,453
Total	\$110,703	\$(6,918)	\$(11,558)	\$(38,546)	\$5,932	\$59,613

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Sensitivity of insurance risk

A. Cathay Century

Insurance type	Premium income	Expected loss ratio	Before reinsurance	The impact to profit and loss when the expected loss ratio increases 5%			
				After reinsurance			
				NTS	US\$	NTS	US\$
Fire insurance	\$2,021,319	\$68,380	63.79	\$101,066	\$3,419	\$50,803	\$1,719
Marine insurance	458,129	15,498	64.69	22,906	775	4,875	165
Land and air insurance	4,345,710	147,013	65.06	217,285	7,351	135,705	4,591
Liability insurance	544,482	18,420	67.97	27,224	921	14,766	500
Bonding insurance	48,300	1,634	68.43	2,415	82	527	18
Other property insurance	574,097	19,422	62.09	28,705	971	12,690	429
Accident insurance	1,876,185	63,470	72.27	93,809	3,173	62,374	2,110
Health insurance	123,192	4,168	69.80	6,160	208	4,269	144
Compulsory automobile liability insurance	2,252,506	76,201	NA	NA	NA	NA	NA

Note: Fire insurance does not include long-term fire insurance.

The chart above shows that with every 5% increase of the expected loss rate of every insurance contract of 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 Insurance (China)

Insurance type	The impact to profit and loss when the expected loss ratio increases 5%					
	Premium income		Before reinsurance		After reinsurance	
	NTS	US\$	NTS	US\$	NTS	US\$
Fire insurance	\$216,307	\$7,318	\$10,815	\$366	\$5,260	\$178
Marine insurance	30,389	1,028	1,519	51	1,165	39
Liability insurance	226,951	7,678	11,348	384	6,857	232
Bonding insurance	2,288	77	114	4	86	3
Other property insurance	978,852	33,114	48,943	1,656	48,737	1,649
Compulsory automobile liability insurance	305,618	10,339	15,281	517	15,281	517

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According to the above chart, with every 5% increase in the ending loss rate of every insurance contract of Cathay Insurance (China), certain influence will be imposed upon revenue; however, the influence has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

Concentration Risk

A. Cathay Century

a. Situations that might cause concentration of insurance risk :

(a) Single insurance contract or few related contracts

For the nine month ended 30 September 2013, Cathay Century will undertake a business with infrequent but enormous losses only if all risks are evaluated by the underwriting department based on underwriting guidelines, or are discussed by an ad hoc meeting.

(b) Exposure to unanticipated change in trend

For the nine month ended 30 September 2013, the loss rate of Health insurance is high due to several large claim cases. Other than these, the loss rates of the rest insurance categories are still within reasonable range.

(c) Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts.

“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 lawsuit 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 nine-month periods ended 30 September 2013, no material lawsuit or legal risks has taken place.

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- (d) Correlation and mutual influence between different risks ◦

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of Cathay Century being severely endangered by these derived risks, Cathay Century has established “Operation standards under crisis” that set up crisis team in reaction 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 guard financial order. For the nine-month periods ended 30 September 2013, there is no catastrophe has taken place.

- (e) The significant non-linear relationship when a key variable has approached a degree which may dramatically impact Cathay Century’s future cash flow. For example, Loss limit or Excess of loss

Since the 3rd stage of liberalization of property insurance fee has been implemented, Cathay Century has conducted regular fee reviews on automobile insurance, fire insurance, and residential fire insurance in accordance with the regulation. The fee will be raised when the actual loss rate exceeds the expected loss rate by a certain percentage to avoid further losses. In addition, the related departments would observe the changes in trend from time to time 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 centralize in the areas of Taipei, Taoyuan, Hsinchu, Chiayi, Tainan, Kaohsiung and Pingtung.

Following table summarizes the concentration risk of Cathay Century before and after reinsurance by types of insurance:

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Insurance type	2013.7.1 ~ 2013.9.30 (NT\$)				2013.7.1 ~ 2013.9.30 (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	\$2,464,711	\$71,440	\$262,138	\$2,274,013	\$83,380	\$2,417	\$8,868	\$76,929
Fire insurance	606,035	24,432	310,534	319,933	20,502	827	10,506	10,823
Marine insurance	102,994	19,938	90,949	31,983	3,484	674	3,076	1,082
Engineering insurance	146,892	5,197	115,788	36,301	4,969	176	3,917	1,228
Health and injury insurance	359,250	1,446	30,218	330,478	12,153	49	1,022	11,180
Other insurance	252,816	3,907	44,205	212,518	8,553	132	1,496	7,189
Total	\$3,932,698	\$126,360	\$853,832	\$3,205,226	\$133,041	\$4,275	\$28,885	\$108,431

Insurance type	2013.1.1 ~ 2013.9.30 (NT\$)				2013.1.1 ~ 2013.9.30 (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	\$7,391,001	\$213,208	\$769,904	\$6,834,305	\$250,034	\$7,213	\$26,046	\$231,201
Fire insurance	2,036,217	66,678	1,246,314	856,581	68,884	2,256	42,162	28,978
Marine insurance	465,178	36,902	380,839	121,241	15,737	1,248	12,884	4,101
Engineering insurance	475,964	13,045	315,907	173,102	16,102	441	10,687	5,856
Health and injury insurance	1,089,618	4,187	94,872	998,933	36,861	142	3,209	33,794
Other insurance	781,784	9,341	224,145	566,980	26,447	316	7,583	19,180
Total	\$12,239,762	\$343,361	\$3,031,981	\$9,551,142	\$414,065	\$11,616	\$102,571	\$323,110

b. 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 broke out in Formosa Plastic Group. Nevertheless, due to proper arrangement of reinsurance and profit from investment, before-tax profit for the year still came out at 342 million.

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B. Cathay Insurance (China)

a. Situations that might cause to the concentration of insurance risk:

(a) The exposure of unanticipated change in trend

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

(b) The correlation and cross effect between different risks

When significant incidents happened, Cathay 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, and 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 nine-month periods ended 30 September 2013.

(c) Following tables summarized the concentration before and after reinsurance by types of insurance risk of Cathay Insurance (China):

Insurance type	2013.7.1 ~ 2013.9.30 (NT\$)				2013.7.1 ~ 2013.9.30 (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	\$546,920	\$2,973	\$718	\$549,175	\$18,502	\$101	\$24	\$18,579
Fire insurance	70,893	3,131	33,553	40,471	2,398	106	1,135	1,369
Marine insurance	10,630	103	3,734	6,999	360	3	126	237
Engineering insurance	7,247	1,326	4,957	3,616	245	45	168	122
Health and injury insurance	-	(2)	-	(2)	-	-	-	-
Other insurance	78,579	63	31,778	46,864	2,658	2	1,075	1,585
Total	\$714,269	\$7,594	\$74,740	\$647,123	\$24,163	\$257	\$2,528	\$21,892

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Insurance type	2013.1.1 ~ 2013.9.30 (NT\$)				2013.1.1 ~ 2013.9.30 (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	\$1,249,367	\$9,829	\$1,923	\$1,257,273	\$42,265	\$333	\$65	\$42,533
Fire insurance	221,754	6,963	122,334	106,383	7,502	235	4,138	3,599
Marine insurance	30,389	5,959	13,042	23,306	1,028	201	441	788
Engineering insurance	16,807	1,451	9,210	9,048	569	49	312	306
Health and injury insurance	-	21	-	21	-	1	-	1
Other insurance	242,088	459	90,830	151,717	8,190	16	3,073	5,133
Total	\$1,760,405	\$24,682	\$237,339	\$1,547,748	\$59,554	\$835	\$8,029	\$52,360

Claim development table

A. Cathay Century

Underwriting Year (NT\$)	2008.10.1- 2008.9.30	2008.10.1- 2009.9.30	2009.10.1- 2010.9.30	2010.10.1- 2011.9.30	2011.10.1- 2012.9.30	2012.10.1- 2013.9.30	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	\$5,735,222	
One year later	4,080,849	4,039,173	4,872,374	5,667,748	5,613,239	-	
Two year later	4,184,209	4,142,479	4,895,061	5,701,952	-	-	
Three year later	4,048,332	4,178,118	5,180,738	-	-	-	
Four year later	4,058,322	4,340,338	-	-	-	-	
Five year later	4,423,457	-	-	-	-	-	
Estimate of cumulative claims incurred	4,423,457	4,340,339	5,180,738	5,701,952	5,613,239	5,735,222	\$30,994,947
Cumulative payment to date	4,296,680	4,274,008	4,935,962	5,446,176	5,117,119	3,211,496	27,281,441
Subtotal	126,777	66,331	244,776	255,776	496,120	2,523,726	3,713,506
Reconciliation	-	-	-	-	-	57,313	57,313
Recorded in balance sheet	\$126,777	\$66,331	\$244,776	\$255,776	\$496,120	\$2,581,039	\$3,770,819

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Underwriting Year (US\$)	2008.10.1- 2008.9.30	2008.10.1- 2009.9.30	2009.10.1- 2010.9.30	2010.10.1- 2011.9.30	2011.10.1- 2012.9.30	2012.10.1- 2013.9.30	Total
Estimate of cumulative claims incurred:							
At end of underwriting year	\$103,595	\$112,408	\$133,006	\$182,959	\$164,123	\$194,020	
One year later	138,053	136,643	164,830	191,737	189,893		
Two year later	141,550	140,138	165,597	192,894			
Three year later	136,953	141,344	175,262				
Four year later	137,291	146,832					
Five year later	149,643						
Estimate of cumulative claims incurred	149,643	146,832	175,262	192,894	189,893	194,020	1,048,544
Cumulative payment to date	145,355	144,588	166,981	184,241	173,110	108,643	922,918
Subtotal	4,288	2,244	8,281	8,653	16,783	85,377	125,626
Reconciliation	-	-	-	-	-	1,939	1,939
Recorded in balance sheet	\$4,288	\$2,244	\$8,281	\$8,653	\$16,783	\$87,316	\$127,565

Note: 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\$790,045(US\$26,727) and assumed reinsurance from the upper table (except compulsory automobile liability insurance)NT\$281,535 (US\$9,524).

B. Cathay Insurance (China)

NT\$	For the first quarter of						Total
	2008.1.1- 2008.12.31	2009.1.1- 2009.12.31	2010.1.1- 2010.12.31	2011.1.1- 2011.12.31	2012.1.1- 2012.12.31	2013.1.1- 2013.9.30	
Estimated accumulation amount of claim							
As to 2008/12/31	\$2,653						
As to 2009/12/31	2,528	\$153,918					
As to 2010/12/31	2,524	147,915	\$329,160				
As to 2011/12/31	2,551	144,936	326,029	\$354,232			
As to 2012/12/31	1,325	125,815	292,794	317,248	\$985,342		
As to 2013/9/30	1,325	125,815	292,847	332,412	825,237	\$1,025,715	
Estimated accumulation of claim	1,325	125,815	292,847	332,412	825,237	1,025,715	\$2,603,351
Accumulated claim paid	1,325	125,682	290,358	294,842	631,618	317,831	1,661,656
Subtotal	-	133	2,489	37,570	193,619	707,884	941,695
Indirect claim expense, discount and risk margin							48,884
Recognized amount on balance sheet							\$990,579

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US\$	For the first quarter of						Total
	2008.1.1- 2008.12.31	2009.1.1- 2009.12.31	2010.1.1- 2010.12.31	2011.1.1- 2011.12.31	2012.1.1- 2012.12.31	2013.1.1- 2013.9.30	
Estimated accumulation amount of claim							
As to 2008/12/31	\$90						
As to 2009/12/31	86	\$5,207					
As to 2010/12/31	85	5,004	\$11,135				
As to 2011/12/31	86	4,903	11,029	\$11,983			
As to 2012/12/31	45	4,256	9,905	10,732	\$33,334		
As to 2013/9/30	45	4,257	9,907	11,245	27,917	\$34,699	
Estimated accumulation of claim	45	4,257	9,907	11,245	27,917	34,699	\$88,070
Accumulated claim paid	45	4,252	9,823	9,974	21,367	10,752	56,213
Subtotal	-	5	84	1,271	6,550	23,947	31,857
Indirect claim expense, discount and risk margin							1,654
Recognized amount on balance sheet							\$33,511

C. Cathay Insurance (Vietnam)

As Cathay Century (Vietnam) has only been operated for less than one year, there is no historical data for loss trends. Cathay Century (Vietnam) has adopted the suggestion from Vietnamese Ministry of Finance 2842/BTC/QCBH 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	"

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Name	Relationship
Cathay Securities Investment Trust	Subsidiary of the Company
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	//
SBC Bank	//
Cathay Futures	//
Taiwan Real-estate Management Corp.	Associate
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	//
Others	//

(2) Significant transactions with related parties:

A. Cash and cash equivalent

a. Call loans to banks

Name	Ending balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$6,344,748	\$214,640	\$6,376,067	\$219,486	\$-	\$-	\$5,731,948	\$189,361

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Name	Interest income							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$98,037	\$3,317	\$35,420	\$1,219	\$213,929	\$7,304	\$138,994	\$4,592

b. Due from commercial banks

Name	Ending balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$7,741	\$262	\$5,722	\$197	\$26,880	\$918	\$23,666	\$782

Name	Interest income							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$19	\$1	\$4	\$-	\$19	\$1	\$10	\$-

c. Call loans from banks

Name	Ending balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$4,795,493	\$162,229	\$2,797,772	\$96,309	\$1,408,777	\$48,098	\$4,072,018	\$134,523

Name	Interest income							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$27,601	\$934	\$17,686	\$609	\$173,507	\$5,924	\$90,678	\$2,996

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d. Due to commercial banks

Name	Ending balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Other related parties								
Vietinbank	\$14,823	\$501	\$5,722	\$197	\$6,978	\$238	\$1,395	\$46

B. Financial assets at fair value through profit or loss

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$2,009,533	\$67,982	\$2,319,889	\$79,858

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$2,009,533	\$67,982	\$2,319,889	\$79,858

C. Receivables

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$26,058	\$882	\$-	\$-
Other related parties				
Cathay Dragon Fund etc.	76,894	2,601	76,453	2,632
Total	\$102,952	\$3,483	\$76,453	\$2,632

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$658	\$22	\$1,035	\$34
Other related parties				
Cathay Dragon Fund etc.	73,154	2,498	68,121	2,251
Total	\$73,812	\$2,520	\$69,156	\$2,285

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D. Loans

Name	Ending balance			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$60,000	\$2,030	\$65,000	\$2,237
Other related parties				
Cathay Real Estate Development Co., Ltd.	610,000	20,636	-	-
Cathay General Hospital	3,097,743	104,795	3,313,519	114,063
Others	1,458,619	49,344	890,843	30,666
Total	\$5,226,362	\$176,805	\$4,269,362	\$146,966

Name	Ending balance			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$65,000	\$2,219	\$80,000	\$2,643
Other related parties				
Cathay Real Estate Development Co., Ltd.	50,000	1,707	-	-
Cathay General Hospital	3,382,925	115,498	3,588,571	118,552
Others	663,592	22,656	692,627	22,882
Total	\$4,161,517	\$142,080	\$4,361,198	\$144,077

Name	Interest income			
	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$290	\$10	\$318	\$11
Other related parties				
Cathay Real Estate Development Co., Ltd.	3,351	114	203	7
Cathay General Hospital	17,506	592	21,371	730
Others	6,779	229	3,423	117
Total	\$27,926	\$945	\$25,315	\$864

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Name	Interest income			
	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$884	\$30	\$1,083	\$36
Other related parties				
Cathay Real Estate Development Co., Ltd.	9,049	306	485	17
Cathay General Hospital	58,031	1,963	65,378	2,232
Others	19,904	674	9,690	331
Total	\$87,868	\$2,973	\$76,636	\$2,616

E. Available-for-sale financial assets

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$212,564	\$7,191	\$236,464	\$8,140

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$228,437	\$7,799	\$209,614	\$6,925

F. Deposit

Name	Ending balance			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$134,795	\$4,560	\$279,019	\$9,605
Cathay Dragon Fund etc.	1,794,041	60,691	3,258,081	112,154
Others	8,266,505	279,652	7,234,987	249,053
Total	\$10,195,341	\$344,903	\$10,772,087	\$370,812

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Name	Ending balance			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$69,728	\$2,381	\$215,767	\$7,128
Cathay Dragon Fund etc.	1,980,556	67,619	3,533,073	116,719
Others	6,890,281	235,243	6,719,624	221,989
Total	\$8,940,565	\$305,243	\$10,468,464	\$345,836

Name	Interest expense			
	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$33	\$1	\$48	\$1
Cathay Dragon Fund etc.	2,003	68	4,090	140
Others	18,280	618	14,695	502
Total	\$20,316	\$687	\$18,833	\$643

Name	Interest expense			
	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$145	\$5	\$148	\$5
Cathay Dragon Fund etc.	10,743	364	15,562	531
Others	70,808	2,395	49,062	1,675
Total	\$81,696	\$2,764	\$64,772	\$2,211

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G. Property transactions

a. Significant transactions with related parties are listed below:

Name	Item	2013.1.1~2013.9.30	
		NT\$	US\$
Other related parties			
Cathay Real Estate Development			
Co., Ltd.	Cathay Land Mark, etc.	\$12,580	\$426
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,452,857	49,149
Lin Yuan Property			
Management Co., Ltd.	Cathay Cosmos Building, etc.	26,423	894
Total		<u>\$1,491,860</u>	<u>\$50,469</u>

Name	Item	2012.1.1~2012.9.30	
		NT\$	US\$
Other related parties			
Cathay Real Estate Development			
Co., Ltd.	Cathay Land Mark, etc.	\$23,601	\$806
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	1,107,444	37,809
Lin Yuan Property			
Management Co., Ltd.	Cathay Cosmos Building, etc.	12,999	444
Total		<u>\$1,144,044</u>	<u>\$39,059</u>

The total amounts of contracted projects for real estate as of 30 September 2013 , 31 December 2012 , 30 September 2012 and 1 January 2012, between Cathay Life and Lin Yuan Property Management Co., Ltd. were NT\$95,481 (US\$3,230) thousands , NT\$3,408 (US\$117) thousands, NT\$3,408 (US\$116) thousands and NT\$0 (US\$0) thousands, respectively.

The total amounts of contracted projects for real estate as of 30 September 2013 , 31 December 2012 , 30 September 2012 and 1 January 2012, between Cathay Life and San Ching Engineering Co., Ltd. were NT\$5,535,807 (US\$187,274) thousands , NT\$5,483,615 (US\$188,765) thousands , NT\$5,483,615 (US\$187,218) thousands and NT\$5,483,615 (US\$181,157) thousands, respectively.

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The total amounts of contracted projects for real estate as of 30 September 2013 , 31 December 2012 , 30 September 2012 and 1 January 2012, between Cathay Life and Cathay Real Estate Development Co., Ltd. were NT\$49,306 (US\$1,668) thousands , NT\$49,306 (US\$1,697) thousands , NT\$49,306 (US\$1,683) thousands and NT\$49,306 (US\$1,629) thousands, respectively.

b. Real estate rental income from Cathay Life:

Name	Rental income			
	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment				
Consulting	\$2,211	\$75	\$2,308	\$79
Other related parties				
Cathay Real Estate Development				
Co., Ltd.	4,343	147	4,353	149
San Ching Engineering Co., Ltd.	1,404	47	1,537	52
Cathay General Hospital	10,611	359	10,909	372
Cathay Healthcare Inc.	8,587	291	8,197	280
Cathay Hospitality Management	9,283	314	199	7
Total	\$36,439	\$1,233	\$27,503	\$939

Name	Rental income			
	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment				
Consulting	\$6,593	\$223	\$6,936	\$237
Other related parties				
Cathay Real Estate Development				
Co., Ltd.	13,029	441	13,008	444
San Ching Engineering Co., Ltd.	4,421	149	4,611	158
Cathay General Hospital	97,715	3,306	98,261	3,355
Cathay Healthcare Inc.	25,776	872	23,002	785
Cathay Hospitality Management	11,358	384	331	11
Total	\$158,892	\$5,375	\$146,149	\$4,990

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Name	Guarantee deposits received			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,028	\$136	\$4,028	\$138
Cathay General Hospital	10,166	344	10,166	350
Cathay Healthcare Inc.	8,012	271	8,012	276
Total	\$22,206	\$751	\$22,206	\$764

Name	Guarantee deposits received			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$4,028	\$137	\$4,028	\$133
Cathay General Hospital	10,166	347	13,194	436
Cathay Healthcare Inc.	8,373	286	6,894	228
Total	\$22,567	\$770	\$24,116	\$797

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			
	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$16,690	\$565	\$8,635	\$295

Name	Rental expense			
	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$53,636	\$1,814	\$25,615	\$875

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Name	Guarantee deposits paid			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties Cathay Real Estate Development Co., Ltd.	\$13,932	\$471	\$13,932	\$480

Name	Guarantee deposits paid			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties Cathay Real Estate Development Co., Ltd.	\$3,786	\$129	\$3,786	\$125

According to the contracts, lease terms generally were 3 years and rents were paid monthly.

H. Guarantee deposits

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
	Other related parties Lin Yuan Property Management Co., Ltd.	\$5,000	\$169	\$5,000

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
	Other related parties Lin Yuan Property Management Co., Ltd.	\$5,000	\$171	\$5,000

I. Futures traders' equity

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
	Other related parties Cathay Dragon Fund etc.	\$166,506	\$5,633	\$166,848

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Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$165,984	\$5,667	\$-	\$-

J. Securities sold under agreements to repurchase

Name	Ending balance								
	2013.9.30		2012.12.31		2012.9.30		2012.1.1		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Other related parties									
Others	\$-	\$-	\$60,081	\$2,068	\$60,020	\$2,049	\$1,300,456	\$42,962	

Name	Interest expense								
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Other related parties									
Others	\$-	\$-	\$44	\$2	\$121	\$4	\$182	\$6	

K. Payables

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$14,109	\$477	\$-	\$-
Seaward Card	26,537	898	26,131	900
Other related parties				
Lin Yuan Property Management Co., Ltd.	44,132	1,493	3,580	123
San Ching Engineering Co., Ltd.	-	-	326	11
Vietinbank	118,680	4,015	407,904	14,041
Total	\$203,458	\$6,883	\$437,941	\$15,075

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Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$-	\$-	\$64	\$2
Seaward Card	25,499	871	27,223	899
Other related parties				
Lin Yuan Property Management Co., Ltd.	43,070	1,470	5,294	175
San Ching Engineering Co., Ltd.	1,569	54	23,331	771
Vietinbank	410,788	14,025	-	-
Total	\$480,926	\$16,420	\$55,912	\$1,847

L. Net commission and handling fees

a. Handling fee income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment				
Consulting	\$5,567	\$188	\$2,418	\$83

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment				
Consulting	\$16,478	\$557	\$4,773	\$163

b. Reinsurance handling fee paid

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$1,619	\$55	\$1,530	\$52

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Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$7,264	\$246	\$7,262	\$248

M.Net premiums from insurance business

a. Insurance income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development	\$4,333	\$147	\$4,597	\$157
Cathay General Hospital	12,809	433	9,797	334
Others	28,618	968	22,679	774
Total	\$45,760	\$1,548	\$37,073	\$1,265

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Real Estate Development	\$6,504	\$220	\$6,841	\$233
Cathay General Hospital	33,873	1,146	29,780	1,017
Others	87,911	2,974	82,175	2,806
Total	\$128,288	\$4,340	\$118,796	\$4,056

b. Reinsurance income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$30,087	\$1,018	\$27,883	\$952

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$100,169	\$3,389	\$91,343	\$3,119

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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 nine-month periods ended 2013 and 2012, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

c. Reinsurance claims payment

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$17,925	\$606	\$31,385	\$1,072

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$121,188	\$4,100	\$90,109	\$3,076

N. Net other non-interest income

a. Sales

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$2,734	\$92	\$2,662	\$91

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$60,394	\$2,043	\$34,806	\$1,188

b. Management fee income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$239,198	\$8,092	\$222,112	\$7,583

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Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$747,673	\$25,293	\$646,425	\$22,070

c. Other income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$910	\$31	\$910	\$31

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$3,640	\$123	\$3,647	\$125

O. Operating expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment				
Consulting	\$2,730	\$92	\$6,339	\$216
Seaward Card	65,313	2,210	78,162	2,669
Other related parties				
Cathay Real Estate Development Co., Ltd.	5,747	195	6,139	210
Lin Yuan Property Management Co., Ltd.	51,562	1,744	166,339	5,679
Cathay Healthcare Inc.	3,283	111	3,834	131
Total	\$128,635	\$4,352	\$260,813	\$8,905

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

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment				
Consulting	\$15,409	\$521	\$19,018	\$649
Seaward Card	239,077	8,088	258,798	8,836
Other related parties				
Cathay Real Estate Development Co., Ltd.	17,549	594	18,735	640
Lin Yuan Property Management Co., Ltd.	486,575	16,460	473,262	16,158
Cathay Healthcare Inc.	9,656	327	4,556	155
Total	<u>\$768,266</u>	<u>\$25,990</u>	<u>\$774,369</u>	<u>\$26,438</u>

P. Key management personnel compensation

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$87,784	\$2,970	\$70,521	\$2,408
Post-employment pension	3,433	116	2,781	95
Total	<u>\$91,217</u>	<u>\$3,086</u>	<u>\$73,302</u>	<u>\$2,503</u>

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$334,359	\$11,311	\$253,324	\$8,649
Post-employment pension	8,849	299	6,490	221
Termination benefits	2,708	92	-	-
Total	<u>\$345,916</u>	<u>\$11,702</u>	<u>\$259,814</u>	<u>\$8,870</u>

The key management personnel of the Group include chairman, directors, supervisors, and vice general managers.

