

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the three-month periods ended
31 March 2014 and 2013
With Independent Auditors' Review Report

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. These consolidated financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies. If there is any conflict between these consolidated financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language consolidated financial statements shall prevail.

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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. (the "Company") and its subsidiaries as of 31 March 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulation Governing the Preparation of Financial Reports by Securities Issuers", and IAS 34 "Interim Financial Reporting" as endorsed by Financial Supervisory Commission of the Republic of China.

As described in Note 4 to the consolidated financial statements, effective 1 January 2014, the Company and its subsidiaries announced to change the accounting policy regarding subsequent measurement of investment properties from cost model to fair value model and restated retrospectively the consolidated financial statements for the three-month period ended 31 March 2013, and the related consolidated balance sheets as of 1 January 2013 and 31 December 2013.



Ernst & Young
Taipei, Taiwan
The Republic of China
29 April 2014

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position and results of operations and cash flows in accordance with IFRSs recognized by Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

	Notes	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Assets									
Cash and cash equivalents	4, 6	\$419,927,339	\$13,790,717	\$331,666,078	\$11,118,541	\$273,446,979	\$9,172,995	\$313,663,386	\$10,797,363
Due from the Central Bank and call loans to banks		136,763,894	4,491,425	151,945,067	5,093,700	73,873,985	2,478,161	109,003,762	3,752,281
Financial assets at fair value through profit or loss	4, 7	242,154,421	7,952,526	244,023,246	8,180,464	174,615,322	5,857,609	146,746,672	5,051,520
Available-for-sale financial assets -net	4, 8	1,346,438,280	44,218,006	1,357,106,776	45,494,696	1,390,493,788	46,645,213	1,302,743,262	44,844,863
Derivative financial assets for hedging	4	1,241,132	40,760	1,300,914	43,611	2,196,659	73,689	2,362,366	81,321
Securities purchased under agreements to resell	4	19,654,926	645,482	12,960,817	434,489	10,083,177	338,248	15,749,244	542,143
Receivables -net	4, 9	157,195,422	5,162,411	169,590,966	5,685,248	133,191,064	4,467,999	109,911,278	3,783,521
Current income tax assets	4	6,056,424	198,897	5,585,301	187,238	3,611,365	121,146	3,597,489	123,838
Assets held for sale -net		-	-	81,950	2,747	-	-	-	-
Loans -net	4, 10	1,729,891,326	56,810,881	1,667,391,682	55,896,469	1,548,695,642	51,952,219	1,521,712,124	52,382,517
Reinsurance assets -net		6,121,332	201,029	5,740,684	192,447	12,102,562	405,990	14,641,999	504,028
Held-to-maturity financial assets -net	4, 11	59,421,462	1,951,444	54,970,153	1,842,781	51,691,033	1,734,016	24,380,985	839,277
Investments accounted for using the equity method -net	4, 12	3,160,550	103,795	3,153,320	105,710	2,289,253	76,795	2,235,874	76,966
Other financial assets -net	4, 13	1,786,930,321	58,684,083	1,724,797,817	57,820,912	1,664,248,110	55,828,518	1,605,300,209	55,259,904
Investment properties -net	4, 14	309,921,710	10,178,053	291,821,729	9,782,827	252,233,322	8,461,366	251,035,214	8,641,487
Property and equipment -net	4, 15	93,716,487	3,077,717	104,488,371	3,502,795	113,345,722	3,802,272	113,460,688	3,905,703
Intangible assets -net	4, 16	9,240,347	303,460	9,223,432	309,200	9,324,806	312,808	9,393,007	323,339
Deferred tax assets -net	4	14,409,702	473,225	15,051,138	504,564	16,942,149	568,338	19,065,855	656,312
Other assets -net		30,884,614	1,014,273	26,963,277	903,898	21,436,443	719,102	24,726,997	851,187
Total assets		\$6,373,129,689	\$209,298,184	\$6,177,862,718	\$207,102,337	\$5,753,821,381	\$193,016,484	\$5,589,730,411	\$192,417,570

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013 were NT\$30.45, NT\$29.83, NT\$29.81 and NT\$29.05 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Balance Sheets - (continued)
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