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(3) The Company

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

A. Cash in bank

Name	Item	Ending balance			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$118,793	\$4,019	\$87,408	\$3,009
	Cash in bank	1,076	36	5,981	206
		<u>\$119,869</u>	<u>\$4,055</u>	<u>\$93,389</u>	<u>\$3,215</u>

Name	Item	Ending balance			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$88,026	\$3,005	\$-	\$-
	Cash in bank	7,844	268	60,579	2,001
		<u>\$95,870</u>	<u>\$3,273</u>	<u>\$60,579</u>	<u>\$2,001</u>

As of the three-month periods ended 30 September 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$1,208(US\$41) thousands and NT\$2,039(US\$70) thousands, respectively. As of the nine-month periods ended 30 September 2013 and 2012, they were NT\$1,677(US\$57) thousands and NT\$2,066(US\$71) thousands, respectively.

B. Receivables

Name	Item	2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$3,230,129	\$109,274	\$2,550,995	\$87,814
Cathay Century	Receivables due to consolidated income tax and interest	157,222	5,319	172,887	5,951
Cathay Securities	Receivables due to consolidated income tax	-	-	113,915	3,921
Cathay Securities Investment Trust	Receivables due to consolidated income tax	51,070	1,728	19,154	659
Total		<u>\$3,438,421</u>	<u>\$116,321</u>	<u>\$2,856,951</u>	<u>\$98,345</u>

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Name	Item	2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$2,322,754	\$79,302	\$1,642,995	\$54,278
Cathay Century	Receivables due to consolidated income tax and interest	99,013	3,380	103,717	3,426
Cathay Securities	Receivables due to consolidated income tax	358,942	12,255	-	-
Cathay Securities Investment Trust	Receivables due to consolidated income tax	8,334	285	-	-
Total		<u>\$2,789,043</u>	<u>\$95,222</u>	<u>\$1,746,712</u>	<u>\$57,704</u>

C. Guarantee deposits paid

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$8,282	\$280	\$6,604	\$227

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$6,604	\$225	\$5,816	\$192

D. Held-to-maturity financial asset

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,014,885	\$30,000,000	\$1,032,702
Cathay Century	1,000,000	33,829	1,000,000	34,423
Total	<u>\$31,000,000</u>	<u>\$1,048,714</u>	<u>\$31,000,000</u>	<u>\$1,067,125</u>

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,024,240	\$30,000,000	\$991,080
Cathay Century	1,000,000	34,141	1,000,000	33,036
Total	<u>\$31,000,000</u>	<u>\$1,058,381</u>	<u>\$31,000,000</u>	<u>\$1,024,116</u>

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E. Payables

Name	Item	2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$7,221,218	\$244,290	\$5,235,287	\$180,216
Cathay United Bank	Payable due to consolidated income tax	174,195	5,893	246,573	8,488
Cathay Securities	Payable due to consolidated income tax	9,856	333	-	-
Total		<u>\$7,405,269</u>	<u>\$250,516</u>	<u>\$5,481,860</u>	<u>\$188,704</u>

Name	Item	2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$6,767,349	\$231,046	\$3,055,618	\$100,945
Cathay United Bank	Payable due to consolidated income tax	410,499	14,015	554,163	18,307
Cathay Securities	Payable due to consolidated income tax	-	-	152,759	5,047
Total		<u>\$7,177,848</u>	<u>\$245,061</u>	<u>\$3,762,540</u>	<u>\$124,299</u>

F. Interest income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$228,866	\$7,742	\$228,241	\$7,792
Cathay Century	4,688	159	4,676	160
Total	<u>\$233,554</u>	<u>\$7,901</u>	<u>\$232,917</u>	<u>\$7,952</u>

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$679,134	\$22,975	\$679,760	\$23,208
Cathay Century	13,912	471	13,925	475
Total	<u>\$693,046</u>	<u>\$23,446</u>	<u>\$693,685</u>	<u>\$23,683</u>

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G. Operating expenses

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$8,240	\$279	\$7,445	\$254

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$23,807	\$805	\$21,130	\$721

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

A. Cathay Life and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$12,086,482	\$408,880	\$57,338,698	\$1,973,793
	Cash in bank	13,241,589	447,956	15,791,905	543,611
	Check deposit	433,956	14,681	954,116	32,844
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	473	16	471	16
	Cash in bank	17,232	583	2,737	94
		<u>\$25,779,738</u>	<u>\$872,116</u>	<u>\$74,087,933</u>	<u>\$2,550,358</u>

Name	Item	Ending balance			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$57,393,598	\$1,959,495	\$53,383,921	\$1,763,592
	Cash in bank	13,415,410	458,020	8,973,412	296,446
	Check deposit	861,006	29,396	638,623	21,098
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	4,080	139	32,811	1,084
	Cash in bank	3,216	110	1,622	54
		<u>\$71,677,316</u>	<u>\$2,447,160</u>	<u>\$63,030,395</u>	<u>\$2,082,274</u>

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As of the three-month period ended 30 September 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$35,216(US\$1,191) thousands and NT\$112,001 (US\$3,824) thousands, respectively. As of the nine-month periods ended 30 September 2013 and 2012, they were NT\$315,469(US\$10,672) thousands and NT\$331,461(US\$11,317) thousands, respectively.

As of the three-month period ended 30 September 2013 and 2012, interest revenue earned from deposits in Indovina Bank described above were NT\$411(US\$14) thousands and NT\$2,759 (US\$94) thousands, respectively. As of the nine-month periods ended 30 September 2013 and 2012, they were NT\$3,468(US\$117) thousands and NT\$4,174(US\$143) thousands, respectively.

b. Debt investments without active market

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$3,000	\$101	\$3,000	\$103

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$-	\$-	\$-	\$-

c. Other receivables

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$7,221,218	\$244,290	\$5,235,287	\$180,216
Subsidiaries				
Cathay Century	202,698	6,857	141,412	4,868
Total	\$7,423,916	\$251,147	\$5,376,699	\$185,084

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Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$6,767,349	\$231,046	\$3,055,618	\$100,945
Subsidiaries				
Cathay Century	110,448	3,771	217,861	7,197
Total	<u>\$6,877,797</u>	<u>\$234,817</u>	<u>\$3,273,479</u>	<u>\$108,142</u>

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

d. Secured loans

Name	2013.1.1~2013.9.30						
	Maximum amount		Interest		Rate	Ending balance	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Other related parties							
Cathay General							
Hospital	\$3,210,519	\$108,610	\$55,817	\$1,888	2.43%~2.55%	\$2,998,743	\$101,446
Others	604,995	20,467	6,821	231	1.34%~3.88%	581,737	19,680
Total			<u>\$62,638</u>	<u>\$2,119</u>		<u>\$3,580,480</u>	<u>\$121,126</u>

Name	2012.1.1~2012.9.30						
	Maximum amount		Interest income		Rate	Ending balance	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Other related parties							
Cathay General							
Hospital	\$3,485,571	\$119,002	\$63,097	\$2,154	2.43%~2.55%	\$3,279,925	\$111,981
Others	367,758	12,556	4,162	142	1.53%~3.78%	348,584	11,901
Total			<u>\$67,259</u>	<u>\$2,296</u>		<u>\$3,628,509</u>	<u>\$123,882</u>

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

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	<u>\$2,009,533</u>	<u>\$67,981</u>	<u>\$2,319,889</u>	<u>\$79,858</u>

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Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	<u>\$1,671,579</u>	<u>\$57,070</u>	<u>\$1,666,355</u>	<u>\$55,050</u>

f. Guarantee deposits paid

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Futures	<u>\$632,556</u>	<u>\$21,399</u>	<u>\$364,739</u>	<u>\$12,556</u>

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Futures	<u>\$257,000</u>	<u>\$8,774</u>	<u>\$511,844</u>	<u>\$16,909</u>

The guarantee deposits are futures margins of Cathay Futures. As of the three-month periods ended 30 September 2013 and 2012, interest revenue earned from guarantee deposits were NT\$185(US\$6) thousands and NT\$94 (US\$3) thousands, respectively, as of the nine-month periods ended 30 September 2013 and 2012, they were NT\$616(US\$21) thousands and NT\$332 (US\$11) thousands, respectively.

g. Other payables

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding(Note)	<u>\$3,230,129</u>	<u>\$109,274</u>	<u>\$2,550,995</u>	<u>\$87,814</u>

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding(Note)	<u>\$2,322,754</u>	<u>\$79,302</u>	<u>\$1,642,995</u>	<u>\$54,278</u>

Remark: Interest payable accrued from preferred stock liability.

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h. Preferred stock liability

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,014,885</u>	<u>\$30,000,000</u>	<u>\$1,032,702</u>

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,024,240</u>	<u>\$30,000,000</u>	<u>\$991,080</u>

i. 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	2013.1.1~2013.9.30	
		NT\$	US\$
Other related parties			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	<u>\$1,452,857</u>	<u>\$49,149</u>

Name	Item	2012.1.1~2012.9.30	
		NT\$	US\$
Other related parties			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	<u>\$1,107,444</u>	<u>\$37,810</u>

As of 30 September, 2013, 31 December, 2012, 30 September, 2012 and 1 January, 2012, the prices of construction contracts between Cathay Life and San Ching Engineering Co., Ltd. are in the amount of NT\$5,535,807 (US\$187,274), NT\$5,483,615 (US\$188,765), NT\$5,483,615 (US\$187,218) and NT\$5,483,615 (US\$181,157) thousands, respectively.

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j. Real estate rental income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$93,090	\$3,149	\$89,284	\$3,048

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$281,283	\$9,516	\$264,127	\$9,018

k. Insurance income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$71,024	\$2,403	\$163,673	\$5,588

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay United Bank	\$416,511	\$14,090	\$483,897	\$16,521

l. Insurance expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Century	\$6,992	\$237	\$5,294	\$181

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Century	\$106,588	\$3,606	\$103,157	\$3,522

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m. Reinsurance income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$30,087	\$1,018	\$27,883	\$952

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Insurance (Bermuda)	\$100,169	\$3,389	\$91,343	\$3,119

n. Reinsurance claims payment

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$17,925	\$606	\$31,385	\$1,072

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$121,188	\$4,100	\$90,109	\$3,076

o. Other revenues

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$91,794	\$3,105	\$100,835	\$3,443

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$298,762	\$10,107	\$314,717	\$10,745

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share data and unless otherwise stated)**

p. Miscellaneous income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay Century	\$321,815	\$10,887	\$203,191	\$6,937

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay Century	\$949,969	\$32,137	\$772,225	\$26,365

q. Operating expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay United Bank	\$834,641	\$28,235	\$604,089	\$20,624
Lin Yuan Property Management Co., Ltd.	49,891	1,688	163,753	5,591
Total	\$884,532	\$29,923	\$767,842	\$26,215

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay United Bank	\$1,913,693	\$64,739	\$1,949,770	\$66,568
Lin Yuan Property Management Co., Ltd.	480,856	16,267	467,279	15,954
Total	\$2,394,549	\$81,006	\$2,417,049	\$82,522

r. Non-operating expenses and losses

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
The Company Cathay Financial Holding (Note)	\$228,866	\$7,742	\$228,241	\$7,792

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
The Company Cathay Financial Holding (Note)	\$679,134	\$22,975	\$679,760	\$23,208

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

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s. Other disclosures

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

Item	2013.9.30	2012.12.31	2012.9.30	2012.1.1
CS contracts	USD1,035,000	USD985,000	USD1,479,000	USD1,900,000

B. Cathay United Bank and its subsidiaries

a. Loans and deposits

Account/Name	Ending balance								
	2013.9.30		2012.12.31		2012.9.30		2012.1.1		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
<u>Loans</u>									
Other related parties									
Cathay Real Estate									
Development Co., Ltd.	\$610,000	\$20,636	\$-	\$-	\$50,000	\$1,707	\$-	\$-	
Cathay General Hospital	99,000	3,349	103,000	3,546	103,000	3,517	103,000	3,403	
Others	843,063	28,520	385,830	13,282	277,081	9,460	363,719	12,016	
Total	\$1,552,063	\$52,505	\$488,830	\$16,828	\$430,081	\$14,684	\$466,719	\$15,419	

Account/Name	Ending balance								
	2013.9.30		2012.12.31		2012.9.30		2012.1.1		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
<u>Deposits</u>									
The Company									
Cathay Financial Holding	\$119,869	\$4,055	\$93,389	\$3,215	\$95,870	\$3,273	\$60,579	\$2,001	
Subsidiary									
Cathay Life	25,678,870	868,703	73,919,996	2,544,578	71,454,788	2,439,563	62,695,468	2,071,208	
Cathay Century	1,372,974	46,447	1,285,715	44,259	1,259,921	43,015	1,335,125	44,107	
Cathay Securities	1,592,497	53,873	1,797,618	61,880	1,594,476	54,438	746,384	24,658	
Cathay Futures	1,953,751	66,094	1,978,796	68,117	1,857,233	63,408	2,289,023	75,620	
Cathay Securities									
Investment Trust	345,010	11,672	1,745,795	60,096	1,676,314	57,232	1,695,233	56,004	
Symphox Information	86,164	2,915	167,730	5,774	215,231	7,348	277,215	9,158	
Cathay Century (Vietnam)	203,514	6,885	326,295	11,232	338,835	11,568	433,340	14,316	
Other related parties									
Cathay Real Estate									
Development Co., Ltd.	134,795	4,560	279,019	9,605	69,728	2,381	215,767	7,128	
Cathay Dragon Fund etc.	1,794,041	60,692	3,258,081	112,154	1,980,556	67,619	3,533,073	116,719	
Others	8,266,505	279,652	7,234,987	249,053	6,890,281	235,243	6,719,624	221,990	
Total	\$41,547,990	\$1,405,548	\$92,087,421	\$3,169,963	\$87,433,233	\$2,985,088	\$80,000,831	2,642,909	

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

Account/Name	Interest income							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Loans</u>								
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	\$3,351	\$113	\$203	\$7	\$9,049	\$306	\$485	\$17
Cathay General Hospital	737	25	766	26	2,214	75	2,281	78
Others	3,991	135	1,490	51	12,589	426	4,951	169
Total	\$8,079	\$273	\$2,459	\$84	\$23,852	\$807	\$7,717	\$264

Account/Name	Interest expense							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Deposits</u>								
The Company								
Cathay Financial Holding	\$1,208	\$41	\$2,039	\$70	\$1,677	\$57	\$2,066	\$71
Subsidiary								
Cathay Life	34,979	1,183	111,427	3,804	314,250	10,631	329,611	11,253
Cathay Century	2,172	73	2,675	91	6,909	234	8,585	293
Cathay Securities	2,015	68	1,709	58	6,868	232	4,486	153
Cathay Futures	6,193	210	5,890	201	19,803	670	15,456	528
Cathay Securities								
Investment Trust	1,296	44	2,952	101	6,439	218	9,366	320
Symphox Information	237	8	575	20	1,068	36	1,792	61
Cathay Century (Vietnam)	6,032	204	1,880	64	22,465	760	30,125	1,029
Other related parties								
Cathay Real Estate								
Development Co., Ltd.	33	1	48	2	145	5	148	5
Cathay Dragon Fund etc.	2,003	68	4,090	140	10,743	363	15,562	531
Others	18,280	618	14,695	502	70,808	2,395	49,062	1,675
Total	\$74,448	\$2,518	\$147,980	\$5,053	\$461,175	\$15,601	\$466,259	\$15,919

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

Account/Name	Ending balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>								
Other related parties								
Vietinbank	\$6,344,748	\$214,640	\$6,376,067	\$219,486	\$-	\$-	\$5,731,948	\$189,361
<u>Call loans from banks</u>								
Other related parties								
Vietinbank	4,795,493	162,229	2,797,772	96,309	1,408,777	48,098	4,072,018	134,523
Account/Name	Interest income							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>								
Other related parties								
Vietinbank	\$98,037	\$3,317	\$35,420	\$1,209	\$213,929	\$7,237	\$138,994	\$4,475
Account/Name	Interest expense							
	2013.7.1~2013.9.30		2012.7.1~2012.9.30		2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Call loans from banks</u>								
Other related parties								
Vietinbank	\$27,601	\$934	\$17,686	\$604	\$173,507	\$5,869	\$90,678	\$3,096

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

b. Securities sold under agreements to repurchase

Name	Ending balance			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Others	\$-	\$-	\$60,081	\$2,068
Name	Ending balance			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Others	\$60,020	\$2,049	\$1,300,456	\$42,962

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Name	Interest expense			
	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Others	\$-	\$-	\$44	\$2

Name	Interest expense			
	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Others	\$121	\$4	\$182	\$6

c. Receivables due to consolidated income tax

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$174,195	\$5,893	\$246,573	\$8,488

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$410,499	\$14,015	\$554,163	\$18,307

d. Preferred stock liability

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Vietinbank	\$118,680	\$4,015	\$407,904	\$14,041

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Vietinbank	\$410,788	\$14,025	\$-	\$-

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e. Rental expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$93,090	\$3,149	\$89,284	\$3,048

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$281,283	\$9,516	\$264,127	\$9,018

f. Handling fees income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$834,641	\$28,235	\$604,089	\$20,624

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$1,913,693	\$64,739	\$1,949,770	\$66,568

g. Accrued insurance expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$71,024	\$2,403	\$163,673	\$5,588

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$416,511	\$14,090	\$483,897	\$16,521

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h. General expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Symphox Information	\$91,794	\$3,105	\$100,835	\$3,443
Seaward Card	47,943	1,622	49,578	1,693
Total	<u>\$139,737</u>	<u>\$4,727</u>	<u>\$150,413</u>	<u>\$5,136</u>

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Symphox Information	\$298,762	\$10,107	\$314,717	\$10,745
Seaward Card	165,333	5,593	177,512	6,060
Total	<u>\$464,095</u>	<u>\$15,700</u>	<u>\$492,229</u>	<u>\$16,805</u>

C. Cathay Century and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$640,200	\$21,658	\$695,800	\$23,952
	Cash in bank	596,745	20,188	416,944	14,353
	Check deposits	136,029	4,602	172,971	5,954
		<u>\$1,372,974</u>	<u>\$46,448</u>	<u>\$1,285,715</u>	<u>\$44,259</u>

Name	Item	Ending balance			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$751,700	\$25,664	\$915,000	\$30,228
	Cash in bank	351,157	11,989	305,576	10,095
	Check deposits	157,064	5,362	114,549	3,784
		<u>\$1,259,921</u>	<u>\$43,015</u>	<u>\$1,335,125</u>	<u>\$44,107</u>

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

As of the three-month period ended 30 September 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$2,172(US\$73) thousands and NT\$2,675(US\$91) thousands, respectively. As of the nine-month periods ended 30 September 2013 and 2012, they were NT\$6,909(US\$234) thousands and NT\$8,585(US\$293) thousands, respectively.

b. Other payables

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$143,310	\$4,848	\$172,887	\$5,951
Subsidiaries				
Cathay Life	202,698	6,857	141,412	4,868
Total	<u>\$346,008</u>	<u>\$11,705</u>	<u>\$314,299</u>	<u>\$10,819</u>

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$85,088	\$2,905	\$103,717	\$3,426
Subsidiaries				
Cathay Life	110,448	3,771	217,861	7,197
Total	<u>\$195,536</u>	<u>\$6,676</u>	<u>\$321,578</u>	<u>\$10,623</u>

c. Preferred stock liability

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$1,000,000</u>	<u>\$33,829</u>	<u>\$1,000,000</u>	<u>\$34,423</u>

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$1,000,000</u>	<u>\$34,141</u>	<u>\$1,000,000</u>	<u>\$33,036</u>

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d. Insurance income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$6,992	\$237	\$5,294	\$181

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$106,588	3,606	\$103,157	\$3,522

e. Operating expense

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$321,815	\$10,887	\$203,191	\$6,937

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$949,969	\$32,137	\$772,225	\$26,365

f. Other disclosures

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

Item	2013.9.30	2012.12.31	2012.9.30	2012.1.1
CS contracts	USD 67,250	USD 75,250	USD 60,550	USD 41,050
IRS	NTD 400,000	NTD 400,000	NTD 400,000	NTD 600,000

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D. Cathay Securities and its subsidiaries

a. Cash in bank

Name	Item	Ending balance			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$1,201,900	\$40,660	\$1,000,000	\$34,423
	Cash in bank	623,831	21,104	1,690,322	58,187
		<u>\$1,825,731</u>	<u>\$61,764</u>	<u>\$2,690,322</u>	<u>\$92,610</u>

Name	Item	Ending balance			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$1,427,300	\$48,730	\$587,900	\$19,422
	Cash in bank	452,158	15,437	523,889	17,307
		<u>\$1,879,458</u>	<u>\$64,167</u>	<u>\$1,111,789</u>	<u>\$36,729</u>

As of the three-month period ended 30 September 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$8,208(US\$278) thousands and NT\$7,599(US\$259) thousands, respectively. As of the nine-month periods ended 30 September 2013 and 2012, they were NT\$26,671(US\$902) thousands and NT\$19,942(US\$681) thousands, respectively.

b. Customer's margin accounts

Name	Ending balance							
	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Subsidiary								
Cathay United Bank	<u>\$1,720,517</u>	<u>\$58,204</u>	<u>\$1,086,092</u>	<u>\$37,387</u>	<u>\$1,572,251</u>	<u>\$53,679</u>	<u>\$1,923,618</u>	<u>\$63,549</u>

c. Other receivables

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

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The company				
Cathay Financial Holding (Note)	\$9,856	\$333	\$-	\$-

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The company				
Cathay Financial Holding (Note)	\$-	\$-	\$152,759	\$5,047

Note : Receivable are refundable tax under system.

d. Other payables

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
The company				
Cathay Financial Holding	\$-	\$-	\$113,915	\$3,921

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
The company				
Cathay Financial Holding	\$358,942	\$12,255	\$-	\$-

e. Futures trader's equity

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$632,556	\$21,399	\$364,739	\$12,556
Other related parties				
Cathay Dragon Fund etc.	166,506	5,633	166,848	5,743
Total	\$799,062	\$27,032	\$531,587	\$18,299

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$257,000	\$8,774	\$511,844	\$16,909
Other related parties				
Cathay Dragon Fund etc.	165,984	5,667	-	-
Total	\$422,984	\$14,441	\$511,844	\$16,909

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E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Guarantee deposit

Name	Item	Ending balance			
		2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$331,850	\$11,226	\$1,720,550	\$59,227
	Cash in bank	843	29	28	1
	Check deposits	12,317	417	25,217	868
		<u>\$345,010</u>	<u>\$11,672</u>	<u>\$1,745,795</u>	<u>\$60,096</u>

Name	Item	Ending balance			
		2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$1,638,550	\$55,942	\$1,679,450	\$55,482
	Cash in bank	28	1	27	1
	Check deposits	37,736	1,288	15,756	521
		<u>\$1,676,314</u>	<u>\$57,231</u>	<u>\$1,695,233</u>	<u>\$56,004</u>

Remark: As of 30 September, 2013, December 31, 2012, 30 September, 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\$1,691) thousands, NT\$50,000 (US\$1,721) thousands, NT\$50,000 (US\$1,707) 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\$160,100 (US\$5,416) thousands, NT\$145,000 (US\$4,991) thousands, NT\$153,000 (US\$5,224) thousands and NT\$128,500 (US\$4,245) thousands, respectively, as performance bond according to Discretionary Investment Services Contract.

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As of the three-month period ended 30 September 2013 and 2012, interest revenue earned from deposits in Cathay United Bank described above were NT\$1,296(US\$44) thousands and NT\$2,952(US\$101) thousands, respectively. As of the nine-month periods ended 30 September 2013 and 2012, they were NT\$6,439(US\$218) thousands and NT\$9,366(US\$320) thousands, respectively.

b. Available-for-sale financial assets

Name	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$149,802	\$5,068	\$128,032	\$4,407

Name	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$99,362	\$3,392	\$118,147	\$3,903

c. Securities sold under agreements to repurchase

Name	2013.1.1~2013.9.30						
	Maximum balance		Ending balance		Rate	Interest income	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Subsidiaries							
Cathay United							
Bank	\$1,475,128	\$49,903	\$-	\$-	0.46%~0.50%	\$797	\$27

Name	2012.1.1~2012.9.30						
	Maximum balance		Ending balance		Rate	Interest income	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Subsidiaries							
Cathay United							
Bank	\$778,000	\$26,562	\$-	\$-	0.42%~0.46%	\$435	\$15

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d. Management fee income

Name	2013.7.1~2013.9.30		2012.7.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$239,198	\$8,092	\$222,112	\$7,583

Name	2013.1.1~2013.9.30		2012.1.1~2012.9.30	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$747,673	\$25,293	\$646,425	\$22,070

36. Pledged assets

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

Item	Guarantee purpose	Carrying amount			
		30 September 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	\$2,810,226	\$95,069	\$2,559,994	\$88,124
Guarantee deposits paid	Government bonds	10,580,741	357,941	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	47,345	1,602	45,103	1,552
Available-for-sale financial assets	Business reserves and guarantees	1,499,509	50,728	1,603,158	55,186
Held-to-maturity financial assets	Business reserves and guarantees	813,615	27,524	610,570	21,018
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,694,857	50,100,000	1,724,613
Other financial assets	Business reserves and guarantees	9,505	322	10	-
Total		\$65,860,941	\$2,228,043	\$65,196,285	\$2,244,278

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Item	Guarantee purpose	Carrying amount			
		30 September 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	\$2,090,047	\$71,357	\$2,193,969	\$72,480
Guarantee deposits paid	Government bonds	10,128,309	345,794	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	45,632	1,558	39,313	1,299
Available-for-sale financial assets	Business reserves and guarantees	1,698,550	57,991	1,504,328	49,697
Held-to-maturity financial assets	Business reserves and guarantees	612,452	20,910	635,080	20,980
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,710,481	38,500,000	1,271,886
Total		\$64,674,990	\$2,208,091	\$54,026,689	\$1,784,826

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.

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(2) Cathay Securities

As of 30 September 2013, Cathay Securities requested financial institutions issue letters of guarantees for security borrowing of NT\$420,000 (US\$14,208) thousands.

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

Item	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Trust and security held for safekeeping	\$415,075,509	\$14,041,797	\$337,334,621	\$11,612,207
Travelers checks for sale	475,676	16,092	462,167	15,909
Bills for collection	43,362,213	1,466,922	39,523,311	1,360,527
Book-entry for government bonds and depository for short-term marketable securities under management	571,833,500	19,344,841	564,494,500	19,431,824
Entrusted financial management business	3,625,881	122,662	2,385,838	82,129
Guarantees on duties and contracts	10,943,240	370,204	12,081,454	415,885
Unused commercial letters of credit	4,132,696	139,807	4,933,417	169,825
Irrevocable loan commitments	54,457,780	1,842,279	34,415,264	1,184,691
Credit card lines commitments	336,662,203	11,389,114	295,794,164	10,182,243
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	35
Financial guarantee contracts	-	-	852,596	29,349

Item	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Trust and security held for safekeeping	\$306,196,738	\$10,453,969	\$283,313,658	\$9,359,553
Travelers checks for sale	432,556	14,768	419,563	13,861
Bills for collection	40,625,607	1,387,013	46,271,479	1,528,625
Book-entry for government bonds and depository for short-term marketable securities under management	557,105,800	19,020,341	548,802,600	18,130,248
Entrusted financial management business	2,427,218	82,868	2,670,038	88,207
Guarantees on duties and contracts	12,537,471	428,046	13,245,165	437,567
Unused commercial letters of credit	4,682,464	159,866	5,477,941	180,969
Irrevocable loan commitments	61,812,945	2,110,377	51,897,159	1,714,475
Credit card lines commitments	292,564,141	9,988,533	282,315,962	9,326,593
Stamp tax, securities and memorial currency consignments	1,006	34	1,006	33
Financial guarantee contracts	-	-	643,612	21,262

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

	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$766,684	\$25,936	\$884,886	\$30,461
1 to 5 years	1,340,627	45,353	1,214,969	41,823
Over 5 year	60,764	2,056	118,602	4,083
	<u>\$2,168,075</u>	<u>\$73,345</u>	<u>\$2,218,457</u>	<u>\$76,367</u>

	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$807,027	\$27,553	\$1,211,016	\$40,007
1 to 5 years	1,124,245	38,383	1,374,263	45,400
Over 5 year	44,501	1,520	28,380	938
	<u>\$1,975,773</u>	<u>\$67,456</u>	<u>\$2,613,659</u>	<u>\$86,345</u>

38. Significant disaster losses: None.

39. Subsequent events: None.

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40. Other significant matters

(1) Financial instruments related information

The Group

A. Information of fair value

Item	2013.9.30			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$302,903,232	\$302,903,232	\$10,247,065	\$10,247,065
Due from the Central Bank and call loans to banks	132,346,377	132,346,377	4,477,212	4,477,212
Financial assets at fair value through profit or loss	226,017,077	226,017,077	7,646,044	7,646,044
Available-for-sale financial assets	1,321,363,863	1,321,363,863	44,701,078	44,701,078
Derivative financial assets for hedging	1,607,616	1,607,616	54,385	54,385
Repurchase bonds and bond investment notes	12,547,032	12,547,032	424,460	424,460
Receivables, net	141,389,034	141,389,034	4,783,120	4,783,120
Discounts and loans-net	1,584,700,953	1,584,700,953	53,609,640	53,609,640
Held-to-maturity financial assets	51,384,448	52,866,155	1,738,310	1,788,436
Other financial assets - Investments in debt securities with no active market	1,357,046,326	1,327,513,209	45,908,198	44,909,107
Other financial assets	411,414,108	411,414,108	13,917,933	13,917,933
Guarantee deposits paid	78,550,255	78,550,255	2,657,316	2,657,316
<u>Liabilities</u>				
Due to the Central Bank and call loans from banks	\$50,893,236	\$50,893,236	1,721,693	1,721,693
Funds borrowed from the Central Bank and other banks	1,483,500	1,483,500	50,186	50,186
Financial liabilities at fair value through profit or loss	19,073,757	19,073,757	645,256	645,256
Securities sold under agreements to repurchase	58,193,040	58,193,040	1,968,641	1,968,641
Payables	58,366,163	58,366,163	1,974,498	1,974,498
Deposits and remittances	1,558,339,204	1,558,339,204	52,717,835	52,717,835
Financial debentures payable	99,913,846	99,913,846	3,380,035	3,380,035
Other financial liabilities	396,720,427	396,720,427	13,420,853	13,420,853
Guarantee deposits received	3,051,599	3,051,599	103,234	103,234

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Item	2012.12.31			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$309,460,700	\$309,460,700	\$10,652,692	\$10,652,692
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	1,302,743,262	1,302,743,262	44,844,863	44,844,863
Derivative financial assets for hedging	2,362,366	2,362,366	81,321	81,321
Repurchase bonds and bond investment notes	18,517,498	18,517,498	637,435	637,435
Receivables, net	113,176,019	113,176,019	3,895,904	3,895,904
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	27,346,777	839,277	941,369
Other financial assets - Investments in debt securities with no active market	1,242,272,317	1,292,288,382	42,763,246	44,484,970
Other financial assets	363,020,410	363,020,410	12,496,400	12,496,400
Guarantee deposits paid	67,494,515	67,494,515	2,323,391	2,323,391
<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
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	60,740,926	60,740,926	2,090,910	2,090,910
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
2012.9.30				
	NT\$		US\$	

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Item	Carrying		Carrying	
	amount	Fair value	amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$361,452,952	\$361,452,952	\$12,340,490	\$12,340,490
Due from the Central Bank and call loans to banks	160,152,473	160,152,473	5,467,821	5,467,821
Financial assets at fair value through profit or loss	94,922,103	94,922,103	3,240,768	3,240,768
Available-for-sale financial assets	1,303,242,737	1,303,242,737	44,494,460	44,494,460
Derivative financial assets for hedging	2,793,429	2,793,429	95,371	95,371
Repurchase bonds and bond investment notes	15,147,717	15,147,717	517,163	517,163
Receivables, net	98,457,309	98,457,309	3,361,465	3,361,465
Discounts and loans-net	1,484,460,171	1,484,460,171	50,681,467	50,681,467
Held-to-maturity financial assets, net	24,498,832	27,098,168	836,423	925,168
Other financial assets - Investments in debt securities with no active market	1,200,611,503	1,251,342,982	40,990,492	42,722,533
Other financial assets	352,162,840	352,162,840	12,023,313	12,023,313
Guarantee deposits paid	76,924,158	76,924,158	2,626,294	2,626,294
<u>Liabilities</u>				
Due to the Central Bank and call loans from banks	70,215,820	70,215,820	2,397,262	2,397,262
Funds borrowed from the Central Bank and other banks	1,467,100	1,467,100	50,089	50,089
Financial liabilities at fair value through profit or loss	9,994,354	9,994,354	341,221	341,221
Securities sold under agreements to repurchase	22,064,674	22,064,674	753,318	753,318
Payables	52,103,200	52,103,200	1,778,873	1,778,873
Deposits and remittances	1,454,541,407	1,454,541,407	49,660,000	49,660,000
Financial debentures payable	90,040,291	90,040,291	3,074,097	3,074,097
Other financial liabilities	338,296,888	338,296,888	11,549,911	11,549,911
Guarantee deposits received	3,112,957	3,112,957	106,281	106,281
2012.1.1				
NT\$		US\$		
Carrying		Carrying		

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Item	amount	Fair value	amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$334,238,926	\$334,238,926	\$11,041,920	\$11,041,920
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	1,348,697,428	1,348,697,428	44,555,581	44,555,581
Derivative financial assets for hedging	3,425,140	3,425,140	113,153	113,153
Repurchase bonds and bond investment notes	11,820,837	11,820,837	390,513	390,513
Receivables, net	95,646,819	95,646,819	3,159,789	3,159,789
Discounts and loans-net	1,492,075,402	1,492,075,402	49,292,217	49,292,217
Held-to-maturity financial assets, net	21,955,565	22,191,852	725,324	733,130
Other financial assets - Investments in debt				
securities with no active market	941,402,270	941,784,982	31,100,174	31,112,817
Other financial assets	317,303,993	317,303,993	10,482,458	10,482,458
Guarantee deposits paid	56,931,479	56,931,479	1,880,789	1,880,789
<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	44,204,197	44,204,197	1,460,330	1,460,330
Deposits and remittances	1,414,421,828	1,414,421,828	46,726,853	46,726,853
Financial debentures payable	76,023,825	76,023,825	2,511,524	2,511,524
Other financial liabilities	305,766,443	305,766,443	10,101,303	10,101,303
Guarantee deposits received	2,798,826	2,798,826	92,462	92,462

B. The methods and hypothesis for estimation of fair value measurement:

- 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

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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:

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.

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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 :

		2013.9.30							
		Total		1 st Level		2 nd Level		3 rd Level	
Financial instruments measured at fair value item		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		\$16,972,642	\$574,176	\$16,972,642	\$574,176	\$-	\$-	\$-	\$-
Bonds		20,458,551	692,102	6,264,266	211,917	14,194,285	480,185	-	-
Others		174,122,154	5,890,465	38,581,911	1,305,207	135,540,243	4,585,258	-	-
Available-for-sale financial assets:									
Stocks		390,703,096	13,217,290	378,386,964	12,800,638	12,163,622	411,489	152,610	5,163
Bonds		796,539,252	26,946,524	39,619,658	1,340,313	756,919,594	25,606,211	-	-
Others		134,121,515	4,537,264	99,889,770	3,379,221	23,777,235	804,372	10,454,510	353,671
<u>Liabilities</u>									
Financial liabilities at fair value through profit or loss									
		1,569,645	53,100	1,569,645	53,100	-	-	-	-
<u>Derivative financial instruments</u>									
<u>Assets</u>									
Financial assets at fair value through profit or loss									
		14,463,730	489,301	726,885	24,590	13,736,845	464,711	-	-
Other financial assets:									
Derivatives financial assets for hedging									
		1,607,616	54,385	10,589	358	1,597,027	54,027	-	-
<u>Liabilities</u>									
Financial liabilities at fair value through profit or loss									
		17,504,112	592,156	286,418	9,690	17,217,694	582,466	-	-
		2012.12.31							
		Total		1 st Level		2 nd Level		3 rd Level	
Financial instruments measured at fair value item		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:									

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Stocks	\$14,896,788	\$512,798	\$14,896,788	\$512,798	\$-	\$-	\$-	\$-
Bonds	7,721,892	265,813	2,866,200	98,664	4,855,692	167,149	-	-
Others	114,486,559	3,941,018	37,032,794	1,274,795	77,453,765	2,666,223	-	-
Available-for-sale financial assets:								
Stocks	295,434,057	10,169,847	285,026,021	9,811,567	10,408,036	358,280	-	-
Bonds	891,487,105	30,688,024	56,266,713	1,936,892	835,220,392	28,751,132	-	-
Others	115,822,100	3,986,992	88,229,855	3,037,173	19,951,630	686,803	7,640,615	263,016
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,503,682	51,762	1,503,682	51,762	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	10,054,649	346,116	648,848	22,336	9,405,801	323,780	-	-
Other financial assets:								
Derivatives financial assets for hedging	3,521,595	121,226	34,268	1,180	3,487,327	120,046	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	7,582,664	261,021	203,241	6,996	7,379,423	254,025	-	-

2012.9.30

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(\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$13,306,269	\$454,294	\$13,306,269	\$454,294	\$-	\$-	\$-	\$-
Bonds	6,567,860	224,236	4,285,910	146,327	2,281,950	77,909	-	-
Others	54,677,713	1,866,770	24,956,641	852,053	29,721,072	1,014,717	-	-
Available-for-sale financial assets:								
Stocks	296,840,483	10,134,533	284,996,018	9,730,147	11,844,465	404,386	-	-
Bonds	901,644,216	30,783,346	58,543,133	1,998,741	843,101,083	28,784,605	-	-
Others	104,758,038	3,576,581	78,633,154	2,684,642	19,552,209	667,539	6,572,675	224,400
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,491,916	50,936	1,491,916	50,936	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	20,370,261	695,468	601,545	20,537	19,768,716	674,931	-	-
Other financial assets:								
Derivatives financial assets for hedging	2,793,429	95,371	18,199	621	2,775,230	94,750	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	8,502,438	290,285	122,941	4,198	8,379,497	286,087	-	-

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(\$)

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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	181,630	3,527,286	116,527	1,970,682	65,103	-	-
Others	60,853,570	2,010,359	45,957,143	1,518,241	14,896,427	492,118	-	-

Available-for-sale financial assets:

Stocks	257,223,933	8,497,652	248,475,655	8,208,644	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	3,025,828	65,948,265	2,178,668	20,427,218	674,834	5,216,315	172,326

Liabilities

Financial liabilities at fair value through

profit or loss

1,379,357	45,569	1,379,357	45,569	-	-	-	-
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Derivative financial instruments

Assets

Financial assets at fair value through

profit or loss

9,225,222	304,765	558,663	18,456	8,666,559	286,309	-	-
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Other financial assets:

Derivatives financial assets for hedging	5,411,507	178,774	57,042	1,884	5,354,465	176,890	-	-
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Liabilities

Financial liabilities at fair value

through profit or loss	21,756,786	718,757	200,363	6,619	21,556,423	712,138	-	-
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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.

2013.1.1~2013.9.30(NT\$)								
Item	Beginning balance	Total gains and losses recognized		Increase		Decrease		Ending balance
		Amount	Amount	Acquisition	Transfer into	Disposal or	Transfer out	

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		recognized in profit or loss	recognized in OCI	or issues	Level 3	settlements	of Level 3	
Available-for-sale financial assets	\$7,640,615	\$83,070	\$753,522	\$4,674,981	\$-	\$(2,545,068)	\$-	\$10,607,120

2013.1.1~2013.9.30(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	\$258,478	\$2,810	\$25,491	\$158,153	\$-	\$(86,098)	\$-	\$358,834

2012.1.1~2012.9.30(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	\$5,216,315	\$11,876	\$212,431	\$2,950,065	\$-	\$(1,818,012)	\$-	\$6,572,675

2012.1.1~2012.9.30(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	\$178,092	\$405	\$7,253	\$100,719	\$-	\$(62,069)	\$-	\$224,400

(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.

English 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) Management on financial risks

A. Cathay Life and its subsidiaries

a. Credit risk

(a) Credit risk

Anticipated credit risks due to financial transactions conducted included the credit risks from issuers, counterparties, and underlying assets:

- i. 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.
- ii. 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.
- iii. Underlying asset's 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 downgraded, or the terms of contract are violated from underlying asset which is related to a certain financial instruments.

(b) Concentration risk

Regional distribution of credit risk exposure for financial assets of Cathay Life:

30 September 2013

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets	Total
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(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

					and others	
Cash and cash equivalents	\$160,662,827	\$-	\$-	\$45,914,778	\$70,937,222	\$277,514,827
Financial assets at fair value through profit or loss	16,418,379	430,790	3,067,253	2,165,142	-	22,081,564
Available-for-sale financial assets	451,291,059	16,307,479	67,437,034	179,059,884	28,277,036	742,372,492
Derivative financial assets for hedging	150,772	18,211	321,701	79,329	-	570,013
Bond investments for which no active market exists	40,284,287	56,432,715	243,311,221	364,283,722	254,383,479	958,695,424
Other financial assets	35,900,000	-	3,500,000	-	-	39,400,000
Total	\$704,707,324	\$73,189,195	\$317,637,209	\$591,502,855	\$353,597,737	\$2,040,634,320
Proportion	34.5%	3.6%	15.6%	29.0%	17.3%	100.0%

30 September 2013

US\$

					Emerging markets and others	
Financial assets	Taiwan	Asia	Europe	Americas		Total
Cash and cash equivalents	\$5,435,144	\$-	\$-	\$1,553,274	\$2,399,770	\$9,388,188
Financial assets at fair value through profit or loss	555,425	14,574	103,764	73,245	-	747,008
Available-for-sale financial assets	15,266,951	551,674	2,281,361	6,057,506	956,598	25,114,090
Derivative financial assets for hedging	5,100	616	10,883	2,684	-	19,283
Bond investments for which no active market exists	1,362,797	1,909,090	8,231,097	12,323,536	8,605,666	32,432,186
Other financial assets	1,214,479	-	118,403	-	-	1,332,882
Total	\$23,839,896	\$2,475,954	\$10,745,508	\$20,010,245	\$11,962,034	\$69,033,637
Proportion	34.5%	3.6%	15.6%	29.0%	17.3%	100.0%

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NT\$

					Emerging markets	
Financial assets	Taiwan	Asia	Europe	Americas		Total

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					and others	
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\$

					Emerging markets and others	
Financial assets	Taiwan	Asia	Europe	Americas		Total
Cash and cash equivalents	\$8,902,188	\$20,109	\$-	\$2,007,808	\$1,550,923	\$12,481,028
Financial assets at fair value through profit or loss	741,023	18,583	83,589	43,600	-	886,795
Available-for-sale financial assets	15,807,026	618,648	3,489,394	7,715,153	1,296,372	28,926,593
Derivative financial assets for hedging	10,069	1,167	22,763	5,316	-	39,315
Bond investments for which no active market exists	1,615,982	1,565,587	6,826,453	9,937,696	8,090,558	28,036,276
Other financial assets	654,045	-	154,905	-	-	808,950
Total	\$27,730,333	\$2,224,094	\$10,577,104	\$19,709,573	\$10,937,853	\$71,178,957
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

30 September 2012

NT\$

					Emerging markets	
Financial assets	Taiwan	Asia	Europe	Americas		Total

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					and others	
Cash and cash equivalents	\$253,736,751	\$1,320,390	\$-	\$81,704,668	\$52,568,832	\$389,330,641
Financial assets at fair value through profit or loss	21,849,370	559,413	5,432,548	4,696,678	-	32,538,009
Available-for-sale financial assets	453,818,142	16,803,594	104,200,675	238,119,793	38,114,271	851,056,475
Derivative financial assets for hedging	345,128	40,106	794,419	185,439	-	1,365,092
Bond investments for which no active market exists	40,991,287	45,477,396	186,761,973	267,800,446	217,480,058	758,511,160
Other financial assets	19,500,000	-	4,500,000	-	-	24,000,000
Total	\$790,240,678	\$64,200,899	\$301,689,615	\$592,507,024	\$308,163,161	\$2,056,801,377
Proportion	38.4%	3.1%	14.7%	28.8%	15.0%	100%

30 September 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,662,914	\$45,080	\$-	\$2,789,507	\$1,794,771	\$13,292,272
Financial assets at fair value through profit or loss	745,967	19,099	185,474	160,352	-	1,110,892
Available-for-sale financial assets	15,493,962	573,697	3,557,551	8,129,730	1,301,273	29,056,213
Derivative financial assets for hedging	11,783	1,369	27,123	6,331	-	46,606
Bond investments for which no active market exists	1,399,498	1,552,660	6,376,305	9,143,067	7,425,061	25,896,591
Other financial assets	665,756	-	153,636	-	-	819,392
Total	\$26,979,880	\$2,191,905	\$10,300,089	\$20,228,987	\$10,521,105	\$70,221,966
Proportion	38.4%	3.1%	14.7%	28.8%	15.0%	100%

1 January 2012

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets	Total
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					and others	
Cash and cash equivalents	\$249,558,854	\$2,272,850	\$-	\$77,704,927	\$42,321,940	\$371,858,571
Financial assets at fair value through profit or loss	13,226,453	149,567	3,082,507	1,772,838	-	18,231,365
Available-for-sale financial assets	425,780,216	17,290,834	141,002,858	319,162,107	59,602,578	962,838,593
Derivative financial assets for hedging	476,092	58,573	1,153,942	269,239	-	1,957,846
Bond investments for which no active market exists	19,908,000	31,273,782	161,572,591	177,478,409	121,571,482	511,804,264
Other financial assets	10,800,000	-	2,500,000	-	-	13,300,000
Total	\$719,749,615	\$51,045,606	\$309,311,898	\$576,387,520	\$223,496,000	\$1,879,990,639
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

1 January 2012

US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$8,244,428	\$75,086	\$-	\$2,567,061	\$1,398,148	\$12,284,723
Financial assets at fair value through profit or loss	436,950	4,941	101,834	58,567	-	602,292
Available-for-sale financial assets	14,066,079	571,220	4,658,172	10,543,842	1,969,031	31,808,344
Derivative financial assets for hedging	15,728	1,935	38,121	8,895	-	64,679
Bond investments for which no active market exists	657,681	1,033,161	5,337,714	5,863,178	4,016,237	16,907,971
Other financial assets	356,789	-	82,590	-	-	439,379
Total	\$23,777,655	\$1,686,343	\$10,218,431	\$19,041,543	\$7,383,416	\$62,107,388
Proportion	38.3%	2.7%	16.4%	30.7%	11.9%	100.0%

(c) Credit Quality

Classification of credit quality for financial assets of Cathay Life:

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NT\$

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Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$277,512,757	\$2,070	\$-	\$-	\$-	\$277,514,827
Financial assets at fair value through profit or loss	20,994,981	1,086,583	-	-	-	22,081,564
Available-for-sale financial assets	735,625,193	6,661,028	-	821,271	(735,000)	742,372,492
Derivative financial assets for hedging	570,013	-	-	-	-	570,013
Bond investments for which no active market exists	956,572,786	2,122,638	-	385,710	(385,710)	958,695,424
Other financial assets	39,400,000	-	-	-	-	39,400,000
Total	\$2,030,675,730	\$9,872,319	\$-	\$1,206,981	\$(1,120,710)	\$2,040,634,320
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

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US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$9,388,118	\$70	\$-	\$-	\$-	\$9,388,188
Financial assets at fair value through profit or loss	710,249	36,759	-	-	-	747,008
Available-for-sale financial assets	24,885,832	225,339	-	27,783	(24,864)	25,114,090
Derivative financial assets for hedging	19,283	-	-	-	-	19,283
Bond investments for which no active market exists	32,360,378	71,808	-	13,049	(13,049)	32,432,186
Other financial assets	1,332,882	-	-	-	-	1,332,882
Total	\$68,696,742	\$333,976	\$-	\$40,832	\$(37,913)	\$69,033,637
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

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NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and				

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		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	Provision 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	21,974	-	-	-	886,795
Available-for-sale financial assets	28,509,027	413,933	-	28,934	(25,301)	28,926,593
Derivative financial assets for hedging	39,315	-	-	-	-	39,315
Bond investments for which no active market exists	27,874,190	162,086	-	13,038	(13,038)	28,036,276
Other financial assets	808,950	-	-	-	-	808,950
Total	\$70,577,260	\$598,064	\$-	\$41,972	\$(38,339)	\$71,178,957
Proportion	99.2%	0.8%	-	0.1%	(0.1)%	100.0%

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NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and				

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		unrated				
Cash and cash equivalents	\$389,328,573	\$2,068	\$-	\$-	\$-	\$389,330,641
Financial assets at fair value through profit or loss	31,972,544	565,465	-	-	-	32,538,009
Available-for-sale financial assets	836,960,336	13,964,703	-	866,436	(735,000)	851,056,475
Derivative financial assets for hedging	1,365,092	-	-	-	-	1,365,092
Bond investments for which no active market exists	748,556,860	9,954,300	-	381,446	(381,446)	758,511,160
Other financial assets	24,000,000	-	-	-	-	24,000,000
Total	\$2,032,183,405	\$24,486,536	\$-	\$1,247,882	\$(1,116,446)	\$2,056,801,377
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100%

30 September 2012

US\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$13,292,201	\$71	\$-	\$-	\$-	\$13,292,272
Financial assets at fair value through profit or loss	1,091,586	19,306	-	-	-	1,110,892
Available-for-sale financial assets	28,574,952	476,774	-	29,581	(25,094)	29,056,213
Derivative financial assets for hedging	46,606	-	-	-	-	46,606
Bond investments for which no active market exists	25,556,738	339,853	-	13,023	(13,023)	25,896,591
Other financial assets	819,392	-	-	-	-	819,392
Total	\$69,381,475	\$836,004	\$-	\$42,604	\$(38,117)	\$70,221,966
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

1 January 2012

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and				

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		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	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$12,284,654	\$69	\$-	\$-	\$-	\$12,284,723
Financial assets at fair value through profit or loss	575,723	26,569	-	-	-	602,292
Available-for-sale financial assets	31,506,038	297,681	-	28,907	(24,282)	31,808,344
Derivative financial assets for hedging	64,679	-	-	-	-	64,679
Bond investments for which no active market exists	16,515,072	392,899	-	13,008	(13,008)	16,907,971
Other financial assets	439,379	-	-	-	-	439,379
Total	\$61,385,545	\$717,218	\$-	\$41,915	\$(37,290)	\$62,107,388
Proportion	98.8%	1.2%	-	0.1%	(0.1)%	100.0%

Investment grade assets refer to those with credit rating of at least BBB- granted by a credit rating agency; non-investment grade assets are those with credit rating lower than BBB- granted by a credit rating agency.