	Notes	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
		NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Liabilities & equity									
Liabilities									
Due to the Central Bank and call loans from banks		\$68,976,603	\$2,265,242	\$56,985,225	\$1,910,333	\$73,996,201	\$2,482,261	\$56,934,246	\$1,959,871
Bankers acceptances and funds borrowed		1,525,500	50,099	1,497,500	50,201	1,493,750	50,109	1,456,800	50,148
Financial liabilities at fair value through profit or loss	4, 17	25,329,193	831,829	28,754,621	963,950	24,377,181	817,752	9,086,346	312,783
Derivative financial liabilities for hedging		-	-	5,148	173	-	-	-	-
Securities sold under agreements to repurchase	4	64,936,638	2,132,566	60,931,600	2,042,628	36,380,124	1,220,400	22,046,517	758,916
Commercial paper payable -net	4, 18	10,990,000	360,920	10,050,000	336,909	3,360,000	112,714	5,540,000	190,706
Payables		51,241,386	1,682,804	37,548,440	1,258,747	65,935,564	2,211,861	63,513,838	2,186,363
Current income tax liabilities	4	37,003	1,215	37,003	1,240	97,809	3,281	104	4
Deposits	19	1,608,618,909	52,828,207	1,585,031,001	53,135,468	1,466,687,366	49,201,186	1,458,392,976	50,202,856
Bonds payable	4, 20	92,513,375	3,038,206	92,417,213	3,098,130	90,196,451	3,025,711	89,831,007	3,092,289
Provisions	4, 22	3,545,438,970	116,434,777	3,477,440,832	116,575,288	3,246,971,908	108,922,238	3,175,688,291	109,318,013
Other financial liabilities -net	4, 21	459,714,320	15,097,351	413,414,217	13,859,008	378,882,142	12,709,901	348,229,937	11,987,261
Deferred tax liabilities	4	17,904,123	587,984	19,526,863	654,605	18,104,702	607,336	17,070,355	587,620
Other liabilities		31,142,653	1,022,747	14,712,856	493,223	16,609,987	557,195	18,548,681	638,509
Total liabilities		5,978,368,673	196,333,947	5,798,352,519	194,379,903	5,423,093,185	181,921,945	5,266,339,098	181,285,339
Equity attributable to owners of parent									
Capital stock									
Common stock	24	119,649,621	3,929,380	119,649,621	4,011,050	108,653,851	3,644,879	108,653,851	3,740,236
Capital surplus	25	89,063,184	2,924,899	89,063,184	2,985,692	78,508,148	2,633,618	78,508,148	2,702,518
Retained earnings									
Legal reserve	26	16,922,773	555,756	16,922,773	567,307	15,222,599	510,654	15,222,599	524,014
Special reserve		82,294,618	2,702,615	82,314,780	2,759,463	82,314,780	2,761,314	82,314,780	2,833,555
Undistributed earnings		49,593,198	1,628,676	37,287,956	1,250,015	23,380,440	784,316	16,296,275	560,973
Other equity		32,919,061	1,081,086	30,091,547	1,008,768	25,825,632	866,341	25,823,918	888,947
Treasury stock	4, 27	-	-	-	-	(7,179,872)	(240,854)	(7,179,872)	(247,156)
Non-controlling interests	4, 28	4,318,561	141,825	4,180,338	140,139	4,002,618	134,271	3,751,614	129,144
Total equity		394,761,016	12,964,237	379,510,199	12,722,434	330,728,196	11,094,539	323,391,313	11,132,231
Total liabilities and equity		\$6,373,129,689	\$209,298,184	\$6,177,862,718	\$207,102,337	\$5,753,821,381	\$193,016,484	\$5,589,730,411	\$192,417,570

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013 were NTS30.45, NTS29.83, NTS29.81 and NTS29.05 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

	Notes	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
		NT \$	US \$	NT \$	US \$
Interest income	4	\$34,420,748	\$1,130,402	\$31,896,964	\$1,070,009
Less: Interest expenses		(3,886,466)	(127,634)	(3,552,875)	(119,184)
Net interest income	4	30,534,282	1,002,768	28,344,089	950,825
Net income other than interest					
Net commission and handling fee		222,782	7,316	334,640	11,226
Net premiums from insurance business		38,105,169	1,251,401	44,458,691	1,491,402
Losses on financial assets and liabilities at fair value through profit or loss		(14,947,556)	(490,888)	(20,210,237)	(677,968)
Gains from investment properties		3,116,052	102,333	1,734,434	58,183
Realized gains on available-for-sale financial assets		10,912,528	358,375	5,101,431	171,131
Realized gains on held-to-maturity financial assets		1,282	42	472	16
Gains on foreign exchange		15,441,047	507,095	24,462,886	820,627
Impairment losses on assets		(7,123)	(234)	-	-
Share of profit of associates and joint ventures accounted for using equity method		29,826	980	23,295	781
Net other non-interest gains		2,294,211	75,344	146,977	4,930
Total income		85,702,500	2,814,532	84,396,678	2,831,153
Bad debt expenses and provision for premiums reserve		7,675	252	(89,058)	(2,988)
Changes in insurance liabilities and provisions		(60,276,071)	(1,979,510)	(63,915,804)	(2,144,106)
Operating expenses	29				
Employee benefits expenses		(8,364,108)	(274,683)	(8,596,127)	(288,364)
Depreciation and amortizations expenses		(625,550)	(20,544)	(698,455)	(23,430)
Other general and administration expenses		(3,784,905)	(124,299)	(3,042,594)	(102,066)
Subtotal		(12,774,563)	(419,526)	(12,337,176)	(413,860)
Profit before income tax from continuing operations		12,659,541	415,748	8,054,640	270,199
Income tax expense	4, 31	(306,333)	(10,060)	(835,224)	(28,018)
Net income		12,353,208	405,688	7,219,416	242,181
Other comprehensive income	4, 30				
Exchange differences resulting from translating the financial statements of a foreign operation		286,489	9,409	532,192	17,853
Unrealized gains (losses) from available-for-sale financial assets		1,290,362	42,376	(32,335)	(1,085)
Losses on cash flow hedges		(75,850)	(2,491)	(199,917)	(6,706)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		7,053	232	22,403	751
Other comprehensive income - others		902,335	29,633	-	-
Income tax relating to the components of other comprehensive income		487,220	16,001	(205,494)	(6,893)
Other comprehensive income, net of tax		2,897,609	95,160	116,849	3,920
Total comprehensive income		\$15,250,817	\$500,848	\$7,336,265	\$246,101
Net income attributable to:					
Owners of parent		\$12,285,080	\$403,451	\$7,084,165	\$237,644
Non-controlling interests		68,128	2,237	135,251	4,537
Subtotal		\$12,353,208	\$405,688	\$7,219,416	\$242,181
Total comprehensive income attributable to:					
Owners of parent		\$15,112,594	\$496,309	\$7,085,879	\$237,702
Non-controlling interests		138,223	4,539	250,386	8,399
Subtotal		\$15,250,817	\$500,848	\$7,336,265	\$246,101
Earnings per share (expressed in dollars) :	32				
Basic earnings per share:					
Net income		\$1.03	\$0.03	\$0.62	\$0.02
Diluted earnings per share:					
Net income		\$1.03	\$0.03	\$0.62	\$0.02