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- (d) Regional distribution of credit risk exposure for secured loans and overdue receivables:

30 September 2013				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$301,764,015	\$49,896,205	\$86,877,182	\$438,537,402
Overdue receivables	32,184	407,174	43,798	483,156
Total	\$301,796,199	\$50,303,379	\$86,920,980	\$439,020,558
Proportion	69%	11%	20%	100%

30 September 2013				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$10,208,526	\$1,687,964	\$2,939,011	\$14,835,501
Overdue receivables	1,089	13,774	1,482	16,345
Total	\$10,209,615	\$1,701,738	\$2,940,493	\$14,851,846
Proportion	69%	11%	20%	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

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	eastern areas			
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 September 2012				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$174,666,131	\$63,342,032	\$81,298,828	\$319,306,991
Overdue receivables	70,849	430,713	93,333	594,895
Total	\$174,736,980	\$63,772,745	\$81,392,161	\$319,901,886
Proportion	55%	20%	25%	100%

30 September 2012				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$5,963,337	\$2,162,582	\$2,775,651	\$10,901,570
Overdue receivables	2,419	14,705	3,187	20,311
Total	\$5,965,756	\$2,177,287	\$2,778,838	\$10,921,881
Proportion	55%	20%	25%	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\$				

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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 September 2013

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$202,939,223	\$141,175,112	\$39,513,686	\$128,972	\$3,833,764	\$387,590,757	\$1,908,052	\$385,682,705
Corporate finance	40,160,876	3,454,571	1,648,632	-	6,165,722	51,429,801	1,739,647	49,690,154
Total	\$243,100,099	\$144,629,683	\$41,162,318	\$128,972	\$9,999,486	\$439,020,558	\$3,647,699	\$435,372,859

30 September 2013

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$6,865,332	\$4,775,884	\$1,336,728	\$4,363	\$129,694	\$13,112,001	\$64,548	\$13,047,453
Corporate finance	1,358,623	116,866	55,773	-	208,583	1,739,845	58,852	1,680,993
Total	\$8,223,955	\$4,892,750	\$1,392,501	\$4,363	\$338,277	\$14,851,846	\$123,400	\$14,728,446

31 December 2012

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$160,007,455	\$111,309,534	\$31,154,571	\$183,942	\$2,199,549	\$304,855,051	\$1,225,852	\$303,629,199
Corporate finance	15,399,631	7,254,616	2,541,775	-	7,249,528	32,445,550	1,481,761	30,963,789
Total	\$175,407,086	\$118,564,150	\$33,696,346	\$183,942	\$9,449,077	\$337,300,601	\$2,707,613	\$334,592,988

31 December 2012

US\$

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Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$5,508,002	\$3,831,654	\$1,072,446	\$6,332	\$75,716	\$10,494,150	\$42,198	\$10,451,952
Corporate finance	530,108	249,728	87,497	-	249,553	1,116,886	51,007	1,065,879
Total	\$6,038,110	\$4,081,382	\$1,159,943	\$6,332	\$325,269	\$11,611,036	\$93,205	\$11,517,831

30 September 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	\$151,248,368	\$105,216,256	\$29,449,115	\$163,695	\$4,225,546	\$290,302,980	\$1,116,755	\$289,186,225
Corporate finance	15,443,459	4,068,902	2,674,848	-	7,411,697	29,598,906	1,292,209	28,306,697
Total	\$166,691,827	\$109,285,158	\$32,123,963	\$163,695	\$11,637,243	\$319,901,886	\$2,408,964	\$317,492,922

30 September 2012

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$5,163,823	\$3,592,224	\$1,005,432	\$5,589	\$144,266	\$9,911,334	\$38,127	\$9,873,207
Corporate finance	527,260	138,918	91,323	-	253,045	1,010,546	44,118	966,428
Total	\$5,691,083	\$3,731,142	\$1,096,755	\$5,589	\$397,311	\$10,921,880	\$82,245	\$10,839,635

1 January 2012

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$146,316,092	\$101,785,108	\$28,488,767	\$179,570	\$3,635,491	\$280,405,028	\$794,405	\$279,610,623
Corporate finance	4,264,375	6,898,548	3,549,871	-	7,723,766	22,436,560	606,027	21,830,533
Total	\$150,580,467	\$108,683,656	\$32,038,638	\$179,570	\$11,359,257	\$302,841,588	\$1,400,432	\$301,441,156

1 January 2012

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$4,833,700	\$3,362,574	\$941,155	\$5,932	\$120,102	\$9,263,463	\$26,244	\$9,237,219
Corporate finance	140,878	227,900	117,274	-	255,162	741,214	20,020	721,194
Total	\$4,974,578	\$3,590,474	\$1,058,429	\$5,932	\$375,264	\$10,004,677	\$46,264	\$9,958,413

(f) Ageing analysis of past due but not impaired secured loans and overdue

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receivables:

Based on the historical default rate, Cathay Life believes that provision for loans past due within a month is not necessary unless indicator of impairment exists.

	Past due but not impaired		
	NT\$		
	Due in 1~2 months	Due in 2~3 months	Total
30 September 2013	\$111,323	\$17,649	\$128,972
31 December 2012	157,700	26,242	183,942
30 September 2012	143,704	19,991	163,695
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 September 2013	\$3,766	\$597	\$4,363
31 December 2012	5,429	903	6,332
30 September 2012	4,906	683	5,589
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 to “capital liquidity risk” and “market liquidity risk.” “Capital liquidity risk” represents the risk that Cathay Life is not able to meet the demand for sufficient capital with reasonable costs in reasonable time. “Market liquidity risk” represents the risk that Cathay Life sells at loss to meet the demand for cash.

(b) Liquidity risk management

Cathay Life assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, Cathay Life manages market liquidity risk cautiously by considering whether market transactions and positions held match each other.

Cathay Life uses cash flow model and stress testing to assess cash flow risk based

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on actual management needs or special situation. Also, for abnormal and urgent financing needs, Cathay Life makes an emergency management operating procedure to deal with significant liquidity risks.

- (c) Maturity analysis of liquidity risk management of financial assets held and non-derivative financial liabilities

Maturity Analysis of non-derivative financial liabilities:

The analysis of cash outflows to Cathay Life and its subsidiaries is listed below and based on the residual term to maturity on balance sheet date. The disclosed amounts are in conformity of contract cash flows and the results of the differences from the disclosed amounts on consolidated balance sheet.

30 September 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$293,692	\$9,935	\$-	\$-	\$-	\$-
Payables	37,926,768	1,283,044	3,230,129	109,274	196	6
Preferred stock liability	-	-	228,866	7,743	908,000	30,717

30 September 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$293,692	\$9,935
Payables	-	-	-	-	41,157,093	1,392,324
Preferred stock liability	26,361,254	891,788	5,080,005	171,854	32,578,125	1,102,102

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

30 September 2013	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

	Less than six months		Due in 6~12 months		Due in 1~2 years	
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30 September 2012	NT\$		US\$		NT\$		US\$	
Short-term debts	\$77,030	\$2,630	\$-	\$-	\$-	\$-	\$-	\$-
Payables	24,949,085	851,796	-	-	2,322,964	79,309		
Preferred stock liability	-	-	228,241	7,793	908,000	31,000		

30 September 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$77,030	\$2,630
Payables	-	-	-	-	27,272,049	931,105
Preferred stock liability	27,176,254	927,834	5,173,005	176,613	33,485,500	1,143,240

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	692,696	-	-	1,643,365	54,290
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

(d) Maturity analysis of derivative financial liability:

30 September 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$(31,484)	\$(1,065)	\$(38,734)	\$(1,310)	\$(108,475)	\$(3,670)
Forward	3,585,876	121,308	46,250	1,565	-	-
CS	4,941,531	167,170	408,530	13,820	1,229,031	41,577
Overseas future	428,428	14,494	-	-	-	-

30 September 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$(355,822)	\$(12,037)	\$(682,410)	\$(23,086)	\$(1,216,925)	\$(41,168)
Forward	-	-	-	-	3,632,126	122,873
CS	-	-	-	-	6,579,092	222,567
Overseas future	-	-	-	-	428,428	14,494

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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 September 2012	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$30,604	\$1,045	\$27,892	\$952	\$51,773	\$1,768
Forward	820,460	28,012	-	-	-	-
CS	518,003	17,686	199,619	6,815	221,030	7,546

30 September 2012	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$1,091	\$37	\$-	\$-	\$111,360	\$3,802
Forward	-	-	-	-	820,460	28,012
CS	-	-	-	-	938,652	32,047

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

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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 rate, product price, interest rate, credit spread, and stock price.

(b) Cathay Life assesses, monitors, and manages market risks completely and effectively by applying Value at Risk (“VaR”) and stress testing consistently.

i. 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 Life measures VaR within an investment portfolio over a week and at 95% and 99% confidence level.

ii. Stress testing

Cathay Life measures and evaluates potential risks of the occurrence of extreme and abnormal events periodically in addition to Value at Risk models.

Cathay Life performs position stress testing periodically by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss in all kinds of historical scenario and from movements of each risk factor:

(i) Simple Sensitivity

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

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(ii) Scenario Analysis

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

- 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 into consideration the fluctuation of risk factor.

, 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 factor.

Risk management department performs the stress testing with historical and hypothetical scenarios periodically. Cathay Life's risk analysis, risk predictions, and business management are in accordance with the stress testing report.

Table of Stress Testing
For the nine-month period ended 30 September 2013

Risk simples	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(42,596,249)	\$(1,441,010)
Interest rate risk (Yield curve)	+20bps	(8,979,472)	(303,771)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by \$1	(23,410,434)	(791,963)
Product risk (Price)	-10%	-	-

Table of Stress Testing
For the nine-month period ended 30 September 2012

Risk simples	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(32,703,705)	\$(1,116,548)
Interest rate risk (Yield curve)	+20bps	(10,077,056)	(344,044)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by \$1	(20,946,510)	(715,142)
Product risk (Price)	-10%	-	-

Note: Impacts of credit charges are not included.

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d. Sensitivity analysis

Summarization of Sensitivity analysis

For the nine-month period ended 30 September 2013

NT\$

Risk factors	Variables (+/-)	Change in income	Change in equity
Foreign currency risk	USD appreciates 1%	\$4,762,769	\$2,189,736
	CNY appreciates 1%	1,311,156	69,856
	HKD appreciates 1%	11,416	402,241
	EUR appreciates 1%	284,759	119,942
	GBP appreciates 1%	258,202	44,378
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(165,646)
	Yield curve (AUD) shifts up 1 bp	-	(873)
	Yield curve (EUR) shifts up 1 bp	-	(3,336)
	Yield curve (NTD) shifts up 1 bp	(293)	(276,155)
Equity price risk	Equity price increases 1%	169,489	4,090,136

Summarization of Sensitivity analysis

For the nine-month period ended 30 September 2013

US\$

Risk factors	Variables (+/-)	Change in income	Change in equity
Foreign currency risk	USD appreciates 1%	\$161,122	\$74,078
	CNY appreciates 1%	44,356	2,363
	HKD appreciates 1%	386	13,608
	EUR appreciates 1%	9,633	4,058
	GBP appreciates 1%	8,735	1,501
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(5,604)
	Yield curve (AUD) shifts up 1 bp	-	(30)
	Yield curve (EUR) shifts up 1 bp	-	(113)
	Yield curve (NTD) shifts up 1 bp	(10)	(9,342)
Equity price risk	Equity price increases 1%	5,734	138,367

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Summarization of Sensitivity analysis
For the nine-month period 30 September 2012

NT\$

Risk factors	Variables (+/-)	Change in income	Change in equity
Foreign currency risk	USD appreciates 1%	\$4,805,066	\$1,455,243
	CNY appreciates 1%	908,928	33,001
	HKD appreciates 1%	51,925	344,807
	EUR appreciates 1%	246,142	41,348
	GBP appreciates 1%	211,341	46,235
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(251,408)
	Yield curve (AUD) shifts up 1 bp	-	(3,893)
	Yield curve (EUR) shifts up 1 bp	-	(1,288)
	Yield curve (NTD) shifts up 1 bp	(441)	(248,319)
Equity price risk	Equity price increases 1%	118,581	3,151,789

Summarization of Sensitivity analysis
For the nine-month period ended 30 September 2012

US\$

Risk factors	Variables (+/-)	Change in income	Change in equity
Foreign currency risk	USD appreciates 1%	\$164,051	\$49,684
	CNY appreciates 1%	31,032	1,127
	HKD appreciates 1%	1,773	11,772
	EUR appreciates 1%	8,404	1,412
	GBP appreciates 1%	7,215	1,579
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(8,583)
	Yield curve (AUD) shifts up 1 bp	-	(133)
	Yield curve (EUR) shifts up 1 bp	-	(44)
	Yield curve (NTD) shifts up 1 bp	(15)	(8,478)
Equity price risk	Equity price increases 1%	4,049	107,606

Note 1: Impacts of credit charges are not included.

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

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e. Hedged accounting disclosures

Cash flow hedges

The following table summarizes the terms of Cathay Life's interest rate swaps for bonds used as hedging instruments as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012:

(a) 30 September 2013

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$3,000,000	\$101,488	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	67,659	90DCP	Yearly	2013.11.3
1,000,000	33,829	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,915	90DCP+23bps	Yearly	2013.12.14
1,500,000	50,744	90DCP+23bps	Yearly	2013.12.16
1,000,000	33,829	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,447	90DCP	Yearly	2014.3.12
1,000,000	33,829	90DCP	Yearly	2014.6.12
3,000,000	101,488	90DCP	Quarterly	2014.6.25
1,810,000	61,231	90DCP	Quarterly	2014.6.26
2,000,000	67,659	90DCP	Yearly	2014.6.29
5,000,000	169,147	90DCP	Yearly	2014.8.23
1,000,000	33,829	90DCP	Yearly	2014.9.20
3,200,000	108,254	90DCP	Yearly	2014.9.27
2,000,000	67,659	90DCP	Quarterly	2014.9.28
1,500,000	50,744	90DCP	Yearly	2014.9.29
2,500,000	84,574	90DCP	Yearly	2014.12.20
2,000,000	67,659	90DCP	Yearly	2014.12.24
2,300,000	77,808	90DCP	Quarterly	2015.3.25
1,500,000	50,744	90DCP	Quarterly	2015.5.9
2,543,500	86,045	90DCP	Quarterly	2016.10.23
900,000	30,447	90DCP	Quarterly	2016.10.24
1,200,000	40,595	90DCP	Quarterly	2017.10.25
1,400,000	47,361	90DCP	Quarterly	2017.12.9
600,000	20,298	90DCP	Quarterly	2020.9.23

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(b) 31 December 2012

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

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(c) 30 September 2012

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$2,000,000	\$68,283	90DCP	Quarterly	2012.10.11
700,000	23,899	90DCP	Quarterly	2012.11.24
2,000,000	68,283	90DCP	Yearly	2013.3.26
2,425,000	82,793	90DCP	Quarterly	2013.4.24
3,600,000	122,909	90DCP	Quarterly	2013.6.8
2,700,000	92,182	90DCP+25bps	Quarterly	2013.8.24
3,000,000	102,424	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	68,283	90DCP	Yearly	2013.11.3
1,000,000	34,141	90DCP+26.5bps	Yearly	2013.12.14
500,000	17,071	90DCP+23bps	Yearly	2013.12.14
1,500,000	51,212	90DCP+23bps	Yearly	2013.12.16
1,000,000	34,141	90DCP+26.5bps	Yearly	2013.12.16
900,000	30,727	90DCP	Yearly	2014.3.12
1,000,000	34,141	90DCP	Yearly	2014.6.12
3,000,000	102,424	90DCP	Quarterly	2014.6.25
1,810,000	61,796	90DCP	Quarterly	2014.6.26
2,000,000	68,283	90DCP	Yearly	2014.6.29
5,000,000	170,707	90DCP	Yearly	2014.8.23
1,000,000	34,141	90DCP	Yearly	2014.9.20
3,200,000	109,252	90DCP	Yearly	2014.9.27
2,000,000	68,283	90DCP	Quarterly	2014.9.28
1,500,000	51,212	90DCP	Yearly	2014.9.29
2,500,000	85,353	90DCP	Yearly	2014.12.20
2,000,000	68,283	90DCP	Yearly	2014.12.24
2,300,000	78,525	90DCP	Quarterly	2015.3.25
1,500,000	51,212	90DCP	Quarterly	2015.5.9
2,543,500	86,839	90DCP	Quarterly	2016.10.23
900,000	30,727	90DCP	Quarterly	2016.10.24
1,200,000	40,970	90DCP	Quarterly	2017.10.25
1,400,000	47,798	90DCP	Quarterly	2017.12.9
600,000	20,485	90DCP	Quarterly	2020.9.23

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(d) 1 January, 2012

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

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

Cathay Life's interest rate swap agreements are considered to be highly effective cash flow hedges. As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, unrealized gains on these financial instruments recognized in equity were NT\$474,343 (US\$16,047) thousands, NT\$959,547 (US\$33,031) thousands, NT\$1,149,120 (US\$39,233) 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 the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank organized the risk management committee and its responsibilities are as illustrated below:

- (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 ratings, market assessment and risk indicators.
- (d) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- (e) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

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b. Market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management is responsible for monitoring the market risk management. The department and committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing and using scheme of medium and long term funding while executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as valuating position, risk limit management, calculating of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

Market risk management process

(a) Identification and measurement

The operating department and risk management department of Cathay United Bank identified the market risk factors of risk exposure position, and measured the market risk further. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, 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 periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason of non-implementing stop loss process and responding plan. Furthermore, the department shall be report to the executive management for approval by executive management and report to the board of directors regularly.

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Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio held for trading is which intended to earn the profit from bid-ask spread. Except positions from the above trading book, they will be called banking book.

(a) Strategy

In order to control market risk effectively and ensure the operating departments operate the transaction strategy with flexibility, Cathay United Bank evaluates various assessment and control. The portfolio of trading book has the risk limitation of each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

(b) Policy and procedure

Cathay United Bank set the “Regulation Governing of Market Risk Management” as the important regulation that should be complied with when holding trading portfolio.

(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 that is from an independent source and easily accessible. If it's evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

(d) Method of measurement

- i. The assumption and calculation of VaR: see VaR section.
- ii. Cathay United Bank executes the stress test monthly with the following scenarios: the fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

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Interest risk management of trading book

(a) Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the change of its fair value which is caused by the fluctuation of interest rate. The main instruments include the securities and derivatives that relate to interest rates.

(b) Interest risk management procedure of trading book

Cathay United Bank prudently choose its investment target by studying the credibility and financial position of the securities issuers, their sovereign risk and the trend of interest rates. According to the operating 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 reported to the executive management or the board of directors for approval.

(c) Method of measurement

- i. The assumption and calculation of VaR: see VaR section.
- ii. Cathay United Bank measures the investment portfolio's interest risk exposure monthly.

Interest risk management of banking book

The main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

(a) Strategy

Interest risk management enhances Cathay United Bank's ability take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets/liabilities.

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(b) Management procedure

When undertaking the operations relating to interest rate instruments, Cathay United Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In addition, Cathay United Bank also measures the potential impact of interest rate changes on the profit and economic value of Cathay United Bank. Cathay United Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets is found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution 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 items in banking book. To stabilize long-term profitability and ensure business growth, Cathay United Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress test. Each interest risk indicator and the result of stress test are reported to the executive management regularly for review.

Foreign exchange risk management

(a) Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange in different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option...etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' position. Thus, Cathay United Bank suffers little foreign exchange risk.

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- (b) Policy, procedure and measurement methodology of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR is described in VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 3% fluctuation of interest rate of major currencies to execute the stress test quarterly, and reports to the 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 price and general market risk from the fluctuation of the overall price trend.

- (b) Purpose of risk management in equity prices

To avoid the massive fluctuation of equity price to worsen Cathay United Bank's financial situation or earnings. Also, to raise the operating efficiency of capital and strengthen the business operation.

- (c) Procedure of risk management of equity prices

Cathay United Bank sets investment limit on 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.

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(d) Measured methodology

The risk of equity prices in trading book is mainly controlled by VaR.

Cathay United Bank's risk of equity prices from its non-trading portfolio should be control by each bank according to its own 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 a 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.

2013.9.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$583,087	\$19,726	\$772,357	\$26,128	\$457,036	\$15,461
Foreign exchange	148,352	5,019	154,844	5,238	144,266	4,880
Equity Securities price	219,457	7,424	352,855	11,937	133,386	4,512

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

2012.9.30						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$599,220	\$20,458	\$876,417	\$29,922	\$339,069	\$11,576
Foreign exchange	160,674	5,486	177,844	6,072	148,602	5,073
Equity Securities price	127,067	4,338	167,960	5,734	60,704	2,073

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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 nontrading 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	2013.9.30		2012.12.31	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges + 15%	\$1,355,043	\$45,840	\$1,025,960	\$35,317
	Major Stock Exchanges - 15%	(1,355,043)	(45,840)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,620,512)	(156,310)	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	4,861,799	164,472	2,496,083	85,924
Foreign Exchange Market	Major Currencies + 3%	1,755,973	59,404	1,450,437	49,929
	Major Currencies - 3%	(1,755,777)	(59,397)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(4,219,582)	(142,746)	(2,397,199)	(82,520)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

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Stress Test					
Market/ Product	Scenarios	2012.9.30		2012.1.1	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$961,807	\$32,837	\$656,831	\$21,699
	Major Stock Exchanges -15%	(961,807)	(32,837)	(656,831)	(21,699)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(2,773,664)	(94,697)	(2,034,384)	(67,208)
	Major Interest Rate - 100bp	2,321,514	79,260	2,018,467	66,682
Foreign Exchange Market	Major Currencies +3%	1,524,727	52,056	1,331,738	43,995
	Major Currencies -3%	(1,435,907)	(49,024)	(1,254,207)	(41,434)
Composite	Major Stock Exchanges -15%				
	Major Interest Rate + 100bp	(2,210,744)	(75,478)	(1,359,477)	(44,912)
	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.

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		2013.9.30			
		Sensitivity of profit or loss		Sensitivity of equity	
		NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)					
	USD+1%	\$435,032	\$14,717	\$12	\$-
	HKD+1%	115,314	3,901	-	-
	JPY+1%	-	-	1,614	55
	AUD+1%	16,580	561	-	-
	CNY+1%	3,921	133	-	-
	NTD+1%	(571,734)	(19,341)	(2,405)	(81)
Interest rate factor sensitivity (PVBP)					
	Yield curves (USD) parallel shift+1bp	(269)	(9)	(29,642)	(1,003)
	Yield curves (HKD) parallel shift+1bp	-	-	(36)	(1)
	Yield curves (AUD) parallel shift+1bp	-	-	(617)	(21)
	Yield curves (CNY) parallel shift+1bp	-	-	(526)	(18)
	Yield curves (NTD) parallel shift+1bp	(3,145)	(106)	(13,167)	(445)
Equity securities price factor sensitivity (Equity Delta)		2,094	71	88,242	2,985
		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

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	2012.9.30			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$454,302	\$15,511	\$3,579	\$122
HKD+1%	3,079	105	-	-
JPY+1%	1,881	64	-	-
NTD+1%	(484,339)	(16,536)	(3,775)	(129)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(337)	(12)	(18,893)	(645)
Yield curves (HKD) parallel shift+1bp	-	-	(38)	(1)
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(187)	(6)	(8,230)	(281)
Equity securities price factor sensitivity (Equity Delta)	-	-	64,120	2,189

	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 counterparty fails to perform its contractual obligations.

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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 a 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 maintains 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 retain the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

The management procedure and measurement methodology of credit risk in Cathay United Bank's main business are as follows:

Credit business (including the loan commitments and guarantees)

The category of credit asset and the grade of credit quality were narrated as follow:

(a) Category of credit risk

The credit risk of Cathay United Bank was classified into five categories. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five". For managing the default credits, Cathay United Bank established the regulations governing the procedure to deal with non-performing loans, non-accrual loans and bad debts.

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(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 revised 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.

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 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.

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(c) Hedge of credit risk and easing policy

i. 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. For ensure the creditor's rights, Cathay United Bank sets the scope available as collaterals and the procedures of appraising, managing, and disposing the collaterals. In addition, a credit contract is in place to provide the credit claim preservation, collaterals, and offset provisions to stipulate when a credit trigger event occurs, Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts mature. 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.

ii. 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.

iii. Net settlement agreement

Cathay United Bank usually settles by the gross 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.

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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 on-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 is irrevocable) are as follows:

(a) Cathay United Bank

Off balance sheet items	Maximum exposure to credit risk			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$54,457,780	\$1,842,279	\$34,415,264	\$1,184,691
Credit card commitments	373,279,533	12,627,860	328,719,949	11,315,661
Unused commercial letters of credit	4,132,696	139,807	4,281,218	147,374
Guarantees on duties and contracts	10,943,240	370,204	12,081,454	415,885
Total	\$442,813,249	\$14,980,150	\$379,497,885	\$13,063,611

Off balance sheet items	Maximum exposure to credit risk			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$61,812,945	\$2,110,377	\$51,897,159	\$1,714,475
Credit card commitments	323,128,427	11,032,039	316,507,785	10,456,154
Unused commercial letters of credit	4,682,464	159,866	4,308,561	142,338
Guarantees on duties and contracts	12,537,471	428,046	13,245,165	437,567
Total	\$402,161,307	\$13,730,328	\$385,958,670	\$12,750,534

(b) Indovina Bank

Off balance sheet items	Maximum exposure to credit risk			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$560,694	\$18,968	\$852,596	\$29,349
Unused commercial letters of credit	1,222,438	41,354	652,199	22,451
Total	\$1,783,132	\$60,322	\$1,504,795	\$51,800

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Off balance sheet items	Maximum exposure to credit risk			
	2012.9.30		2012.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$1,948,017	\$66,508	\$643,612	\$21,262
Unused commercial letters of credit	188,663	6,441	1,169,380	38,632
Total	\$2,136,680	\$72,949	\$1,812,992	\$59,894

(c) SBC Bank

Off balance sheet items	Maximum exposure to credit risk			
	2013.9.30		2012.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$8,159	\$276	\$13,760	\$474
Irrevocable loan commitments	152,754	5,167	126,149	4,342
Credit card commitments	196,530	6,649	190,931	6,572
Unused commercial letters of credit	15,194	514	20,350	701
Total	\$372,637	\$12,606	\$351,190	\$12,089

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 more strict rating procedures when extending credits and conduct reviews regularly.

e. Credit risk concentration of Cathay United Bank and its subsidiaries

While the counterparties are obviously the same party, or there are several counterparties but all engage in similar business activities and share similar economic characteristics, so they are vulnerable to the same economic impacts or other changes, the credit risk concentration is apparent.

Credit risk concentration of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arise from performing obligations or engaging in transactions or cross-line portfolio of risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries do not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty accounted for Cathay United Bank and its subsidiaries total bills discounts and loans and overdue receivables is 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:

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Item	2013.9.30			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$106,813,701	\$3,613,454	10.69	\$125,610,955	\$4,323,957	12.20
Financial institutions and insurance	30,918,493	1,045,957	3.10	29,912,516	1,029,691	2.90
Leasing and real estate	82,560,100	2,792,967	8.26	83,834,530	2,885,870	8.14
Individuals	476,690,324	16,126,195	47.72	492,107,196	16,940,007	47.77
Others	301,969,312	10,215,471	30.23	298,671,240	10,281,282	28.99
Total	\$998,951,930	\$33,794,044	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2012.9.30			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$134,812,881	\$4,602,693	13.34	\$138,134,019	\$4,563,397	13.47
Financial institutions and insurance	34,453,700	1,176,296	3.41	31,290,029	1,033,698	3.05
Leasing and real estate	87,749,248	2,995,877	8.69	90,742,485	2,997,769	8.85
Individuals	496,202,986	16,941,038	49.12	484,825,562	16,016,702	47.26
Others	256,964,139	8,773,101	25.44	280,810,821	9,276,869	27.37
Total	\$1,010,182,954	\$34,489,005	100.00	\$1,025,802,916	\$33,888,435	100.00

Item	2013.9.30			2012.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$842,336,479	\$28,495,821	84.32	\$876,857,476	\$30,184,423	85.12
Asia	74,589,395	2,523,322	7.47	69,497,214	2,392,331	6.75
America	22,594,150	764,349	2.26	22,560,687	776,616	2.19
Others	59,431,906	2,010,552	5.95	61,221,060	2,107,437	5.94
Total	\$998,951,930	\$33,794,044	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2012.9.30			2012.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$871,853,293	\$29,766,244	86.31	\$891,970,478	\$29,467,145	86.95
Asia	59,170,506	2,020,161	5.86	44,761,460	1,478,740	4.37
America	22,692,214	774,743	2.24	15,206,114	502,350	1.48
Others	56,466,941	1,927,857	5.59	73,864,864	2,440,200	7.20
Total	\$1,010,182,954	\$34,489,005	100.00	\$1,025,802,916	\$33,888,435	100.00

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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, operating deposits and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and is considered as low credit risk.

In addition to all of the above, the credit quality analysis of the financial assets was shown as follows:

(a) Credit quality analysis to loans and receivables of Cathay United Bank

2013.9.30 (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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$29,378,917	\$6,112,437	\$2,896,035	\$38,387,389	\$121,600	\$138,904	\$38,647,893	\$115,354	\$1,621,185	\$36,911,354
Others	41,559,307	3,987,286	146,522	45,693,115	4,283	58,395	45,755,793	19,860	179,918	45,556,015
Discounts and loans	645,469,851	253,284,068	40,986,824	939,740,743	614,158	28,418,339	968,773,240	4,891,798	9,601,773	954,279,669

2013.9.30 (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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$993,874	\$206,781	\$97,971	\$1,298,626	\$4,114	\$4,699	\$1,307,439	\$3,902	\$54,844	\$1,248,693
Others	1,405,930	134,888	4,957	1,545,775	145	1,976	1,547,896	672	6,086	1,541,138
Discounts and loans	21,835,922	8,568,473	1,386,564	31,790,959	20,776	961,378	32,773,113	165,487	324,823	32,282,803

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	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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.12.31 (NT\$)										
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

	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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.12.31 (US\$)										
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

	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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
2012.9.30 (NT\$)										
Receivables										
Credit card										
business	\$26,432,032	\$6,283,157	\$2,915,928	\$35,631,117	\$111,383	\$118,711	\$35,861,211	\$100,747	\$1,835,863	\$33,924,601
Others	11,826,350	2,628,283	70,686	14,525,319	6,806	55,472	14,587,597	9,348	69,129	14,509,120
Discounts and loans	638,715,099	272,408,085	41,218,474	952,341,658	1,031,684	26,888,640	980,261,982	4,179,842	7,188,282	968,893,858

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2012.9.30 (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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$902,425	\$214,515	\$99,554	\$1,216,494	\$3,803	\$4,053	\$1,224,350	\$3,440	\$62,679	\$1,158,231
Others	403,768	89,733	2,413	495,914	232	1,894	498,040	319	2,360	495,361
Discounts and loans	21,806,593	9,300,378	1,407,254	32,514,225	35,223	918,014	33,467,462	142,705	245,418	33,079,339

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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
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

2012.1.1 (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	Average	Subtotal				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$824,989	\$220,903	\$106,685	\$1,152,577	\$3,669	\$4,652	\$1,160,898	\$4,039	\$83,866	\$1,072,993
Others	360,975	70,311	3,214	434,500	231	1,184	435,915	251	2,842	432,822
Discounts and loans	22,569,787	7,745,063	1,926,229	32,241,079	32,245	516,314	32,789,638	101,084	206,401	32,482,153

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(b) The credit quality analysis on neither past due nor impaired discounts and loans

2013.9.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$204,598,781	\$6,921,474	\$47,219,583	\$1,597,415	\$8,821,848	\$298,439	\$260,640,212	\$8,817,328
Unsecured								
personal loans	7,914,511	267,744	3,699,980	125,168	1,158,094	39,178	12,772,585	432,090
Other	115,927,862	3,921,781	36,281,144	1,227,373	6,220,931	210,451	158,429,937	5,359,605
Corporate banking								
Secured	116,730,478	3,948,934	76,092,223	2,574,162	19,948,463	674,846	212,771,164	7,197,942
Unsecured	200,298,219	6,775,989	89,991,138	3,044,355	4,837,488	163,650	295,126,845	9,983,994
Total	\$645,469,851	\$21,835,922	\$253,284,068	\$8,568,473	\$40,986,824	\$1,386,564	\$939,740,743	\$31,790,959

2012.12.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$210,365,875	\$7,241,510	\$57,522,974	\$1,980,137	\$11,752,064	\$404,546	\$279,640,913	\$9,626,193
Unsecured								
personal loans	5,023,910	172,940	2,625,973	90,395	1,097,468	37,779	8,747,351	301,114
Other	142,126,809	4,892,489	38,303,966	1,318,553	7,442,926	256,211	187,873,701	6,467,253
Corporate banking								
Secured	119,997,846	4,130,735	78,926,054	2,716,904	17,549,751	604,122	216,473,651	7,451,761
Unsecured	193,179,406	6,649,894	78,442,588	2,700,261	6,527,567	224,701	278,149,561	9,574,856
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

2012.9.30	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$210,913,016	\$7,200,854	\$61,779,941	\$2,109,250	\$11,852,076	\$404,646	\$284,545,033	\$9,714,750
Unsecured								
personal loans	4,894,241	167,096	2,357,245	80,480	991,410	33,848	8,242,896	281,424
Other	147,449,343	5,034,119	39,140,313	1,336,303	7,092,838	242,159	193,682,494	6,612,581
Corporate banking								
Secured	108,775,676	3,713,748	92,133,435	3,145,559	13,356,319	456,003	214,265,430	7,315,310
Unsecured	166,682,823	5,690,776	76,997,151	2,628,786	7,925,831	270,598	251,605,805	8,590,160
Total	\$638,715,099	\$21,806,593	\$272,408,085	\$9,300,378	\$41,218,474	\$1,407,254	\$952,341,658	\$32,514,225

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2012.1.1	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$207,094,380	\$6,841,572	\$66,179,715	\$2,186,313	\$15,177,100	\$501,391	\$288,451,195	\$9,529,276
Unsecured								
personal loans	3,394,782	112,150	2,455,049	81,105	1,076,075	35,549	6,925,906	228,804
Other	106,414,451	3,515,509	35,962,558	1,188,060	8,015,814	264,810	150,392,823	4,968,379
Corporate banking								
Secured	139,020,781	4,592,692	58,924,067	1,946,616	22,981,734	759,225	220,926,582	7,298,533
Unsecured	227,263,041	7,507,864	70,921,669	2,342,969	11,056,235	365,254	309,240,945	10,216,087
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

(c) Credit quality analysis on securities investment

2013.9.30 (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	\$47,154,525	\$2,435,489	\$49,590,014	\$-	\$-	\$49,590,014	\$-	\$49,590,014
Stocks	5,306,299	8,526,913	13,833,212	-	189,052	14,022,264	189,052	13,833,212
Others	165,611	227,065	392,676	-	-	392,676	-	392,676
Held-to-maturity financial assets								
Bonds	47,719,346	588,736	48,308,082	-	-	48,308,082	-	48,308,082
Investments in debt securities								
with no active market								
Bonds	7,085,995	469,790	7,555,785	-	1,195,733	8,751,518	1,195,733	7,555,785
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	385,000,000	-	385,000,000	-	-	385,000,000	-	385,000,000

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2013.9.30 (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	\$1,595,214	\$82,391	\$1,677,605	\$-	\$-	\$1,677,605	\$-	\$1,677,605
Stocks	179,509	288,461	467,970	-	6,396	474,366	6,396	467,970
Others	5,603	7,681	13,284	-	-	13,284	-	13,284
Held-to-maturity financial assets								
Bonds	1,614,321	19,917	1,634,238	-	-	1,634,238	-	1,634,238
Investments in debt securities with no active market								
Bonds	239,716	15,893	255,609	-	40,451	296,060	40,451	255,609
Preferred Stocks	-	18,597	18,597	-	-	18,597	-	18,597
Others	13,024,357	-	13,024,357	-	-	13,024,357	-	13,024,357

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
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	410,100,000	-	410,100,000	-	-	410,100,000	-	410,100,000

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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
Preferred Stocks	-	18,923	18,923	-	-	18,923	-	18,923
Others	14,117,040	-	14,117,040	-	-	14,117,040	-	14,117,040

2012.9.30 (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	\$45,779,083	\$2,007,504	\$47,786,587	\$-	\$-	\$47,786,587	\$-	\$47,786,587
Stocks	7,874,293	5,535,983	13,410,276	-	383,512	13,793,788	383,512	13,410,276
Others	-	1,131,226	1,131,226	-	-	1,131,226	-	1,131,226
Held-to-maturity financial assets								
Bonds	20,179,467	581,289	20,760,756	-	-	20,760,756	-	20,760,756
Investments in debt securities with no active market								
Bonds	16,060,025	688,522	16,748,547	-	1,582,435	18,330,982	1,582,281	16,748,701
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	436,450,000	-	436,450,000	-	-	436,450,000	-	436,450,000

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2012.9.30 (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	\$1,562,959	\$68,539	\$1,631,498	\$-	\$-	\$1,631,498	\$-	\$1,631,498
Stocks	268,839	189,006	457,845	-	13,094	470,939	13,094	457,845
Others	-	38,622	38,622	-	-	38,622	-	38,622
Held-to-maturity financial assets								
Bonds	688,954	19,846	708,800	-	-	708,800	-	708,800
Investments in debt securities with no active market								
Bonds	548,311	23,507	571,818	-	54,026	625,844	54,021	571,823
Preferred Stocks	-	18,769	18,769	-	-	18,769	-	18,769
Others	14,900,990	-	14,900,990	-	-	14,900,990	-	14,900,990

2012.1.1 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$37,471,680	\$1,560,900	\$39,032,580	\$-	\$-	\$39,032,580	\$-	\$39,032,580
Stocks	6,765,923	-	6,765,923	-	-	6,765,923	-	6,765,923
Others	-	1,524,130	1,524,130	-	-	1,524,130	-	1,524,130
Held-to-maturity financial assets								
Bonds	18,176,146	-	18,176,146	-	-	18,176,146	-	18,176,146
Investments in debt securities with no active market								
Bonds	15,874,513	1,365,792	17,240,305	-	1,547,815	18,788,120	1,547,584	17,240,536
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	407,350,000	-	407,350,000	-	-	407,350,000	-	407,350,000

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2012.1.1 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment(D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal(A)					
Available-for-sale financial assets								
Bonds	\$1,237,915	\$51,566	\$1,289,481	\$-	\$-	\$1,289,481	\$-	\$1,289,481
Stocks	223,519	-	223,519	-	-	223,519	-	223,519
Others	-	50,351	50,351	-	-	50,351	-	50,351
Held-to-maturity financial assets								
Bonds	600,467	-	600,467	-	-	600,467	-	600,467
Investments in debt securities with no active market								
Bonds	524,431	45,120	569,551	-	51,134	620,685	51,126	569,559
Preferred Stocks	-	18,161	18,161	-	-	18,161	-	18,161
Others	13,457,218	-	13,457,218	-	-	13,457,218	-	13,457,218

(d) Aging analysis on past due but not impaired financial assets of Cathay United Bank

Past due but not impaired loans might result from some temporary administration reasons so the customers is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown otherwise, according to internal credit risk assets impairment evaluation guideline, a loan that is past due for no more than 30 days is typically not to be treated as impairment.

2013.9.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$65,874	\$2,229	\$55,726	\$1,885	\$121,600	\$4,114
Others	3,242	110	1,041	35	4,283	145
Discounts and loans						
Consumer banking						
Residential mortgage loans	235,874	7,979	64,783	2,192	300,657	10,171
Unsecured personal loans	7,973	270	3,711	125	11,684	395
Others	157,787	5,338	52,306	1,769	210,093	7,107
Corporate banking						
Secured	71,834	2,430	-	-	71,834	2,430
Unsecured	19,890	673	-	-	19,890	673

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2012.12.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$67,641	\$2,328	\$44,060	\$1,517	\$111,701	\$3,845
Others	4,123	142	1,748	60	5,871	202
Discounts and loans						
Consumer banking						
Residential mortgage loans	375,157	12,914	92,963	3,200	468,120	16,114
Unsecured personal loans	6,895	237	3,132	108	10,027	345
Others	239,662	8,250	94,270	3,245	333,932	11,495
Corporate banking						
Secured	3,216	111	-	-	3,216	111
Unsecured	1,456	50	-	-	1,456	50
2012.9.30	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$68,737	\$2,347	\$42,646	\$1,456	\$111,383	\$3,803
Others	4,753	162	2,053	70	6,806	232
Discounts and loans						
Consumer banking						
Residential mortgage loans	433,307	14,794	114,151	3,897	547,458	18,691
Unsecured personal loans	5,542	189	3,148	107	8,690	296
Others	281,209	9,601	105,360	3,597	386,569	13,198
Corporate banking						
Secured	20,000	683	-	-	20,000	683
Unsecured	68,967	2,355	-	-	68,967	2,355
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
Unsecured						

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g. Impairment analysis of financial assets

(a) Cathay United Bank has recognized accumulated impairment loss for available-for-sale financial assets in the amount of NT\$189,052 (US\$6,396), NT\$438,311 (US\$15,088) and NT\$383,512 (US\$13,094) as of 30 September 2013, 31 December 2012 and 30 September 2012, respectively, due to the existence of objective impairment evidence.

(b) Cathay United Bank has recognized accumulated impairment loss for investments in debt securities with no active market in the amount of NT\$1,100,147 (US\$37,217), NT\$1,167,518 (US\$40,190), NT\$1,469,192 (US\$50,160) and NT\$1,425,790 (US\$47,102) as of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, respectively, due to credit deterioration of securitization products and financial debentures.

Cathay United Bank has recognized accumulated impairment loss for investment in debt securities with no active market in the amount of NT\$95,586 (US\$3,234), NT\$106,215 (US\$3,656), NT\$113,089 (US\$3,861), and NT\$121,794 (US\$4,024) as of 30 September 2013, 31 December 2012, 30 September 2012, 1 January 2012, respectively, due to the default on the convertible bonds.

h. Foreclosed properties management policy

Foreclosed properties of Cathay United Bank were land and buildings. As of 30 September 2013, 31 December 2012, 30 September 2012 and 1 January 2012, the carrying amounts were NT\$29,311 (US\$992), NT\$29,311 (US\$1,009), NT\$29,311 (US\$1,001) and NT\$35,170 (US\$1,162), respectively, and were made provisioning for impairment at the end of financial reporting period.

The carrying amount of foreclosed properties in SBC Bank was NT\$88,847 (US\$3,006) at 30 September 2013.

Foreclosed properties will be sold when are available to sell. The proceeds are used to reduce or repay the outstanding claim. Foreclosed properties are classified under other assets in the consolidated balance sheets.

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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

(a) Financial assets were held to manage liquidity risk

Cathay United Bank holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit and loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets and investments in debt securities with no active market.

(b) Maturity analysis of non-derivative financial liabilities

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on time remaining until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

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2013.9.30 (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	\$26,514,316	\$8,709,281	\$4,560,994	\$4,562,118	\$44,346,709
Funds borrowed from Central Bank and other banks	1,483,593	-	-	-	1,483,593
Securities sold under agreements to repurchase	53,021,448	2,886,521	-	-	55,907,969
Payables	4,891,412	1,076,867	3,612,055	2,148,466	11,728,800
Deposits and remittances	310,440,413	645,092,376	552,495,586	63,582,048	1,571,610,423
Financial debentures payable	-	-	-	52,021,103	52,021,103
Other capital outflow at maturity	11,024,461	12,240,746	3,547,804	1,789,857	28,602,868

2013.9.30 (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	\$896,966	\$294,631	\$154,296	\$154,334	\$1,500,227
Funds borrowed from Central Bank and other banks	50,189	-	-	-	50,189
Securities sold under agreements to repurchase	1,793,689	97,650	-	-	1,891,339
Payables	165,474	36,430	122,194	72,681	396,779
Deposits and remittances	10,502,044	21,823,152	18,690,649	2,150,949	53,166,794
Financial debentures payable	-	-	-	1,759,848	1,759,848
Other capital outflow at maturity	372,952	414,098	120,021	60,550	967,621

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 capital outflow at maturity	3,722,458	4,336,869	-	9,393,224	17,452,551

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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 capital outflow at maturity	128,139	149,290	-	323,347	600,776

2012.9.30 (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	\$45,389,176	\$15,325,574	\$5,926,951	\$71,936	\$66,713,637
Funds borrowed from Central Bank and other banks	1,467,274	-	-	-	1,467,274
Securities sold under agreements to repurchase	18,110,275	2,032,267	-	-	20,142,542
Payables	12,552,189	3,558,444	956,089	1,912,178	18,978,900
Deposits and remittances	369,885,133	630,705,032	462,511,318	55,249,461	1,518,350,944
Financial debentures payable	-	-	-	41,858,818	41,858,818
Other capital outflow at maturity	5,904,723	4,335,606	-	9,406,120	19,646,449

2012.9.30 (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	\$1,549,647	\$523,236	\$202,354	\$2,456	\$2,277,693
Funds borrowed from Central Bank and other banks	50,095	-	-	-	50,095
Securities sold under agreements to repurchase	618,309	69,384	-	-	687,693
Payables	428,549	121,490	32,642	65,284	647,965
Deposits and remittances	12,628,376	21,533,118	15,790,759	1,886,291	51,838,544
Financial debentures payable	-	-	-	1,429,116	1,429,116
Other capital outflow at maturity	201,595	148,023	-	321,138	670,756

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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 capital 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	11,014,054	19,958,413	16,073,532	1,558,716	48,604,715
Financial debentures payable	-	-	-	1,056,525	1,056,525
Other capital outflow at maturity	114,947	51,232	-	184,829	351,008

b. Maturity analysis of derivative financial liabilities

(a) Net settled derivative financial instruments

Net settled derivatives engaged by Cathay United Bank include:

- i. Foreign exchange derivative instruments: foreign exchange options, non-delivery forwards;
- ii. Interest rate derivative instruments: swaptions, net settled interest rate swaps and other interest rate agreements.