(The exchange rates provided by the Federal Reserve Bank of New York on 31 March 2014 and 2013 were NT\$30.45 and NT\$29.81 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended 31 March 2014 and 2013

(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																												
	Capital stock		Retained earnings								Other equity										Total	Non-controlling interests		Total equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings		Exchange differences resulting from translating the financial statements of a foreign operation		Unrealized gains from available-for-sale financial assets		Gains on cash flow hedges		Revaluation surplus		Others		Treasury stock												
NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$		
Balance on 1 January 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$82,314,780	\$2,761,314	\$16,296,275	\$546,672	\$(1,082,097)	\$(36,300)	\$25,930,563	\$869,861	\$976,682	\$32,763	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$319,639,699	\$10,722,566	\$3,751,614	\$125,851	\$323,391,313	\$10,848,417	
Net income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	7,084,165	237,644	-	-	-	-	-	-	-	-	-	-	-	-	7,084,165	237,644	135,251	4,537	7,219,416	242,181	
Other comprehensive income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	-	-	383,869	12,877	(216,079)	(7,248)	(166,076)	(5,571)	-	-	-	-	-	-	1,714	58	115,135	3,862	116,849	3,920	
Comprehensive income for the three months ended 31 March 2013	-	-	-	-	-	-	-	-	7,084,165	237,644	383,869	12,877	(216,079)	(7,248)	(166,076)	(5,571)	-	-	-	-	-	-	7,085,879	237,702	250,386	8,399	7,336,265	246,101	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	618	21	618	21
Balance on 31 March 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$82,314,780	\$2,761,314	\$23,380,440	\$784,316	\$(698,228)	\$(23,423)	\$25,714,484	\$862,613	\$810,606	\$27,192	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$326,725,578	\$10,960,268	\$4,002,618	\$134,271	\$330,728,196	\$11,094,539	
Balance on 1 January 2014	\$119,649,621	\$3,929,380	\$89,063,184	\$2,924,899	\$16,922,773	\$555,756	\$82,314,780	\$2,703,277	\$37,287,956	\$1,224,563	\$(528,034)	\$(17,341)	\$20,230,491	\$664,384	\$382,305	\$12,555	\$10,007,738	\$328,661	\$(953)	\$(31)	\$-	\$-	\$375,329,861	\$12,326,103	\$4,180,338	\$137,286	\$379,510,199	\$12,463,389	
Net income for the three months ended 31 March 2014	-	-	-	-	-	-	-	-	12,285,080	403,451	-	-	-	-	-	-	-	-	-	-	-	-	12,285,080	403,451	68,128	2,237	12,353,208	405,688	
Other comprehensive income for the three months ended 31 March 2014	-	-	-	-	-	-	-	-	-	-	188,424	6,188	1,874,587	61,563	(63,106)	(2,072)	827,609	27,179	-	-	-	-	2,827,514	92,858	70,095	2,302	2,897,609	95,160	
Comprehensive income for the three months ended 31 March 2014	-	-	-	-	-	-	-	-	12,285,080	403,451	188,424	6,188	1,874,587	61,563	(63,106)	(2,072)	827,609	27,179	-	-	-	-	15,112,594	496,309	138,223	4,539	15,250,817	500,848	
Reversal of special reserve	-	-	-	-	-	-	(20,162)	(662)	20,162	662	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance on 31 March 2014	\$119,649,621	\$3,929,380	\$89,063,184	\$2,924,899	\$16,922,773	\$555,756	\$82,294,618	\$2,702,615	\$49,593,198	\$1,628,676	\$(339,610)	\$(11,153)	\$22,105,078	\$725,947	\$319,199	\$10,483	\$10,835,347	\$355,840	\$(953)	\$(31)	\$-	\$-	\$390,442,455	\$12,822,412	\$4,318,561	\$141,825	\$394,761,016	\$12,964,237	