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The table below shows the net settled derivation financial instruments on time remaining until the contractual maturity date. 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:

2013.9.30 (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	\$133,969	\$455,095	\$223,584	\$496	\$813,144
- Interest rate derivative instruments	163	10,674	59,669	2,959,410	3,029,916
Total	\$134,132	\$465,769	\$283,253	\$2,959,906	\$3,843,060

2013.9.30 (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	\$4,532	\$15,396	\$7,563	\$17	\$27,508
- Interest rate derivative instruments	6	361	2,019	100,115	102,501
Total	\$4,538	\$15,757	\$9,582	\$100,132	\$130,009

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

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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

2012.9.30 (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	\$112,785	\$90,730	\$23,400	\$1,738	\$228,653
- Interest rate derivative instruments	8,567	47,338	106,708	1,395,007	1,557,620
Total	\$121,352	\$138,068	\$130,108	\$1,396,745	\$1,786,273

2012.9.30 (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	\$3,851	\$3,098	\$799	\$59	\$7,807
- Interest rate derivative instruments	292	1,616	3,643	47,628	53,179
Total	\$4,143	\$4,714	\$4,442	\$47,687	\$60,986

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

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2012.1.1 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$1,104	\$1,736	\$81	\$-	\$2,921
- Interest rate derivative instruments	159	3,134	6,117	40,892	50,302
Total	\$1,263	\$4,870	\$6,198	\$40,892	\$53,223

b. Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by Cathay United Bank include:

- 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:

2013.9.30 (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	\$(893,266)	\$(1,080,673)	\$172,071	\$8,430	\$(1,793,438)
-Cash inflow	58,073	94,971	192,036	188,420	533,500
- Interest rate derivative instruments					
-Cash outflow	(1,308)	(93,849)	(142,337)	(59,548)	(297,042)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(894,574)	(1,174,522)	29,734	(51,118)	(2,090,480)
Cash inflow subtotal	58,073	94,971	192,036	188,420	533,500
Net cash flow	\$(836,501)	\$(1,079,551)	\$221,770	\$137,302	\$(1,556,980)

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2013.9.30 (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	\$(30,219)	\$(36,558)	\$5,821	\$285	\$(60,671)
-Cash inflow	1,965	3,213	6,496	6,374	18,048
- Interest rate derivative instruments					
-Cash outflow	(44)	(3,175)	(4,815)	(2,015)	(10,049)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(30,263)	(39,733)	1,006	(1,730)	(70,720)
Cash inflow subtotal	1,965	3,213	6,496	6,374	18,048
Net cash flow	\$(28,298)	\$(36,521)	\$7,502	\$4,645	\$(52,672)

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
- 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)

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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
- Interest rate derivative instruments					
-Cash outflow	-	(662)	(1,218)	(6,146)	(8,027)
-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)

2012.9.30 (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	\$(1,556,735)	\$(1,738,504)	\$(240,458)	\$(152,802)	\$(3,688,499)
-Cash inflow	77,785	671,836	112,429	8,941	870,991
- Interest rate derivative instruments					
-Cash outflow	-	-	(56,539)	(242,423)	(298,962)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,556,735)	(1,738,504)	(296,997)	(395,225)	(3,987,461)
Cash inflow subtotal	77,785	671,836	112,429	8,941	870,991
Net cash flow	\$(1,478,950)	\$(1,066,668)	\$(184,568)	\$(386,284)	\$(3,116,470)

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2012.9.30 (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	\$(53,149)	\$(59,355)	\$(8,210)	\$(5,216)	\$(125,930)
-Cash inflow	2,656	22,937	3,839	305	29,737
- Interest rate derivative instruments					
-Cash outflow	-	-	(1,930)	(8,277)	(10,207)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(53,149)	(59,355)	(10,140)	(13,493)	(136,137)
Cash inflow subtotal	2,656	22,937	3,839	305	29,737
Net cash flow	\$(50,493)	\$(36,418)	\$(6,301)	\$(13,188)	\$(106,400)

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
- 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)

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2012.1.1 (US\$)	0-30 days	30-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(10,191)	\$(18,584)	\$(3,333)	\$(14)	\$(32,122)
-Cash inflow	1,674	267	62	-	2,003
- 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

- (a) Irrevocable commitments include irrevocable loan commitments and credit card commitments.
- (b) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.
- (c) Leasing commitments: Cathay United Bank acts as a lessor/lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2013.9.30								
Irrevocable								
commitments	\$49,497,658	\$1,674,481	\$92,944,172	\$3,144,255	\$285,295,483	\$9,651,403	\$427,737,313	\$14,470,139
Financial guarantee								
contracts	14,285,974	483,287	777,847	26,314	12,115	410	15,075,936	510,011
Leasing commitments								
Non-cancellable								
operating lease								
payments	407,362	13,781	532,968	18,030	44,237	1,497	984,567	33,308
Non-cancellable								
operating lease								
receipts	168,764	5,709	176,726	5,979	-	-	345,490	11,688
Total	\$64,359,758	\$2,177,258	\$94,431,713	\$3,194,578	\$285,351,835	\$9,653,310	\$444,143,306	\$15,025,146

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	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2012.12.31								
Irrevocable								
commitments	\$58,419,184	\$2,010,987	\$136,578,962	\$4,701,514	\$168,137,067	\$5,787,851	\$363,135,213	\$12,500,352
Financial guarantee								
contracts	15,532,327	534,676	821,920	28,293	8,425	290	16,362,672	563,259
Leasing commitments								
Non-cancellable								
operating lease								
payments	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

	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
2012.9.30								
Irrevocable								
commitments	\$70,267,785	\$2,399,037	\$137,305,476	\$4,687,793	\$177,368,111	\$6,055,586	\$384,941,372	\$13,142,416
Financial guarantee								
contracts	16,298,269	556,445	917,569	31,327	4,097	140	17,219,935	587,912
Leasing commitments								
Non-cancellable								
operating lease								
payments	449,992	15,363	482,919	16,488	20,748	708	953,659	32,559
Non-cancellable								
operating lease								
receipts	10,555	360	402,973	13,758	-	-	413,528	14,118
Total	\$87,026,601	\$2,971,205	\$139,108,937	\$4,749,366	\$177,392,956	\$6,056,434	\$403,528,494	\$13,777,005

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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

C. Cathay Century and its subsidiaries

Non-derivative financial instruments Cathay Century held to adjust operating cash flow including cash and equivalents and investments. Cathay Century held other financial assets and liabilities, including note receivable, premiums receivable & claim payable, due to reinsurers and ceding companies, reinsurance premiums receivables & payable and secured loans.

Cathay Century and its subsidiaries hold 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 and its subsidiaries' 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:

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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.

(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.

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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 premium receivable and notes receivable collections are monitored on an ongoing basis. Therefore, Cathay Century and its subsidiaries' bad debt are insignificant. On the other hand, in the event counterparty's creditworthiness deteriorates, Cathay Century and its subsidiaries will suspend the related contracts and resume exercising relevant rights and obligations when transaction status is restored.

Cathay Century and its subsidiaries' secured lending operations must be approved and verified by performing credit verification procedures, and obtain real property security provided by the counterparty. In the event the counterparty's creditworthiness deteriorate, Cathay Century and its subsidiaries may exercise under their own discretion the relevant security rights upon presentation, to protect Cathay Century and its subsidiaries' interests.

Cathay Century and its subsidiaries' credit risk exposure of financial transactions, including issuer credit risk, counterparty credit 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 or banks with which Cathay Century 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 to deliver as obligated before the settlement date which then cause losses to Cathay Century
- 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.

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(b) Credit concentration risk analysis

i. The amounts of credit risk exposure of Cathay Century and its subsidiaries' financial assets are as follows:

Financial assets	The amount of credit risk exposure - by area					
	2013.9.30 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,080,376	\$10	\$9,405	\$903,226	\$2,565,270	\$7,558,287
Financial assets at fair value through profit or loss	1,040,568	-	-	-	113,616	1,154,184
Available-for-sale financial assets	5,299,158	-	-	1,258,247	1,479,122	8,036,527
Derivative financial assets for hedging	10,589	-	-	-	-	10,589
Bond investments with no active market exists	700,000	-	318,321	297,507	430,176	1,746,004
Held-to-maturity investments	-	-	-	1,865,390	251,877	2,117,267
Total	\$11,130,691	\$10	\$327,726	\$4,324,370	\$4,840,061	\$20,622,858
Each area percentage	53.97%	0.00%	1.59%	20.97%	23.47%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2013.9.30 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$138,037	\$-	\$318	\$30,556	\$86,782	\$255,693
Financial assets at fair value through profit or loss	35,202	-	-	-	3,844	39,046
Available-for-sale financial assets	179,268	-	-	42,566	50,038	271,872
Derivative financial assets for hedging	358	-	-	-	-	358
Bond investments with no active market exists	23,681	-	10,769	10,064	14,552	59,066
Held-to-maturity investments	-	-	-	63,105	8,521	71,626
Total	\$376,546	\$-	\$11,087	\$146,291	\$163,737	\$697,661
Each area percentage	53.97%	0.00%	1.59%	20.97%	23.47%	100.00%

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Financial assets	The amount of credit risk exposure - by area					
	2012.12.31 (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%

Financial assets	The amount of credit risk exposure - by area					
	2012.12.31 (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%

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Financial assets	The amount of credit risk exposure - by area					
	2012.9.30 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$5,890,801	\$-	\$9	\$249,469	\$606,529	\$6,746,808
Financial assets at fair value through profit or loss	185,067	-	-	44,127	64,353	293,547
Available-for-sale financial assets	5,388,680	-	-	723,563	1,712,430	7,824,673
Derivative financial assets for hedging	18,199	-	-	-	-	18,199
Bond investments with no active market exists	900,000	-	-	-	399,137	1,299,137
Held-to-maturity investments	-	-	-	2,404,010	-	2,404,010
Total	\$12,382,747	\$-	\$9	\$3,421,169	\$2,782,449	\$18,586,374
Each area percentage	66.62%	0.00%	0.00%	18.41%	14.97%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2012.9.30 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$201,120	\$-	\$-	\$8,517	\$20,708	\$230,345
Financial assets at fair value through profit or loss	6,319	-	-	1,507	2,197	10,023
Available-for-sale financial assets	183,977	-	-	24,703	58,465	267,145
Derivative financial assets for hedging	621	-	-	-	-	621
Bond investments with no active market exists	30,727	-	-	-	13,627	44,354
Held-to-maturity investments	-	-	-	82,076	-	82,076
Total	\$422,764	-	-	\$116,803	\$94,997	\$634,564
Each area percentage	66.62%	0.00%	0.00%	18.41%	14.97%	100.00%

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Financial assets	The amount of credit risk exposure - by area					
	2012.1.1 (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%

Financial assets	The amount of credit risk exposure - by area					
	2012.1.1 (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%

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(c) Credit risk quality analysis

i. Credit quality classifications of Cathay Century and its subsidiaries' financial assets are as follows:

Financial assets	Credit quality of financial assets				
	2013.9.30 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$7,558,287	\$-	\$-	\$-	\$7,558,287
Financial assets at fair value through profit or loss	1,154,184	-	-	-	1,154,184
Available-for-sale financial assets	8,036,527	-	-	-	8,036,527
Derivative financial assets for hedging	10,589	-	-	-	10,589
Bond investments with no active market exists	1,746,004	-	-	-	1,746,004
Held-to-maturity investments	2,117,267	-	-	-	2,117,267
Total	\$20,622,858	\$-	\$-	\$-	\$20,622,858

Financial assets	Credit quality of financial assets				
	2013.9.30 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$255,693	\$-	\$-	\$-	\$255,693
Financial assets at fair value through profit or loss	39,046	-	-	-	39,046
Available-for-sale financial assets	271,872	-	-	-	271,872
Derivative financial assets for hedging	358	-	-	-	358
Bond investments with no active market exists	59,066	-	-	-	59,066
Held-to-maturity investments	71,626	-	-	-	71,626
Total	\$697,661	\$-	\$-	\$-	\$697,661

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Financial assets	Credit quality of financial assets				
	2012.12.31 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
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

Financial assets	Credit quality of financial assets				
	2012.12.31 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
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

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Financial assets	Credit quality of financial assets				
	2012.9.30 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$6,746,808	\$-	\$-	\$-	\$6,746,808
Financial assets at fair value through profit or loss	293,547	-	-	-	293,547
Available-for-sale financial assets	7,824,673	-	-	-	7,824,673
Derivative financial assets for hedging	18,199	-	-	-	18,199
Bond investments with no active market exists	1,299,137	-	-	-	1,299,137
Held-to-maturity investments	2,404,010	-	-	-	2,404,010
Total	\$18,586,374	\$-	\$-	\$-	\$18,586,374

Financial assets	Credit quality of financial assets				
	2012.9.30 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$230,345	\$-	\$-	\$-	\$230,345
Financial assets at fair value through profit or loss	10,023	-	-	-	10,023
Available-for-sale financial assets	267,145	-	-	-	267,145
Derivative financial assets for hedging	621	-	-	-	621
Bond investments with no active market exists	44,355	-	-	-	44,355
Held-to-maturity investments	82,076	-	-	-	82,076
Total	\$634,565	\$-	\$-	\$-	\$634,565

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Financial assets	Credit quality of financial assets				
	2012.1.1 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$6,919,021	\$-	\$-	\$-	\$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

Financial assets	Credit quality of financial assets				
	2012.1.1 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
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	39,413	-	-	-	39,413
Held-to-maturity investments	79,574	-	-	-	79,574
Total	\$563,803	\$-	\$-	\$-	\$563,803

Note: Investment level means the credit rating above BBB- and non-investment level means the credit rating less than BBB-.

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ii. Secured loans

Secured loans	2013.9.30 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$128,354	\$-	\$-	\$-	\$123,367	\$251,721	\$1,559	\$250,162
Corporate Finance	60,000	-	-	-	217,987	277,987	81,461	196,526
Total	\$188,354	\$-	\$-	\$-	\$341,354	\$529,708	\$83,020	\$446,688

Secured loans	2013.9.30 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,342	\$-	\$-	\$-	\$4,173	\$8,515	\$52	\$8,463
Corporate Finance	2,030	-	-	-	7,375	9,405	2,756	6,649
Total	\$6,372	\$-	\$-	\$-	\$11,548	\$17,920	\$2,808	\$15,112

Secured loans	2012.12.31(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	2012.12.31 (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

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Secured loans	2012.9.30 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$146,367	\$-	\$-	\$-	\$122,386	\$268,753	\$1,644	\$267,109
Corporate Finance	60,000	-	-	-	289,467	349,468	58,787	290,681
Total	\$206,367	\$-	\$-	\$-	\$411,853	\$618,221	\$60,431	\$557,790

Secured loans	2012.9.30 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,997	\$-	\$-	\$-	\$4,179	\$9,176	\$56	\$9,120
Corporate Finance	2,048	-	-	-	9,883	11,931	2,007	9,924
Total	\$7,045	\$-	\$-	\$-	\$14,062	\$21,107	\$2,063	\$19,044

Secured loans	2012.1.1 (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	2012.1.1 (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

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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 adopts and implement the internal control regulations and sheets. Cathay Century establishes the information systems 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.

(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 in order to ensure liquidity. Stress scenarios, including significant market volatility, a variety of credit events, non-anticipated events of the financial market liquidity crunch and any other scenario which may trigger liquidity pressures is used to assess the company's overall capital supply, demand and changes in cash flow gap.

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In the event of cash flow gap, the risk management 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	2013.9.30 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,292,718	\$1,309,851	\$1,271,335	\$30,751	\$6,148	\$1,617	\$-
Financial liabilities at fair value through profit or loss	34,195	34,195	-	34,195	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	2013.9.30 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$77,561	\$44,312	\$43,009	\$1,040	\$208	\$55	\$-
Financial liabilities at fair value through profit or loss	1,157	1,157	-	1,157	-	-	-
Preferred stock liability	33,829	33,829	-	-	-	-	33,829

Liabilities	2012.12.31 (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

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Liabilities	2012.12.31 (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	2012.9.30 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$1,748,127	\$1,027,226	\$1,014,814	\$5,602	\$5,142	\$1,668	\$-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	2012.9.30 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$59,683	\$35,071	\$34,647	\$191	\$176	\$57	\$-
Preferred stock liability	34,141	34,141	-	-	-	-	34,141

Liabilities	2012.1.1 (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	2012.1.1 (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

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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 future time horizon and confidence level when the market risk factors changes. Cathay Century and its subsidiaries estimate value at risk on the next day (week or two weeks) with a 99% level of confidence.

Value-at-risk model must reasonably completely and accurately measure the maximum potential risk that can be Cathay Century and its subsidiaries' risk management model. The use of risk management model must continue to conduct back testing daily to ensure the model can effectively measure financial instrument and what the maximum potential risk of a portfolio is.

(b) Stress testing

In addition to the value-at-risk model, Cathay Century and its subsidiaries 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 and its subsidiaries conduct 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.

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i. Simple Sensitivity

Simple sensitivity mainly evaluate changes in value of portfolio caused by specific risk factor

ii. Scenario Analysis

Scenario Analysis is a measure utilized for the evaluation of the change in value of portfolio under stress events occurred. 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, and 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.

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

2013.9.30	Stress testing		
	Risk factors	Variation (+/-)	Changes in profit and loss
NT\$			US\$
Equity price risk (Index)	-10%	\$(167,197)	\$(5,656)
Interest rate risk (Yield curve)	20bp	(73,775)	(2,496)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(77,176)	(2,611)

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2013.9.30		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	RMB appreciate 1 %	\$7,160	\$242	\$1,419	\$48
	HKD appreciate 1 %	-	-	103	3
	NTD appreciate 1 %	(9,303)	(315)	(4,914)	(166)
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,690)	(57)	(141)	(5)
	Yield curve (RMB) flat rises 1bp	-	-	(84)	(3)
	Yield curve (NTD) flat rises 1bp	(101)	(3)	(1,673)	(57)
Equity securities price sensitivity	Increase 1% in equity price	-	-	16,720	566

2012.9.30	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	10%	\$(168,155)	\$(5,741)
Interest rate risk (Yield curve)	20bp	(63,918)	(2,182)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(15,794)	(539)

2012.9.30		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	RMB appreciate 1 %	\$5	\$-	\$-	\$-
	HKD appreciate 1 %	77	3	499	17
	NTD appreciate 1 %	(2,885)	(98)	(946)	(32)
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(947)	(32)	(164)	(6)
	Yield curve (RMB) flat rises 1bp	-	-	(14)	-
	Yield curve (NTD) flat rises 1bp	(141)	(5)	(1,930)	(66)
Equity securities price sensitivity	Increase 1% in equity price	-	-	16,815	574

D. Cathay Securities and its subsidiaries

a. Risk management policies

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(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

i. 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.

ii. 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.

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iii. 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.

iv. 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.

v. 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.

vi. 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.

vii. Accounting department

The accounting department participates in the planning of risk management mechanism and providing the form of capital adequacy to risk management department monthly.

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viii. 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:

i. 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.

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ii. 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, Moody's and Fitch).

iii. 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.

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iv. 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, Cathay Securities 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.

v. 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 questionable qualification.

(ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts is required to be reviewed and approved by the legal office and may be advised by the external legal counsel.

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vi. Capital adequacy management

(i) Definition

Cathay Securities implement capital management to sustain appropriate capital adequacy ratio, accelerate the business growth and ensure the perfection of capital structure.

(ii) Controls

Cathay Securities establishes capital adequacy index and compiles the report periodically to evaluate the appropriateness of capital adequacy ratio and the perfection of the capital structure.

vii. Reputation Risk and Strategy Risk

(i) Definition

Reputation Risk is a risk of loss resulting from damages to Cathay Securities reputation in lost customers or revenues and Cathay Securities 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.

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(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.

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 Analysis

Credit risks arising from financial transactions conducted are issuer risk, counterparty risk, and credit risks from underlying assets:

- (a) Issuer risk is a risk that Cathay Securities and its subsidiaries may encounter financial losses because the issuers (guarantors) or banks are not able to pay where it is obligated to do on financial debt instruments or bank savings which Cathay Securities and its subsidiaries invest in.
- (b) Counterparty risk is a risk that the counterparty will not live up to its obligations to perform or pay on the designated dates and Cathay Securities and its subsidiaries are exposed to the risk of financial losses.

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- (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.

As of 30 September 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	\$3,740,000	\$-	\$-	\$-	\$3,740,000
Financial liabilities at fair value through profit or loss -current	2,090,121	-	-	-	2,090,121
Liabilities for bonds with repurchase agreements	2,000,000	-	-	-	2,000,000
Deposits for securities borrowed	16,740	33,480	50,220	200,880	301,320
Futures clients' equity	1,750,206	-	-	-	1,750,206
Account payables	1,402,275	-	-	353,279	1,755,554
Others	-	-	-	10,718	10,718
Total	\$10,999,342	\$33,480	\$50,220	\$564,877	\$11,647,919
% to the total	94.43%	0.29%	0.43%	4.85%	100%

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As of 30 September 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	\$126,522	\$-	\$-	\$-	\$126,522
Financial liabilities at fair value					
through profit or loss -current	70,708	-	-	-	70,708
Liabilities for bonds with					
repurchase agreements	67,659	-	-	-	67,659
Deposits for securities borrowed	566	1,133	1,699	6,796	10,194
Futures clients' equity	59,209	-	-	-	59,209
Account payables	47,438	-	-	11,951	59,389
Others	-	-	-	362	362
Total	\$372,102	\$1,133	\$1,699	\$19,109	\$394,043
% to the total	94.43%	0.29%	0.43%	4.85%	100%

Short-term loans, notes payable and repurchase bonds are fund procurement instruments and will mature within three months.

As of 30 September 2013

Cash Flow Gap(NT\$)

Financial Assets	Received Terms				Total
	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	
Cash and cash equivalents	\$1,109,208	\$-	\$-	\$-	\$1,109,208
Financial assets at fair value					
through profit or loss -current					
Operations Security	5,001,636	-	-	-	5,001,636
Margin for futures					
trading-own funds	-	-	-	43,706	43,706
Open-end Funds	30,171	-	-	-	30,171
Call option-futures	-	-	-	15,964	15,964
Available for sale financial assets	636,601	-	-	152,610	789,211
Client margin accounts	-	-	-	1,000,000	1,000,000
Other current assets-time deposit	1,750,570	-	-	-	1,750,570
Account Receivables	3,815,791	3,140	4,710	18,840	3,842,481
Securities financing receivables	99,077	198,154	297,231	1,188,925	1,783,387
Others	-	-	-	647,589	647,589
Subtotal	12,443,054	201,294	301,941	3,067,634	16,013,923
Residual cash	\$1,443,712	\$167,814	\$251,721	\$2,502,757	\$4,366,044

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As of 30 September 2013

Cash Flow Gap(US\$)

Financial Assets	Received Terms				Total
	Less than 1 month	1 to 3 Months	3 to 6 Months	More than 6 months	
Cash and cash equivalents	\$37,524	\$-	\$-	\$-	\$37,524
Financial assets at fair value					
through profit or loss -current					
Operations Security	169,203	-	-	-	169,203
Margin for futures					
trading-own funds	-	-	-	1,479	1,479
Open-end Funds	1,020	-	-	-	1,020
Call option-futures	-	-	-	540	540
Available for sale financial assets	21,536	-	-	5,163	26,699
Client margin accounts	-	-	-	33,829	33,829
Other current assets-time deposit	59,221	-	-	-	59,221
Account Receivables	129,086	106	159	637	129,988
Securities financing receivables	3,352	6,704	10,055	40,221	60,332
Others	-	-	-	21,908	21,908
Subtotal	420,942	6,810	10,214	103,777	541,743
Residual cash	\$48,840	\$5,677	\$8,516	\$84,667	\$147,700

(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.

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If the cash flow gap arises under a specific stress scenario, the following procedures are used to prevent the occurrence of the stress events:

- i. Financing and balance sheet adjustments are made in accordance with the Group's "Crisis Management Guidelines" and "Regulations Governing Emergency Funding Management".
- ii. Financing: (i) drawing from short-term bank loan credit line (ii) pledging certificates of deposit (iii) issuing commercial paper.
- iii. Balance sheet adjustment: (i) 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:

- i. Price value of basis point: denoting the change in the value of a position given a basis point change in the yield curve.
- ii. Delta: measuring the change in the value of a position given 1% price change of a certain underlying asset.
- iii. Gamma: measuring the dollar amount of change in Delta of a position given 1% price change of a certain underlying asset.
- iv. Vega: denoting the change in the value of a position given 1% price change of a certain underlying asset.

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(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:

<u>102.1.1~102.9.30</u>	<u>NTD (in thousands)</u>
Period Ended	16,590
Average	16,619
Lowest	10,555
Highest	26,282

<u>102.1.1~102. 9.30</u>	<u>USD (in thousands)</u>
Period Ended	561
Average	562
Lowest	357
Highest	889

(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.

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Stress test on scenarios includes historical scenario and hypothesis scenario:

i. 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.

ii. Hypothetical scenarios

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 30 September 2013
Table of Stress Test (NT\$)

<u>Risk Simples</u>	<u>Price Risk</u>	<u>Changes(+/-)</u>	<u>Changes in profit and loss</u>
Equity Risk	Stock index	-10%	-18,424
Interest Risk	Yield Curve	+100bps	-87,108
Exchange Risk	Exchange Rate	+3%	-1,179
Produce Risk	Price	-10%	-

As of 30 September 2013
Table of Stress Test (US\$)

<u>Risk Simples</u>	<u>Price Risk</u>	<u>Changes(+/-)</u>	<u>Changes in profit and loss</u>
Equity Risk	Stock index	-10%	-623
Interest Risk	Yield Curve	+100bps	-2,947
Exchange Risk	Exchange Rate	+3%	-40
Produce Risk	Price	-10%	-

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(3) Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	2013.9.30			2012.12.31		
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$47,723,224	29.6700	\$1,415,948,056	\$45,105,812	29.1360	\$1,314,202,938
AUD	Note	Note	Note	Note	Note	Note
RMB	26,091,419	4.8497	126,535,555	19,422,188	4.6797	90,890,013
<u>Non-Monetary Items</u>						
USD	4,275,037	29.6700	126,840,348	3,188,552	29.1360	92,901,651
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	7,134,919	29.6700	211,693,047	6,087,435	29.1360	177,363,506
	2012.9.30			2012.1.1		
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$45,838,147	29.3420	\$1,344,982,918	\$38,440,021	30.2900	\$1,164,348,236
AUD	Note	Note	Note	1,549,838	30.7519	47,660,463
RMB	18,466,576	4.6560	85,980,378	2,765,935	4.7746	13,206,233
<u>Non-Monetary Items</u>						
USD	2,853,709	29.342	83,733,529	2,407,923	30.2900	72,935,988
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	\$6,380,539	29.342	\$187,217,775	5,076,249	30.2900	153,759,582

Note: On 30 September 2013, 31 December 2012 and 30 September 2012, the amounts did not have significant influence.

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(4) Discretionary account management for Cathay Life

Item	2013.9.30			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$123,047,925	\$4,162,650	\$123,047,925	\$4,162,650
Overseas stocks	44,699,635	1,512,166	44,699,635	1,512,166
Repurchase bonds and notes	3,140,000	106,225	3,140,000	106,225
Cash in banks	27,341,927	924,964	27,341,927	924,964
Beneficiary certificates	18,450,626	624,175	18,450,626	624,175
Futures and options	862,047	29,163	862,047	29,163
Corporate bonds	842,003	28,484	842,003	28,484
Total	<u>\$218,384,163</u>	<u>\$7,387,827</u>	<u>\$218,384,163</u>	<u>\$7,387,827</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	2012.9.30			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$93,549,723	\$3,193,913	\$93,549,723	\$3,193,913
Overseas stocks	38,548,040	1,316,082	38,548,040	1,316,082
Repurchase bonds	5,301,750	181,009	5,301,750	181,009
Cash in banks	32,365,411	1,104,999	32,365,411	1,104,999
Beneficiary certificates	48,218,229	1,646,235	48,218,229	1,646,235
Futures and options	1,430,175	48,828	1,430,175	48,828
Corporate bonds	828,075	28,272	828,075	28,272
Total	<u>\$220,241,403</u>	<u>\$7,519,338</u>	<u>\$220,241,403</u>	<u>\$7,519,338</u>

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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 September 2013, Cathay Life entered into discretionary account management contracts in the amounts of NT\$143,000,000 (US\$4,837,618) thousands, US\$1,990,000 thousands, and HK\$2,000,000 (US\$257,895) 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 September 2012, Cathay Life entered into discretionary account management contracts in the amounts of NT\$138,000,000 (US\$4,711,506) thousands, US\$2,140,000 thousands, and HK\$6,350,000 (US\$818,932) 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.

(6) Business or trading activities within Subsidiaries:

A. Business or trading behaviors

Please refer Note 7 (Related party transactions) for further details.

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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.

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 13 September 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 2 September 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.

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(7) Material contract: None.

(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 Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, 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 thousand to US\$48,330 thousand approved by MOEAIC on 20 December 2010. Also, MOEAIC authorized Cathay Life to remit US \$59,000 thousand as the registered capital again on 16 May 2008. The total registered capital was US \$107,330 thousand. On 25 September 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise legal person on 29 December 2004. Cathay Life has remitted US\$48,330 thousands to Cathay Life Insurance Ltd. (China) as of 31 December 2009, and injected another US\$29,880 thousand on 29 September 2010. As of 30 September 2013, Cathay Life's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US\$78,210 thousand.

B. On 17 October 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand 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 Cathay Life to increase the remittance from US\$26,390 thousand to US\$28,960 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise legal person on 26 August 2008. On 28 May 2013, MOEAIC authorized Cathay Life to remit CNY\$200,000 (US\$32,587) thousands to increase the share capital. As of 30 September 2013, Cathay Life's remittances to this general insurance company totaled approximately US\$44,360 thousand.

C. On 1 November 2011 and 11 April 2012, MOEAIC authorized Cathay Life to remit US\$47,000 thousand and US\$80,000 thousand as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life'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 September 2013, Cathay Life's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US\$126,060 thousand.

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- D. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of joint venture with Cathay Life.) Cathay Century has received approved from the China Insurance Regulatory Commission on October 8, 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life Insurance subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise legal person on August 26, 2008. On 28 May 2013, MOEAIC authorized Cathay Century to remit CNY\$200,000 (US\$32,587) thousands to increase the share capital. As of 30 September 2013, Cathay Century's remittances to this company totaled approximately US\$44,030 thousand.
- E. The Investment Commission, MOEA approved Cathay United Bank to remit to China US\$60,067 thousand, an equivalent of RMB400 million. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank's Shanghai Branch was RMB400 million, an equivalent of US\$59,768 thousand. The remaining amount of US\$299 thousand was repatriated by Shanghai Branch, Cathay United Bank on 5 November 2010. The investment amounts were revised by Cathay United Bank by reporting to the Investment Commission, MOEA in 18 January 2011 and were approved on 24 January 2011. In addition, the Investment Commission, MOEA further approved the Bank to remit US\$95,024 thousand to China, an equivalent of RMB600 million. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank's Shanghai Branch was RMB600 million, an equivalent of US\$94,929 thousand. The remaining amount of US\$95 thousand was repatriated by Cathay United Bank's Shanghai Branch on 1 February 2012. The investment amounts were revised by the Bank by reporting to the Investment Commission, MOEA on 20 March 2012 and were approved on 26 March 2012.

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:

- (1) Banking operating segments: Banking operating segments operate the permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.

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- (2) Life insurance operating segments: Life insurance operating segments operate the sales of traditional insurance policies, investment-linked insurance policies and floating-rate annuity insurance products.
- (3) Properties insurance operating segments: Properties insurance operating segments engage in fire insurance, marine insurance, land and air insurance, liability insurance, reinsurance and other insurance.
- (4) Securities operating segments: Securities operating segments are responsible for securities brokerage, discretionary and underwriting and dedicates to the innovation and development of financial products and services by providing a variety of new financial products.
- (5) Other operating segments: Such segments include assets, liabilities, revenue and expenditure which are not able to be allocated to certain operating segments.

To formulate strategies of the allocation of resources and assessment of performance, the management monitor results of operating segments. The accounting policies are the same as the summary of significant accounting policies in Note 4.

2013.7.1~2013.9.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	\$5,578,409	\$23,515,080	\$107,268	\$28,524	\$(281,491)	\$28,947,790
Net income other than interest	1,477,763	55,513,759	1,358,042	283,184	328,443	58,961,191
Total income	7,056,172	79,028,839	1,465,310	311,708	46,952	87,908,981
Bad debt expenses and Provision for premiums reserve	(223,650)	(514,310)	(12,201)	-	-	(750,161)
The net change of insurance liabilities	-	(61,850,883)	(116,673)	-	-	(61,967,556)
Operating expenses	(4,734,261)	4,294,400	(947,958)	(250,589)	(11,788,644)	(13,427,052)
Income (loss) from continuing operations before income taxes	2,098,261	20,958,046	388,478	61,119	(11,741,692)	11,764,212
Income taxes (expense) benefit	(554,235)	612,602	(48,693)	450	30,305	40,429
Consolidated net income	1,544,026	21,570,648	339,785	61,569	(11,711,387)	11,804,641

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2013.7.1~2013.9.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	\$188,715	\$795,503	\$3,629	\$965	\$(9,523)	\$979,289
Net income other than interest	49,992	1,878,004	45,942	9,580	11,110	1,994,628
Total income	238,707	2,673,507	49,571	10,545	1,587	2,973,917
Bad debt expenses and Provision for premiums reserve	(7,566)	(17,399)	(413)	-	-	(25,378)
The net change of insurance liabilities	-	(2,092,384)	(3,947)	-	-	(2,096,331)
Operating expenses	(160,158)	145,277	(32,069)	(8,477)	(398,804)	(454,231)
Income (loss) from continuing operations before income taxes	70,983	709,001	13,142	2,068	(397,217)	397,977
Income taxes (expense) benefit	(18,749)	20,724	(1,648)	15	1,026	1,368
Consolidated net income	52,234	729,725	11,494	2,083	(396,191)	399,345

2012.7.1~2012.9.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	\$5,626,586	\$23,381,117	\$91,441	\$17,228	\$(282,068)	\$28,834,304
Net income other than interest	3,406,656	49,145,533	1,474,755	1,544,323	(5,585)	55,565,682
Total income	9,033,242	72,526,650	1,566,196	1,561,551	(287,653)	84,399,986
Bad debt expenses and Provision for premiums reserve	(369,587)	(247,524)	14,936	-	(10,999)	(613,174)
The net change of insurance liabilities	(469)	(61,364,250)	(493,921)	-	-	(61,858,640)
Operating expenses	(3,955,368)	(8,110,268)	(903,801)	(1,475,145)	(400,326)	(14,844,908)
Income (loss) from continuing operations before income taxes	4,707,818	2,804,608	183,410	86,406	(698,978)	7,083,264
Income taxes (expense) benefit	(533,868)	958,119	(36,313)	7,752	(115,660)	280,030
Consolidated net income	4,173,950	3,762,727	147,097	94,158	(814,638)	7,363,294

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2012.7.1~2012.9.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	\$192,099	\$798,263	\$3,122	\$588	\$(9,630)	\$984,442
Net income other than interest	116,308	1,677,896	50,350	52,725	(192)	1,897,087
Total income	308,407	2,476,159	53,472	53,313	(9,822)	2,881,529
Bad debt expenses and Provision for premiums reserve	(12,618)	(8,451)	510	-	(376)	(20,935)
The net change of insurance liabilities	(16)	(2,095,058)	(16,863)	-	-	(2,111,937)
Operating expenses	(135,042)	(276,895)	(30,857)	(50,363)	(13,668)	(506,825)
Income (loss) from continuing operations before income taxes	160,731	95,755	6,262	2,950	(23,866)	241,832
Income taxes (expense) benefit	(18,227)	32,711	(1,240)	265	(3,948)	9,561
Consolidated net income	142,504	128,466	5,022	3,215	(27,814)	251,393

2013.1.1~2013.9.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	\$16,680,411	\$69,730,519	\$279,720	\$78,949	\$(841,359)	\$85,928,240
Net income other than interest	8,829,882	157,070,571	4,241,855	821,981	(209,186)	170,755,103
Total income	25,510,293	226,801,090	4,521,575	900,930	(1,050,545)	256,683,343
Bad debt expenses and Provision for premiums reserve	(189,554)	(1,086,828)	(12,200)	-	-	(1,288,582)
The net change of insurance liabilities	-	(187,228,212)	(362,157)	-	-	(187,590,369)
Operating expenses	(13,057,807)	(10,088,413)	(2,697,169)	(703,128)	(12,566,404)	(39,112,921)
Income (loss) from continuing operations before income taxes	12,262,932	28,397,637	1,450,049	197,802	(13,616,949)	28,691,471
Income taxes (expense) benefit	(1,750,186)	(3,814)	(153,389)	(5,652)	602	(1,912,439)
Consolidated net income	10,512,746	28,393,823	1,296,660	192,150	(13,616,347)	26,779,032

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2013.1.1~2013.9.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	\$564,290	\$2,358,948	\$9,463	\$2,671	\$(28,463)	\$2,906,909
Net income other than interest	298,711	5,313,619	143,500	27,807	(7,077)	5,776,560
Total income	863,001	7,672,567	152,963	30,478	(35,540)	8,683,469
Bad debt expenses and Provision for premiums reserve	(6,413)	(36,766)	(413)	-	-	(43,592)
The net change of insurance liabilities	-	(6,333,836)	(12,252)	-	-	(6,346,088)
Operating expenses	(441,739)	(341,286)	(91,244)	(23,786)	(425,116)	(1,323,171)
Income (loss) from continuing operations before income taxes	414,849	960,679	49,054	6,692	(460,656)	970,618
Income taxes (expense) benefit	(59,208)	(129)	(5,188)	(191)	19	(64,697)
Consolidated net income	355,641	960,550	43,866	6,501	(460,637)	905,921

2012.1.1~2012.9.30

Items	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Other division (NT\$)	Total (NT\$)
Interest income	\$16,398,222	\$67,960,491	\$251,368	\$68,981	\$(865,017)	\$83,814,045
Net income other than interest	7,821,648	199,502,777	3,805,679	1,892,756	299,378	213,322,238
Total income	24,219,870	267,463,268	4,057,047	1,961,737	(565,639)	297,136,283
Bad debt expenses and Provision for premiums reserve	(41,133)	(832,680)	-	-	(10,999)	(884,812)
The net change of insurance liabilities	-	(243,730,376)	(660,540)	-	-	(244,390,916)
Operating expenses	(11,892,216)	(22,096,320)	(2,240,940)	(1,835,440)	(881,479)	(38,946,395)
Income (loss) from continuing operations before income taxes	12,286,521	803,892	1,155,567	126,297	(1,458,117)	12,914,160
Income taxes (expense) benefit	(1,474,980)	1,813,188	(111,495)	3,998	(404,028)	(173,317)
Consolidated net income	10,811,541	2,617,080	1,044,072	130,295	(1,862,145)	12,740,843

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2012.1.1~2012.9.30

Items	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Other division (US\$)	Total (US\$)
Interest income	\$559,857	\$2,320,263	\$8,582	\$2,355	\$(29,533)	\$2,861,524
Net income other than interest	267,042	6,811,293	129,931	64,621	10,221	7,283,108
Total income	826,899	9,131,556	138,513	66,976	(19,312)	10,144,632
Bad debt expenses and Provision for premiums reserve	(1,404)	(28,429)	-	-	(375)	(30,208)
The net change of insurance liabilities	-	(8,321,283)	(22,552)	-	-	(8,343,835)
Operating expenses	(406,016)	(754,398)	(76,509)	(62,664)	(30,095)	(1,329,682)
Income (loss) from continuing operations before income taxes	419,479	27,446	39,452	4,312	(49,782)	440,907
Income taxes (expense) benefit	(50,358)	61,905	(3,806)	136	(13,794)	(5,917)
Consolidated net income	369,121	89,351	35,646	4,448	(63,576)	434,990

Remarks:

- A. No sales from a certain external customer reached more than ten percentage of the gross revenue of the Group.
- B. 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.

42. 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.

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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.

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 31 December 2011, generated from business combinations should be presented in the initial balance sheets after the impairment test of goodwill and adjustments of intangible assets. According to IFRS 1 First-time Adoption of International Financial Reporting Standards the Group conducted the impairment test of goodwill at the date of transition. The Group did not recognize any impairment loss based on the result of the impairment test of goodwill performed at 1 January 2012.
- (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.

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- (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 30 September 2012 and of the consolidated comprehensive income statements for the three-month periods ended 30 September 2012 and for the nine-month periods ended 30 September 2012 are as follows:

(1) Reconciliation of consolidated balance sheet items as of 30 September 2012:

R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	
Cash and cash equivalents	\$764,424,829	\$-	\$(402,971,877)	\$361,452,952	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	154,393,451	-	5,759,022	160,152,473	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	95,330,832	(408,729)	-	94,922,103	Financial assets at fair value through profit or loss	A · B
Available-for-sale financial assets –net	1,287,368,201	15,874,536	-	1,303,242,737	Available-for-sale financial assets –net	A · B
	-	-	2,793,429	2,793,429	Derivative financial assets for hedging	N
Securities purchased under agreements to resell and bonds investment	15,147,717	-	-	15,147,717	Securities purchased under agreements to resell	
Receivables –net	98,418,649	4,267,044	(4,228,384)	98,457,309	Receivables –net	A · C(1) · H · N
	-	-	4,218,144	4,218,144	Current income tax assets	N
Loans –net	1,484,256,074	-	204,097	1,484,460,171	Loans –net	N
	-	-	14,266,447	14,266,447	Reinsurance assets –net	N
Held-to-maturity financial assets –net	24,498,832	-	-	24,498,832	Held-to-maturity financial assets –net	
Investments accounted for using the equity method –net	1,229,510	-	1,089,548	2,319,058	Investments accounted for using the equity method –net	N
Other financial assets –net	42,706,913	(15,221,643)	1,525,289,073	1,552,774,343	Other financial assets –net	B · N
Investments in debt securities with no active market	761,037,854	-	(761,037,854)	-		N
Separate account product assets	317,518,670	-	(317,518,670)	-		N
Investments in real estate	155,357,366	64,082,495	(415,681)	219,024,180	Investments properties –net	D · N
Property and equipment –net	44,668,790	8,486,405	(63,411)	53,091,784	Property and equipment –net	D · E · N
Goodwill and intangible assets –net	9,551,718	(343,904)	-	9,207,814	Intangible assets –net	C(3)
	-	544,786	17,345,804	17,890,590	Deferred tax assets –net	L · N
Other assets –net	113,962,122	(942,124)	(83,378,527)	29,641,471	Other assets –net	C(3) · D · N · I
Total assets	<u>\$5,369,871,528</u>			<u>\$5,447,561,554</u>	Total assets	

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R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	
Due to the Central Bank and call loans from banks	70,217,926	-	(2,106)	70,215,820	Due to the Central Bank and call loans from banks	N
Bankers acceptances and funds borrowed	1,467,100	-	-	1,467,100	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	9,614,405	-	379,949	9,994,354	Financial liabilities at fair value through profit or loss	N
Securities sold under agreements to repurchase	22,064,675	-	(1)	22,064,674	Securities sold under agreements to repurchase	N
Commercial paper payable –net	3,970,000	-	-	3,970,000	Commercial paper payable -net	
Payables	50,361,442	2,043,914	(302,156)	52,103,200	Payables	A、C(2)、K、N
	-	-	432	432	Current income tax liabilities	N
Deposits and remittances	1,454,541,407	-	-	1,454,541,407	Deposits and remittances	
Bonds payables	90,040,291	-	-	90,040,291	Bonds payables	N
Provisions	3,057,524,669	54,836,299	3,099,713	3,115,460,681	Provisions	F~J、N
Other financial liabilities	19,622,464	-	318,674,424	338,296,888	Other financial liabilities	N
	-	16,782,407	146,811	16,929,218	Deferred tax liabilities	L、N
Separate account product assets	317,518,670	-	(317,518,670)	-		N
Other liabilities	26,812,467	1,148,701	(2,321,585)	25,639,583	Other liabilities	K、N
Total liabilities	\$5,123,755,516			\$5,200,723,648	Total liabilities	
Stockholders' equity attributable to equity holders of the parent					Equity attributable to owners of parent	
Stock					Capital stock	
Common stock	108,653,851	-	-	108,653,851	Common stock	N
Stock dividends to be distributed	-	-	-	-	Stock dividends to be distributed	
Capital surplus	78,596,121	-	(87,973)	78,508,148	Capital surplus	N
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	15,847,171	(506,475)	-	15,340,696	Undistributed earnings	C~E、G~L、M
Adjusting items in shareholders' equity	-	-	28,525,773	28,525,773	Other equity	
Unrealized revaluation increments	1,461	(1,461)	-	-		E
Cumulative translation adjustment	(983,832)	1	983,831	-		A、N
Unrealized gains (losses) from financial assets	33,361,436	(3,850,647)	(29,510,789)	-		A、B、L、N
Treasury stock	(7,179,872)	-	-	(7,179,872)	Treasury stock	
Net loss not recognized as pension cost	(1,425,167)	1,425,167	-	-		I
Total stockholders' equity attributable to equity holders of the parent	242,427,366			243,149,260		
Minority interest	3,688,646			3,688,646	Non-controlling interests	
Total stockholders' equity	246,116,012			246,837,906	Total equity	
Total liabilities and stockholders' equity	\$5,369,871,528			\$5,447,561,554	Total liabilities and equity	

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R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		
	Amount	Remeasurement	Presentation	Amount	Items	Notes
Items	(US\$)	(US\$)	(US\$)	(US\$)		
Cash and cash equivalents	\$26,098,492	\$-	\$(13,758,002)	\$12,340,490	Cash and cash equivalents	N
Due from the Central Bank and call loans to banks	5,271,200	-	196,621	5,467,821	Due from the Central Bank and call loans to banks	N
Financial assets at fair value through profit or loss	3,254,723	(13,955)	-	3,240,768	Financial assets at fair value through profit or loss	A、B
Available-for-sale financial assets-net	43,952,482	541,978	-	44,494,460	Available-for-sale financial assets-net	A、B
	-	-	95,371	95,371	Derivative financial assets for hedging	N
Securities purchased under agreements to resell and bonds investment	517,163	-	-	517,163	Securities purchased under agreements to resell	
Receivables -net	3,360,145	145,683	(144,363)	3,361,465	Receivables -net	A、C(1)、H、N
	-	-	144,013	144,013	Current income tax assets	N
Loans -net	50,674,499	-	6,968	50,681,467	Loans -net	N
	-	-	487,076	487,076	Reinsurance assets -net	N
Held-to-maturity financial assets -net	836,423	-	-	836,423	Held-to-maturity financial assets -net	
Investments accounted for using the equity method -net	41,977	-	37,199	79,176	Investments accounted for using the equity method -net	N
Other financial assets -net	1,458,071	(519,687)	52,075,421	53,013,805	Other financial assets -net	B、N
Investments in debt securities with no active market	25,982,856	-	(25,982,856)	-		N
Separate account product assets	10,840,515	-	(10,840,515)	-		N
Investments in real estate	5,304,109	2,187,863	(14,192)	7,477,780	Investments properties -net	D、N
Property and equipment -net	1,525,053	289,737	(2,165)	1,812,625	Property and equipment -net	D、E、N
Goodwill and intangible assets -net	326,109	(11,742)	-	314,367	Intangible assets -net	C(3)
	-	18,600	592,209	610,809	Deferred tax assets -net	L、N
Other assets -net	3,890,820	(32,165)	(2,846,655)	1,012,000	Other assets -net	C(3)、D、N、I
Total assets	\$183,334,637			\$185,987,079	Total assets	

R.O.C GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amount	Remeasurement	Presentation	Amount	Items	Notes