English Translation of Financial Statements Originally Issued in Chinese
Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the three-months periods ended 31 March 2014 and 2013

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31		Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Cash flows from operating activities					Cash flows from investing activities				
Profit before income tax from continuing operations	\$12,659,541	\$415,748	\$8,054,640	\$270,199	Acquisition of financial assets at fair value through profit or loss	(55,000)	(1,806)	(45,000)	(1,510)
Adjustments :					Disposal of financial assets at fair value through profit or loss	30,000	985	293,638	9,850
Income and other adjustments with no cash flow effects					Acquisition of financial assets available for sale	(247,559,564)	(8,130,035)	(290,221,079)	(9,735,695)
Depreciation expenses	554,568	18,213	627,099	21,036	Disposal of financial assets available for sale	265,583,286	8,721,947	225,798,040	7,574,574
Amortizations expenses	70,982	2,331	71,356	2,394	Acquisition of bond investments with no active market	(97,408,677)	(3,198,971)	(185,830,355)	(6,233,826)
Bad debt expense	(7,675)	(252)	89,058	2,988	Disposal of bond investments with no active market	70,037,996	2,300,098	134,221,108	4,502,553
Net losses on financial assets and liabilities at fair value through profit or loss	16,631,267	546,183	20,162,678	676,373	Due repayments principal of bond investments with no active market	-	-	6,250	210
Interest expenses	3,886,466	127,634	3,552,875	119,184	Acquisition of financial assets held to maturity	(4,510,059)	(148,114)	(153)	(5)
Interest revenue	(34,420,748)	(1,130,402)	(31,896,964)	(1,070,009)	Disposal of financial assets held to maturity	159,402	5,235	247,233	8,294
Dividend income	(624,706)	(20,516)	(484,040)	(16,237)	Acquisition of investments accounted for using the equity method	(10,060)	(330)	(29,010)	(973)
Net changes in insurance liabilities and provisions	67,215,024	2,207,390	68,013,683	2,281,573	Disposal of investments accounted for using the equity method	39,706	1,304	-	-
Net changes of other liabilities and provisions	799,075	26,242	3,208,075	107,617	Disposal of assets held for sale	65,981	2,167	-	-
Revaluation gains on bonds payable	-	-	185,641	6,227	Acquisition of property and equipment	(301,981)	(9,917)	(384,442)	(12,896)
Share of gain of associates and joint ventures accounted for using the equity method	29,826	980	23,295	781	Disposal of property and equipment	51,760	1,700	182	6
Losses on disposal or scrapping of property and equipment	(32,492)	(1,067)	435	15	Increase in operating deposit	-	-	(25,000)	(839)
Gains on disposal of investment properties	(1,263,272)	(41,487)	-	-	(Decrease) increase in clearing and settlement funds	(509)	(17)	6,507	218
Gains on disposal of investments	(12,360,638)	(405,932)	(7,370,167)	(247,238)	Decrease in guarantee deposits paid	13,500	443	3,352	112
Impairment losses on non-financial assets	7,123	234	-	-	Acquisition of intangible assets	(44,686)	(1,468)	(20,942)	(703)
Unrealized foreign exchange losses (gains)	24,061	790	(20,460)	(686)	Acquisition of investment properties	(7,541,035)	(247,653)	(1,213,053)	(40,693)
Other items	(41,740)	(1,371)	(24,373)	(818)	Disposal of investment properties	1,430,000	46,962	-	-
Subtotal	40,467,121	1,328,970	56,138,191	1,883,200	(Increase) decrease in other assets	(1,270,267)	(41,716)	2,139	72
Changes in operating assets and liabilities					Net cash used in investing activities	<u>(21,290,207)</u>	<u>(699,186)</u>	<u>(117,190,585)</u>	<u>(3,931,251)</u>
Changes in operating assets					Cash flows from financing activities				
Increase in due from the Central Bank and call loans to banks	(215,577)	(7,080)	(2,637,705)	(88,484)	Increase in funds borrowed from Central Bank and banks	28,000	920	3,096,230	103,865
Decrease (increase) in financial assets at fair value through profit or loss	10,593,272	347,891	(17,125,859)	(574,500)	Increase in commercial paper payable	22,110,000	726,108	25,250,000	847,031
Decrease (increase) in available-for-sale financial assets	3,817,361	125,365	(17,588,281)	(590,013)	Decrease in commercial paper payable	(21,170,000)	(695,238)	(27,430,000)	(920,161)
Increase in derivative financial assets for hedging	(16,068)	(528)	(34,209)	(1,147)	Issuance of bank debentures	96,162	3,158	164,278	5,511
Decrease (increase) in accounts receivable	14,741,807	484,132	(18,450,887)	(618,950)	Increase (decrease) in bills and bonds sold under agreements to repurchase	14,720	483	(217,210)	(7,286)
Increase in loans	(62,521,541)	(2,053,252)	(26,371,802)	(884,663)	Increase (decrease) in other liabilities	14,850	488	(64,756)	(2,172)
(Increase) decrease in reinsurance contract assets	(381,239)	(12,520)	2,592,702	86,974	Net cash flows from financing activities	<u>1,093,732</u>	<u>35,919</u>	<u>798,542</u>	<u>26,788</u>
Increase in financial assets held to maturity	(52,346)	(1,719)	(28,519,631)	(956,713)	Effects of exchange rate changes on cash and cash equivalents	<u>357,254</u>	<u>11,732</u>	<u>606,580</u>	<u>20,348</u>
Decrease in other financial assets	4,882,364	160,340	26,453,770	887,413	Increase in cash and cash equivalents	<u>79,537,961</u>	<u>2,612,084</u>	<u>(80,792,710)</u>	<u>(2,710,255)</u>
(Increase) decrease in other assets	(2,920,638)	(95,916)	782,284	26,242	Cash and cash equivalents at the beginning of periods	<u>453,686,200</u>	<u>14,899,383</u>	<u>397,388,554</u>	<u>13,330,713</u>
Subtotal	(32,072,605)	(1,053,287)	(80,899,618)	(2,713,841)	Cash and cash equivalents at the end of periods	<u>\$533,224,161</u>	<u>\$17,511,467</u>	<u>\$316,595,844</u>	<u>\$10,620,458</u>
Changes in operating liabilities					The components of cash and cash equivalents				
Increase in due to the Central Bank and call loans from banks	11,846,076	389,034	16,733,583	561,341	Cash and cash equivalents presented in balance sheet	\$419,927,339	\$13,790,717	\$273,446,979	\$9,172,995
Decrease in financial liabilities at fair value through profit or loss	(27,935,662)	(917,427)	(14,323,998)	(480,510)	Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	93,641,896	3,075,268	33,065,688	1,109,215
Decrease in derivative financial liabilities for hedging	(5,148)	(169)	-	-	Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	19,654,926	645,482	10,083,177	338,248
Increase in securities purchased under agreements to resell	3,990,318	131,045	14,550,817	488,119	Cash and cash equivalents at the end of periods	<u>\$533,224,161</u>	<u>\$17,511,467</u>	<u>\$316,595,844</u>	<u>\$10,620,458</u>
Increase in payables	12,123,127	398,132	103,736	3,480					
Increase in deposits	23,221,600	762,614	7,404,098	248,376					
Increase in provisions for the liabilities of employee benefits	142,667	4,685	36,021	1,208					
(Decrease) increase in reserves for the operations and liabilities	(140,760)	(4,623)	9,982	335					
Increase in other financial liabilities	8,529,650	280,120	817,483	27,423					
Increase (decrease) in other liabilities	16,445,903	540,095	(1,031,915)	(34,616)					
Subtotal	48,217,771	1,583,506	24,299,807	815,156					
Subtotal of Changes in operating assets and liabilities	16,145,166	530,219	(56,599,811)	(1,898,685)					
Subtotal of Adjustment	56,612,287	1,859,189	(461,620)	(15,485)					
Cash generated from operations	<u>69,271,828</u>	<u>2,274,937</u>	<u>7,593,020</u>	<u>254,714</u>					
Interest received	33,288,793	1,093,228	30,346,340	1,017,992					
Dividends received	625,052	20,527	484,039	16,237					
Interest paid	(2,861,586)	(93,976)	(3,054,646)	(102,470)					
Income taxes paid	(946,905)	(31,097)	(376,000)	(12,613)					
Net cash flows from operating activities	<u>99,377,182</u>	<u>3,263,619</u>	<u>34,992,753</u>	<u>1,173,860</u>					