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	(US\$)	(US\$)	(US\$)	(US\$)		
Due to the Central Bank and call loans from banks	\$2,397,334	\$ -	\$ (72)	\$2,397,262	Due to the Central Bank and call loans from banks	N
Bankers acceptances and funds borrowed	50,089	-	-	50,089	Bankers acceptances and funds borrowed	
Financial liabilities at fair value through profit or loss	328,249	-	12,972	341,221	Financial liabilities at fair value through profit or loss	N
Securities sold under agreements to repurchase	753,318	-	-	753,318	Securities sold under agreements to repurchase	N
Commercial paper payable –net	135,541	-	-	135,541	Commercial paper payable -net	
Payables	1,719,407	69,782	(10,316)	1,778,873	Payables	A、C(2)、K、N
	-	-	15	15	Current income tax liabilities	N
Deposits	49,660,000	-	-	49,660,000	Deposits and remittances	
Bonds payables	3,074,097	-	-	3,074,097	Bonds payables	N
Provisions	104,388,005	1,872,185	105,828	106,366,018	Provisions	F-J、N
Other financial liabilities	669,937	-	10,879,974	11,549,911	Other financial liabilities	N
	-	572,974	5,012	577,986	Deferred tax liabilities	L、N
Separate account product assets	10,840,515	-	(10,840,515)	-		N
Other liabilities	915,414	39,218	(79,262)	875,370	Other liabilities	K、N
Total liabilities	<u>\$174,931,906</u>			<u>\$177,559,701</u>	Total liabilities	
Stockholders' equity					Equity attributable to owners	
attributable to equity holders of the parent					of parent	
Stock					Capital stock	
Common stock	\$3,709,589	\$-	\$-	\$3,709,589	Common stock	N
Stock dividends to be distributed	-	-	-	-	Stock dividends to be distributed	
Capital surplus	2,683,377	-	(3,003)	2,680,374	Capital surplus	N
Retained earnings						
Legal reserve	519,720	-	-	519,720	Legal reserve	
Special reserve	11,389	127,842	-	139,231	Special reserve	F
Unappropriated retained earnings	541,044	(17,292)	-	523,752	Undistributed earnings	C-E、G-L、M
Adjusting items in					Other equity	
shareholders' equity	-	-	973,908	973,908		
Land revaluation increment	50	(50)	-	-		E
Cumulative conversion adjustment	(33,590)	-	33,590	-		A、N
Unrealized gains (losses) on financial assets	1,139,004	(131,466)	(1,007,538)	-		A、B、L、N
Treasury stock	(245,130)	-	(1)	(245,131)	Treasury stock	
Net loss not recognized as net pension cost	(48,657)	48,657	-	-		I
Total stockholders' equity attributable to equity holders of the parent	<u>8,276,796</u>			<u>8,301,443</u>		
Minority interest	<u>125,935</u>			<u>125,935</u>	Non-controlling interests	
Total stockholders' equity	<u>8,402,731</u>			<u>8,427,378</u>	Total equity	
Total liabilities and stockholders' equity	<u>\$183,334,637</u>			<u>\$185,987,079</u>	Total liabilities and equity	

(2) Reconciliation of statement of comprehensive income items for the three-month periods ended 30 September 2012:

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R.O.C GAAP		Impact of transitioning to TIFRS			TIFRS	
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Interest income	\$32,420,862	\$-	\$(254,573)	\$32,166,289	Interest income	N
Less: Interest expenses	(3,411,179)	68,362	10,832	(3,331,985)	Less: Interest expenses	J、N
Net interest income	29,009,683			28,834,304	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	71,043	(20,181)	340,318	391,180	Net commission and handling fee	K、N
Net premiums from insurance business	41,535,325	-	176,282	41,711,607	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	13,511,198	20,293	(273,826)	13,257,665	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A、B、N
Gains on investment in real estate	1,315,102	(17,192)	187,739	1,485,649	Gains from investment properties	C(1)、N
Realized gains on available-for-sale financial assets	11,091,546	80,115	295,463	11,467,124	Realized gains on available-for-sale financial assets	A、N
Realized gains (losses) on held-to-maturity financial assets	(374)	-	-	(374)	Realized gains (losses) on held-to-maturity financial assets	
Gains (losses) on foreign exchange	(16,016,710)	-	(3)	(16,016,713)	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	25,749	-	-	25,749	Share of profit of associates and joint ventures accounted for using equity method	
Impairment losses	(90,300)	-	-	(90,300)	Impairment losses	
Net other non-interest gains	2,279,251	-	1,054,844	3,334,095	Net other non-interest gains	N
Total income	82,731,513			84,399,986	Total income	
Bad debt expenses	(280,408)	-	(332,766)	(613,174)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(61,638,755)	(43,134)	(176,751)	(61,858,640)	Changes in insurance liabilities and provisions	F、N
Operating expenses					Operating expenses	
Personnel expenses	(8,826,047)	(13,911)	75,298	(8,764,660)	Employee benefits expenses	I、J、N
Depreciation and amortizations expenses	(958,894)	(78,130)	(362)	(1,037,386)	Depreciation and amortizations expenses	C(3)、D、E、N
Other general and administration expenses	(3,671,479)	4,090	(1,375,473)	(5,042,862)	Other general and administration expenses	C(2)、C(3)、K、N
Income from continuing operations before income taxes	7,355,930			7,083,264	Profit before income tax from continuing operations	
Income tax (expense) benefits	287,916	(7,886)	-	280,030	Income tax (expense) benefits	C(1)、D-F、H、I、L
Net income	\$7,643,846			\$7,363,294	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(353,566)	(353,566)	Unrealized (losses) gains from available-for-sale financial assets	N
			18,239,805	18,239,805	Losses on cash flow hedges	N
			(206,863)	(206,863)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(2,936)	(2,936)	Income tax relating to components of other comprehensive income	N
			(933,180)	(933,180)	Other comprehensive income, net of tax	
				16,743,260	Total comprehensive income	
				\$24,106,554		

R.O.C GAAP		Impact of transitioning to TIFRS			TIFRS	
Items	Amount	Remeasurement	Presentation	Amount	Items	Notes

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	(US\$)	(US\$)	(US\$)	(US\$)		
Interest income	\$1,106,892	\$-	\$(8,692)	\$1,098,200	Interest income	N
Less: Interest expenses	(116,462)	2,334	370	(113,758)	Less: Interest expenses	J · N
Net interest income	990,430			984,442	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	2,426	(689)	11,618	13,355	Net commission and handling fee	K · N
Net premiums from insurance business	1,418,072	-	6,018	1,424,090	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	461,290	693	(9,348)	452,635	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Gains from investment properties	44,899	(587)	6,410	50,722	Gains from investment properties	C(1) · N
Realized gains on available-for-sale financial assets	378,680	2,735	10,088	391,503	Realized gains on available-for-sale financial assets	A · N
Realized gains (losses) on held-to-maturity financial assets	(13)	-	-	(13)	Realized gains (losses) on held-to-maturity financial assets	
Gains (losses) on foreign exchange	(546,832)	-	-	(546,832)	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	879	-	-	879	Share of profit of associates and joint ventures accounted for using equity method	
Impairment losses	(3,083)	-	-	(3,083)	Impairment losses	
Net other non-interest gains	77,817	-	36,014	113,831	Net other non-interest gains	N
Total income	2,824,565			2,881,529	Total income	
Bad debt expenses	(9,574)	-	(11,361)	(20,935)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(2,104,430)	(1,473)	(6,034)	(2,111,937)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Personnel expenses	(301,333)	(475)	2,571	(299,237)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(32,738)	(2,667)	(13)	(35,418)	Depreciation and amortizations expenses	C(3) · D · E · N
Other general and administration expenses	(125,349)	140	(46,961)	(172,170)	Other general and administration expenses	C(2) · C(3) · K · N
Income from continuing operations before income tax	251,141			241,832	Profit before income tax from continuing operations	
Income tax (expense) benefits	9,830	(269)	-	9,561	Income tax (expense) benefits	C(1) · D-F · H · I · L
Net income	\$260,971			\$251,393	Net income	
					Other comprehensive income	
			(12,071)	(12,071)	Exchange differences resulting from translating the financial statements of a foreign operation	N
			622,731	622,731	Unrealized (losses) gains from available-for-sale financial assets	N
			(7,063)	(7,063)	Losses on cash flow hedges	N
			(100)	(100)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(31,860)	(31,860)	Income tax relating to components of other comprehensive income	N
				571,637	Other comprehensive income, net of tax	
				\$823,030	Total comprehensive income	

(3) Reconciliation of statement of comprehensive income items for the nine-month periods ended 30 September 2012:

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R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
Items	Amount (NT\$)	Remeasurement (NT\$)	Presentation (NT\$)	Amount (NT\$)	Items	Notes
Interest income	\$94,893,764	\$-	\$(913,571)	\$93,980,193	Interest income	N
Less: Interest expenses	(10,386,251)	205,918	14,185	(10,166,148)	Less: Interest expenses	J、N
Net interest income	84,507,513			83,814,045	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	1,215,719	(43,330)	806,792	1,979,181	Net commission and handling fee	K、N
Net premiums from insurance business	184,445,511	-	(318,508)	184,127,003	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	22,599,007	20,366	56,648	22,676,021	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A、B、N
Gains from investment properties	4,597,475	(69,374)	153,038	4,681,139	Gains from investment properties	C(1)、N
Realized gains on available-for-sale financial assets	23,168,288	80,832	529,416	23,778,536	Realized gains on available-for-sale financial assets	A、N
Realized gains (losses) on held-to-maturity financial assets	(820)	-	-	(820)	Realized gains (losses) on held-to-maturity financial assets	
Gains (losses) on foreign exchange	(28,582,178)	-	-	(28,582,178)	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	43,477	-	-	43,477	Share of profit of associates and joint ventures accounted for using equity method	
Impairment losses	(90,300)	-	-	(90,300)	Impairment losses	
Net other non-interest gains	4,445,480	-	264,699	4,710,179	Net other non-interest gains	N
Total income	296,349,172			297,136,283	Total income	
Bad debt expenses	(884,813)	-	1	(884,812)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(244,577,273)	(132,151)	318,508	(244,390,916)	Changes in insurance liabilities and provisions	F、N
Operating expenses					Operating expenses	
Personnel expenses	(24,309,837)	(42,062)	237,822	(24,114,077)	Employee benefits expenses	I、J、N
Depreciation and amortizations expenses	(2,862,119)	(298,383)	(118)	(3,160,620)	Depreciation and amortizations expenses	C(3)、D、E、N
Other general and administration expenses	(10,255,300)	5,467	(1,421,865)	(11,671,698)	Other general and administration expenses	C(2)、C(3)、K、N
Income from continuing operations before income taxes	13,459,830			12,914,160	Profit before income tax from continuing operations	
Income tax (expense) benefits	(492,651)	319,334	-	(173,317)	Income tax (expense) benefits	C(1)、D-F、H、I、L
Net income	\$12,967,179			\$12,740,843	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(834,280)	(834,280)	Unrealized (losses) gains from available-for-sale financial assets	N
			22,932,050	22,932,050	Losses on cash flow hedges	N
			(623,053)	(623,053)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(34,126)	(34,126)	Income tax relating to components of other comprehensive income	N
			(776,405)	(776,405)	Other comprehensive income, net of tax	
				20,664,186	Total comprehensive income	
				\$33,405,029		

R.O.C GAAP	Impact of transitioning to TIFRS			TIFRS		
Items	Amount (US\$)	Remeasurement (US\$)	Presentation (US\$)	Amount (US\$)	Items	Notes

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Interest income	\$3,239,801	\$-	\$(31,191)	\$3,208,610	Interest income	N
Less: Interest expenses	<u>(354,601)</u>	7,030	485	<u>(347,086)</u>	Less: Interest expenses	J · N
Net interest income	2,885,200			2,861,524	Net interest income	
Net income other than interest					Net income other than interest	
Net commission and handling fee	41,506	(1,479)	27,545	67,572	Net commission and handling fee	K · N
Net premiums from insurance business	6,297,218	-	(10,874)	6,286,344	Net premiums from insurance business	N
(Losses) gains on financial assets and liabilities at fair value through profit or loss	771,560	695	1,935	774,190	(Losses) gains on financial assets and liabilities at fair value through profit or loss	A · B · N
Gains on investment in real estate	156,964	(2,369)	5,225	159,820	Gains from investment properties	C(1) · N
Realized gains on available-for-sale financial assets	790,997	2,760	18,074	811,831	Realized gains on available-for-sale financial assets	A · N
Realized gains (losses) on held-to-maturity financial assets	(28)	-	-	(28)	Realized gains (losses) on held-to-maturity financial assets	
Gains (losses) on foreign exchange	(975,834)	-	-	(975,834)	Gains (losses) on foreign exchange	N
Investment income recognized under the equity method	1,484	-	-	1,484	Share of profit of associates and joint ventures accounted for using equity method	
Impairment losses	(3,083)	-	-	(3,083)	Impairment losses	
Net other non-interest gains	<u>151,775</u>	-	9,037	<u>160,812</u>	Net other non-interest gains	N
Total income	<u>10,117,759</u>			<u>10,144,632</u>	Total income	
Bad debt expenses	(30,209)	-	1	(30,208)	Bad debt expenses and provision for premiums reserve	N
Provision for premiums reserve	(8,350,197)	(4,512)	10,874	(8,343,835)	Changes in insurance liabilities and provisions	F · N
Operating expenses					Operating expenses	
Personnel expenses	(829,970)	(1,436)	8,119	(823,287)	Employee benefits expenses	I · J · N
Depreciation and amortizations expenses	(97,716)	(10,187)	(5)	(107,908)	Depreciation and amortizations expenses	C(3) · D · E · N
Other general and administration expenses	<u>(350,130)</u>	187	(48,544)	<u>(398,487)</u>	Other general and administration expenses	C(2) · C(3) · K · N
Income from continuing operations before income taxes	<u>459,537</u>			<u>440,907</u>	Profit before income tax from continuing operations	
Income tax (expense) benefits	(16,820)	10,903	-	(5,917)	Income tax (expense) benefits	C(1) · D-F · H · I · L
Net income	<u>\$442,717</u>			<u>\$434,990</u>	Net income	
					Other comprehensive income	
					Exchange differences resulting from translating the financial statements of a foreign operation	N
			(28,483)	(28,483)	Unrealized (losses) gains from available-for-sale financial assets	N
			782,931	782,931	Losses on cash flow hedges	N
			(21,272)	(21,272)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	N
			(1,165)	(1,165)	Income tax relating to components of other comprehensive income	N
			(26,508)	(26,508)	Other comprehensive income, net of tax	
				<u>705,503</u>	Total comprehensive income	
				<u>\$1,140,493</u>		

The instruction of significant adjustments for the statements of cash flows for the nine-month

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period ended 30 September 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 nine-month period ended 30 September 2012 are separately disclosed in the statement of cash flow in the amount of NT\$91,088,203 (US\$3,109,874) thousands and NT\$11,905,699 (US\$406,477) 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\$405,933,648 (US\$13,859,121) thousands, NT\$8,005,100 (US\$273,305) thousands, and NT\$10,966,871 (US\$374,424) thousands, respectively, by the nature, there is no significant difference between statements of cash flows under R.O.C GAAP and under IFRS.

(1) 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 30 September 2012, financial assets at fair value through profit or loss were decreased by NT\$413,383 (US\$14,113) thousands, available-for-sale financial assets were decreased by NT\$790,768 (US\$26,998) thousands, receivables were increased by NT\$3,772,774 (US\$128,808) thousands, payables were increased by NT\$2,562,020 (US\$87,471) thousands, exchange differences resulting from translating the financial statements of a foreign operation were increased by NT\$1 (US\$0.03) thousands and unrealized losses from available-for-sale financial assets were increased by NT\$499,365 (US\$17,049) 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 period ended 30 September 2012 and for the nine-month period ended 30 September 2012 was increased by NT\$26 (US\$0.89) thousands and NT\$24 (US\$0.82) thousands, respectively. By adjusting realized gains from available-for-sale financial assets, the consolidated comprehensive income for the three-month period ended 30 September 2012 and for the nine-month period ended 30 September 2012 increased by NT\$80,115 (US\$2,735) thousands and increased by NT\$80,832 (US\$2,760) thousands, respectively.

(2) According to IAS 39, the Group reclassified financial assets at cost to financial assets at fair

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value through profit or loss and available-for-sale financial assets and measured at fair value. As of 30 September 2012, available-for-sale financial assets were increased by NT\$16,665,304 (US\$568,976) thousands, financial assets at fair value through profit or loss were increased by NT\$4,654 (US\$159) thousands, other financial assets were decreased by NT\$15,221,643 (US\$519,687) thousands and unrealized gains from available-for-sale financial assets were increased by NT\$411,798 (US\$14,059) thousands. By adjusting financial assets and liabilities at fair value through profit or loss, the consolidated comprehensive income for the three-month period ended 30 September 2012 and for the nine-month period ended 30 September 2012 was increased by NT\$20,267 (US\$692) thousands and increased by NT\$20,342 (US\$695) thousands, respectively.

(3)

A. According to IAS 17, the Group recognized rental income by the straight-line method during contract term. As of 30 September 2012, other receivables and retained earnings were increased by NT\$293,561 (US\$10,023) thousands and NT\$301,236 (US\$10,285) thousands, respectively. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, rental income were decreased by NT\$17,192 (US\$587) thousands and NT\$69,374 (US\$2,369) thousands, respectively, and income tax benefit were increased by NT\$2,922 (US\$100) thousands and NT\$11,793 (US\$403) thousands, respectively.

B. According to IAS 17, the Group recognized rental expense by the straight-line method during contract term. As of 30 September 2012, accrued expenses were increased by NT\$4,684 (US\$160) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, other general and administration expenses were increased by NT\$2,150 (US\$73) thousands and NT\$4,684 (US\$160) thousands, respectively.

C. Land use rights were classified as intangible assets under R.O.C. GAAP. Upon transitioning to IFRS, in accordance with IAS 17 "Leases", land use rights were reclassified to prepaid rent under other assets. As of 30 September 2012, land use rights reclassified to prepaid rent was NT\$343,904 (US\$11,741) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, the amortization expenses reclassified to rent expenses were NT\$367 (US\$13) thousands and NT\$367 (US\$13) thousands, respectively.

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- (4) The Group selected to recognize cost exemptions for some of the real estate that conformed to the definition of investment 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\$2,588,599) thousands, accumulated depreciation of significant components amounted to NT\$1,441,340 (US\$49,209) thousands and retained earnings amounted to NT\$66,157,740 (US\$2,258,714) thousands. In addition, the Group reclassified investment properties amounted to NT\$13,172,564 (US\$449,729) thousands into property and equipment. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, depreciation expenses were increased by NT\$33,537 (US\$1,145) thousands and decreased by NT\$616,919 (US\$21,062) thousands, respectively, and income tax benefits were increased by NT\$5,702 (US\$195) thousands and decreased by NT\$104,876 (US\$3,581) thousands, respectively.

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 other 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 30 September 2012, assets amounted to NT\$1,639,261 (US\$55,967) thousands and NT\$1,237,088 (US\$42,236) thousands were reclassified from other assets, respectively.

- (5) 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 30 September 2012, the Group retrospectively recognized accumulated depreciation by NT\$3,046,898 (US\$104,025) thousands, decreased retained earnings by NT\$1,767,459 (US\$60,343), and decreased increment of unrealized gains from revaluation of lands amounted by NT\$1,461 (US\$50) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, depreciation expenses were increased by NT\$44,960 (US\$1,535) thousands and NT\$915,669 (US\$31,262) thousands, respectively, and income tax benefits were increased by NT\$7,643 (US\$261) thousands and NT\$155,664 (US\$5,315) thousands, respectively.

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- (6) According to IFRS 4, the probable future settlements of claims stemmed from insurance contracts which do not exist at the balance sheet date shall not be recognized as liabilities. The special reserves made in conformity with the Regulations Governing the Preparation of Covered Reserve by Insurance Enterprises as liabilities prior to 31 December 2012 should be reclassified to special reserves under retained earnings by the after-tax amounts on 1 January 2013 after adopting IFRS 12. To maintain the consistency and continuity of comparative financial statements, the Group should make retrospective adjustments back to 1 January 2012.

As of 30 September 2012, the Group decreased special reserves for catastrophic events and potential hazards recorded as insurance liabilities by NT\$4,379,255 (US\$149,514) thousands, reclassified to special reserves under retained earnings NT\$3,744,467 (US\$127,841) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, special reserves were decreased by NT\$43,134 (US\$1,473) thousands and NT\$132,151 (US\$4,512) thousands, respectively, and income tax benefits were increased by NT\$7,333 (US\$250) thousands and NT\$22,466 (US\$767) thousands, respectively.

- (7) According the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, in addition to compensating the negative effects from other accounting items due to IFRS first-time adoption, the increment of real estate fair value revaluation should be fully reclassified to special reserves under insurance liabilities at the date of transition. As a result, special reserves were appropriated by NT\$55,416,619 (US\$1,891,998) thousands and retained earnings were decreased by NT\$55,416,619 (US\$1,891,998) thousands.
- (8) According to IAS 37, the Group assessed the liabilities provisions resulting from administrative remedy. As of 30 September 2012, liabilities provisions were increased by NT\$1,171,399 (US\$39,993) thousands, retained earnings were decreased by NT\$1,231,881 (US\$42,058) thousands, and tax receivables were increased by NT\$200,709 (US\$6,852) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, income tax benefits were increased by NT\$0 (US\$0) thousands and NT\$261,192 (US\$8,917) thousands, respectively.

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- (9) 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 30 September 2012, liabilities provisions were increased by NT\$2,078,532 (US\$70,964) thousands, deferred pension costs were increased by NT\$2,543 (US\$87) thousands, net losses not yet recognized as net pension cost were increased by NT\$1,425,167 (US\$48,657) thousands and beginning retained earnings were decreased by NT\$3,279,444 (US\$111,965) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, employee benefits expenses were decreased by NT\$32,232 (US\$1,100) thousands and NT\$97,745 (US\$3,337) thousands, respectively, and income tax benefits were decreased by NT\$2,203 (US\$75) thousands and NT\$6,164 (US\$210) thousands, respectively.

- (10) The Group recognized preferential interest retirement deposit according to IAS19. As of 30 September 2012, liabilities provisions were increased by NT\$549,004 (US\$18,744) thousands and beginning retained earnings were decreased by NT\$615,115 (US\$21,001) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, interest expenses were decreased by NT\$22,219 (US\$759) thousands and NT\$66,111 (US\$2,257) thousands, respectively. As for the preferential deposits for current employees, the interest expenses were reclassified to employee benefits expenses by NT\$46,143 (US\$1,575) thousands and NT\$139,807 (US\$4,773) thousands. As of 30 September 2012, retained earnings were decreased by NT\$549,004 (US\$18,744) thousands.

- (11) 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 30 September 2012, payables were decreased by NT\$522,790 (US\$17,849) thousands, other liabilities were increased by NT\$1,148,701 (US\$39,218) thousands, and retained earnings were decreased by NT\$593,100 (US\$20,249) thousands. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, commission and handling fees income were decreased by NT\$20,181 (US\$689) thousands and NT\$43,330 (US\$1,479) thousands, respectively; and other general and administrative expenses were decreased by NT\$6,607 (US\$226) thousands and NT\$10,518 (US\$359) thousands, respectively.

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(12) According to IFRS 12, the Group identified income tax effects resulted from the aforementioned adjustments. As of 30 September 2012, deferred tax assets were increased by NT\$1,650,743 (US\$56,359) thousands, deferred tax liabilities were increased by NT\$8,865,092 (US\$302,666) thousands, beginning retained earnings were increased by NT\$449,481 (US\$15,346) thousands, and reserve for land value increment tax under other liabilities were reclassified to deferred tax liabilities by NT\$37,163 (US\$1,269) 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\$4,761,540 (US\$162,565) thousands and available-for-sale financial assets were decreased by NT\$4,761,810 (US\$162,575) thousands. As the unused tax losses might not be realized, retained earnings were decreased by NT\$4,238,597 (US\$144,711) thousands and deferred tax assets were decreased by NT\$4,224,569 (US\$144,232) thousands. Furthermore, deferred tax assets and deferred tax liabilities were presented in gross amount and both increased by NT\$3,118,612 (US\$106,474) thousands.

Moreover, According to IFRS 12, the Group identified income tax effects resulted from aforementioned adjustments. For the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012, income tax benefits were increased by NT\$21,397 (US\$731) thousands and NT\$340,075 (US\$11,611) 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\$479) thousands, respectively. Due to reclassification of tax on disposal of investment securities, income tax benefits were decreased by NT\$0 (US\$0) thousands and NT\$19,767 (US\$675) thousands. Others were decreased by NT\$29,283 (US\$1,000) thousands and NT\$15,002 (US\$512) thousands, respectively. As a result, income tax benefits were totally decreased by NT\$7,886 (US\$269) thousands and NT\$319,334 (US\$10,902) thousands, respectively.

(13) The following adjustments and description already included related income tax effect. As of 30 September 2012, the Group's retained earnings were decreased due to aforementioned adjustments by NT\$233,758 (US\$7,981) thousands, decreased due to other adjustments by NT\$46,381 (US\$1,584) thousands, and decreased due to net income adjustment by NT\$226,336 (US\$7,727) thousands, and were totally decreased by NT\$506,475 (US\$17,292) thousands.

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- (14) 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 30 September 2012, and consolidated statements of comprehensive income for the three-month period ended 30 September 2012 and nine-month period ended 30 September 2012 according to Regulations Governing the Preparation of Financial Reports by Financial Holding Company 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.

- (15) 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.