English Translation of Financial Statement Originally issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
31 March 2014 and 2013
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)

1. Organization and business scope

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

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the total numbers of the employees of the Company and its subsidiaries were 43,974, 44,487, 45,744, and 44,678, respectively.

English Translation of Financial Statements Originally Issued in Chinese

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended 31 March 2014 and 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 29 April 2014.

3. Newly issued or revised standards and interpretations

(1) International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee or Standing Interpretations Committee issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”) and applicable to annual periods beginning on or after 1 January 2015, but not yet adopted by the Group and its subsidiaries at the date of issuance of the Company and subsidiaries’ financial statements are listed below.

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

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The annual improvements to International Financial Reporting Standards (“IFRS”) issued in 2010 made the following amendments to IFRS 1: If a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS in accordance with paragraph 32 of IFRS 1.

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

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IFRS 3 “Business Combinations”

Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity’s net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments’ proportionate share of the acquiree’s identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value.

The amendment also requires an entity in a business combination to account for the replacement of the acquiree’s share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements.

Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested - they are part of non-controlling interest; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense.

These amendments became effective for annual periods beginning on or after 1 July 2010.

IFRS 7 “Financial Instruments: Disclosures”

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 1 “Presentation of Financial Statements”

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

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IAS 34 “Interim Financial Reporting”

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

IFRIC 13 “Customer Loyalty Programmes”

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

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

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

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

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

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

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognised in their entirety. The amendment is effective for annual periods beginning on or after 1 July 2011.

E. *IAS 12 “Income Taxes” - Deferred Taxes: Recovery of Underlying Assets*

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

F. *IFRS 10 “Consolidated Financial Statements”*

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

G. *IFRS 11 “Joint Arrangements”*

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

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

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

I. *IFRS 13 “Fair Value Measurement”*

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

J. *IAS 1 “Presentation of Financial Statements” - Presentation of Items of Other Comprehensive Income*

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

K. *IAS 19 “Employee Benefits” (Revised)*

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc.. The revised standard is effective for annual periods beginning on or after 1 January 2013.

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

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

M. *IFRS 7 “Financial Instruments: Disclosures” - Disclosures - Offsetting Financial Assets and Financial Liabilities*

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

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

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

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

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

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

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

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

IAS 1 “Presentation of Financial Statements”

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

IAS 16 “Property, Plant and Equipment” (Amendment)

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

IAS 32 “Financial Instruments: Presentation” (Amendment)

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

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IAS 34 “Interim Financial Reporting” (Amendment)

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

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

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

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

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

A. IFRS 9 Financial Instruments-Classification and Measurement

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. 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.

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B. IAS 36 “Impairment of Assets” (Amendment)

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

C. 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.

D. IAS 39 “Financial Instruments: Recognition and Measurement” (Amendment)

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

E. IFRS 9 “Financial Instruments” (Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39)

The IASB announced amendments to the accounting requirements for financial instruments, which include: (1) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (2) allow the changes to address the ‘own credit’ not to be recognized in profit or loss that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and (3) remove the 1 January 2015 mandatory effective date of IFRS 9.

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F. IAS 19 “Employee Benefits” (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after 1 July 2014.

G. Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 2 “Share-based Payment”

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

IFRS 3 “Business Combinations”

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

IFRS 8 “Operating Segments”

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

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IFRS 13 “Fair Value Measurement”

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 “Property, Plant and Equipment”

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

IAS 24 “Related Party Disclosures”

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 38 “Intangible Assets”

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

H. Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

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IFRS 3 “Business Combinations”

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

IFRS 13 “Fair Value Measurement”

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 40 “Investment Property”

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.

I. IFRS 14 “Regulatory Deferral Accounts”

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

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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 mentioned above.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended 31 March 2014 and 2013 have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and IAS 34 "*Interim Financial Reporting*" as recognized by the FSC.

(2) Basis of preparation

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

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Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. Derecognizes the carrying amount of any non-controlling interest;
- C. Recognizes the fair value of the consideration received;
- D. Recognizes the fair value of any investment retained;
- E. Recognizes any surplus or deficit in profit or loss; and
- F. Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	2014.3.31	2013.12.31	2013.3.31	2013.1.1	Notes
The Company	Cathay Life Insurance Co., Ltd. ("Cathay Life")	Life insurance	100.00	100.00	100.00	100.00	Cathay Life was incorporated in Taiwan on 23 October 1962, under the ROC Company Act (the "Company Act").
The Company	Cathay United Bank Co., Ltd. ("Cathay United Bank")	Commercial banking operations	100.00	100.00	100.00	100.00	UWCCB was enfranchised by the ROC government on 4 January 1975. On 27 October 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger; the merged entity was renamed Cathay United Bank. The new Cathay United Bank merged with Lucky Bank on 1 January 2007.
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.

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Investor	Subsidiary	Business nature	2014.3.31	2013.12.31	2013.3.31	2013.1.1	Notes
The Company	Cathay Securities Corporation (“Cathay Securities”)	Securities	100.00	100.00	100.00	100.00	Cathay Securities was incorporated on 12 May 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were assigned to Cathay Securities along with its business, assets and liabilities. The assignment date was 13 August 2004.
The Company	Cathay Venture Inc. (“Cathay Venture”)	Venture capital investment	100.00	100.00	100.00	100.00	Cathay Venture was incorporated on 16 April 2003, under the Company Act. Cathay Venture is the surviving company from the merger with Cathay Venture, Cathay II Venture and Cathay Capital Management on 10 August 2009.
The Company	Cathay Securities Investment Trust Co., Ltd. (“Cathay Securities Investment Trust”)	Securities investment trust	100.00	100.00	100.00	100.00	Cathay Securities Investment Trust was incorporated on 11 February 2000.
Cathay Life	Cathay Life Insurance Co., Ltd. (China) (“Cathay Life (China)”)	Life insurance	50.00	50.00	50.00	50.00	Cathay Life (China) was incorporated on 29 December 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest in Cathay Life (China).
Cathay Life	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	49.12	49.12	100.00	100.00	Symphox Information was incorporated on 12 December 1999, under the Company Act. Cathay Life own 49.12% interest in Symphox Information.

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Investor	Subsidiary	Business nature	2014.3.31	2013.12.31	2013.3.31	2013.1.1	Notes
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00	100.00	100.00	100.00	Cathay Life (Vietnam) was incorporated on 21 November 2007.
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd (“Lin Yuan”)	Office equipment leasing company	100.00	100.00	100.00	100.00	Lin Yuan was incorporated on 15 August 2012.
Cathay Life, Cathay Century	Cathay Insurance Co., Ltd. (China) (“Cathay Century (China)”)	Property and casualty insurance	100.00	100.00	100.00	100.00	Cathay Century (China) was incorporated on 26 August 2008. Cathay Life and Cathay Century each owns 50% interest of Cathay Century (China).
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. (“Cathay Century (Vietnam)”)	Property and casualty insurance	100.00	100.00	100.00	100.00	Cathay Century (Vietnam) was incorporated on 2 November 2010.
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50.00	50.00	50.00	50.00	Indovina Bank was incorporated in Vietnam on 29 October 1992. Cathay United Bank and Vietinbank each owns 50% interest of Indovina Bank.
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited (“CUBC Bank”)	Wholesale banking	100.00	100.00	70.00	70.00	SBC Bank was incorporated in Cambodia on 1993 and renamed as CUBC Bank on 14 January 2014.
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.

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Cathay Life and Cathay Venture disposed the subsidiaries of Symphox Information Co., Ltd.'s investment of equity in 11% and 39.88% during the November 2013, respectively. As of December 2013, Symphox Information Co., Ltd. excluded from condensed consolidated financial statements.

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, and renamed as Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank") on 14 January 2014.

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	2014.3.31 Ownership interest	2013.12.31 Ownership interest	2013.3.31 Ownership interest	2012.12.31 Ownership interest	Notes
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. ("Cathay Insurance (Bermuda)")	Reinsurance	100.00	100.00	100.00	100.00	Cathay Insurance (Bermuda) was incorporated on 24 January 2000.
Cathay life	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Securities investment research analysis	100.00	100.00	100.00	100.00	Cathay Securities Investment Consulting was incorporated on 25 November 2002.
Cathay United Bank	Seaward Card Co., Ltd. ("Seaward Card")	Credit card service	100.00	100.00	100.00	100.00	Seaward Card was incorporated on 9 April 1999.

(4) Foreign currency transactions

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

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

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

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

(5) Translation of financial statements in foreign currency

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

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.

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

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

(7) 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.

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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:

- 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.

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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.

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Derivative financial assets for hedging

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 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 for hedging.

Investments in debt securities with no active market

Investment in debt securities with no active market are non-derivative financial assets with fixed or determinable collections that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized when these investments are derecognized or impaired, as well as through the amortization process.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- 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.

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For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss; loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

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

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.

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Derecognition of financial assets

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.

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 is 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.

Derivative financial liabilities for hedging

Derivative financial liabilities that have been designated in hedge accounting and are effective hedging instruments are measured at fair value.

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.

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C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

D. Fair value of financial instruments

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

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

(9) Derivative financial instrument

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

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.

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(10) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

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

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

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.

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(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Buildings	5~70 years
Machinery and equipment	3~8 years
Transportation equipment	3~8 years
Other equipment	3~15 years
Leasehold improvements	The shorter of lease terms or economic useful lives
Leased assets	3 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

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

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(12) Investment property

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

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(13) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

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.

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Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset 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.

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Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

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

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(16) Provisions

Insurance liabilities

A. Cathay Life Insurance

Business reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.” Furthermore, they have been validated by the certified actuarial professionals approved by Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the regulations established by the authorities. Reserved amount for the rest of other provisions is addressed below:

Moreover, an insurance contract with discretionary participation feature is classified as liability.

a. Unearned premium reserve

For the insurance policy which period is within one year and has not met the due date or 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 upon the basis that the relevant information of each case and the amount deposited is further classified by the type of insurance. Unreported claims reserve is calculated and deposited based upon the past experiences and expenses occurred and in accordance with the actuarial principles for each injury insurance and health or life insurance with a policy period within 1 year.

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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 each authority of insurance products.

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

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

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

d. Special reserve

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

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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.

e. Premium deficiency reserve

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

In addition, for the insurance policy which period is within one year and has not met the due date or accidental insurance policy over one year, the following rules applied: If the probable indemnities and expenses are greater than the aggregate of unearned premium serves and collectable premiums in the future, the premium deficiency reserve is set aside based on the difference thereof. The method prescribed by law for computing premium deficiency reserve was amended by the regulator on 28 December 2012.

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f. Liability adequacy reserve

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

g. Reserves for insurance contract with feature of financial instruments

Reserve for non-separate account insurance product that is also classified as financial products without discretionary participation features follows “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and Depository Accounting.

h. Foreign exchange volatility reserve

The beginning balance of foreign exchange volatility reserve is in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Direction for foreign exchange volatility reserve by Life Insurance Enterprises”.

i. Liability adequacy test

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

B. Cathay Century Insurance

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

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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.

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.

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.

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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.

(22) Changes in accounting policy

The FSC revised the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies on 9 January 2014, and Article 14, Paragraph 16 and Article 17, paragraph 2, subparagraph 4 of the Regulations were effective as from 1 January 2014. To improve the reliability and relevance of financial reporting, enhance financial disclosure transparency, be in line with the international conventions, and increase net value and risk tolerance, the Group volunteered to change the subsequent measurements of investment property from cost model to fair value model since year of 2014. The adjustments resulted in increases of retained earnings by NT\$75,242,150 (US\$2,471,007) thousands as of 1 January 2013 and increases of net income by NT\$9,000,261 (US\$295,575) thousands, other comprehensive income by NT\$10,007,738 (US\$328,661) thousands, and total comprehensive income by NT\$19,007,999 (US\$624,236) thousands for the year 31 December 2013. Please refer to Note 40 (8) for items and amounts of retrospective adjustments.

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:

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A. The classification of financial assets

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

B. Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

C. Operating lease commitment—Group as the lessor

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

(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 review their loan and receivables to assess whether an impairment loss should be recorded in profit or loss on a monthly basis. When the Group determine whether 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 analyzing 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 review 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. Fair value of investment property

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

D. 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.)

E. 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.

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According to internal regulation of Cathay United Bank or hiring agreement, IAS 19 “*Employee Benefit*” applies to the excess interest of retiring employee preferential interest rate deposits once the employee is retired.

- F. 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.

- G. 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.

- H. Income tax

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

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

6. Cash and cash equivalents

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$15,112,062	\$496,291	\$14,461,722	\$484,805
Cash in banks	48,410,156	1,589,825	28,536,508	956,638
Time deposits	250,340,943	8,221,377	226,485,422	7,592,538
Cash equivalents	15,008,702	492,897	8,210,983	275,259
Checks for clearance	4,610,962	151,427	3,315,374	111,142
Due from commercial banks	86,444,514	2,838,900	50,656,069	1,698,159
Total	<u>\$419,927,339</u>	<u>\$13,790,717</u>	<u>\$331,666,078</u>	<u>\$11,118,541</u>

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Petty cash and cash on hand	\$13,551,103	\$454,582	\$13,493,296	\$464,485
Cash in banks	52,743,579	1,769,325	67,388,184	2,319,731
Time deposits	180,568,222	6,057,304	185,720,653	6,393,138
Cash equivalents	3,992,670	133,938	25,367,336	873,230
Checks for clearance	7,699,927	258,300	8,326,315	286,621
Due from commercial banks	14,891,478	499,546	13,367,602	460,158
Total	<u>\$273,446,979</u>	<u>\$9,172,995</u>	<u>\$313,663,386</u>	<u>\$10,797,363</u>

Time 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.

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7. Financial assets at fair value through profit or loss

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$11,651,934	\$382,658	\$15,162,795	\$508,307
Funds and beneficiary certificates	48,938,459	1,607,174	42,506,734	1,424,966
Short-term notes	121,659,868	3,995,398	142,879,991	4,789,809
Corporate bonds	8,845,194	290,482	8,166,792	273,778
Government bonds	14,107,905	463,314	7,136,362	239,234
Structured time deposits	12,598,700	413,750	12,434,800	416,856
Margin for futures trading-own funds	495,690	16,279	407,066	13,646
Derivative financial instruments	18,338,686	602,256	13,587,578	455,500
Overseas financial instruments	5,517,985	181,215	1,741,128	58,368
Total	\$242,154,421	\$7,952,526	\$244,023,246	\$8,180,464

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$16,533,631	\$554,634	\$13,933,929	\$479,653
Funds and beneficiary certificates	23,385,922	784,499	36,983,400	1,273,094
Short-term notes	85,526,133	2,869,042	58,526,767	2,014,691
Corporate bonds	3,301,806	110,762	2,996,054	103,134
Government bonds	10,377,383	348,117	4,588,851	157,964
Structured time deposits	23,037,459	772,810	18,334,342	631,131
Margin for futures trading-own funds	567,583	19,040	170,491	5,869
Derivative financial instruments	9,961,264	334,158	4,603,749	158,477
Overseas financial instruments	1,924,141	64,547	6,609,089	227,507
Total	\$174,615,322	\$5,857,609	\$146,746,672	\$5,051,520

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

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(2) Please refer to Note 36 for related information on the above financial assets at fair value through profit or loss being pledged as collaterals as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013.

8. Available-for-sale financial assets

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Common stock	\$308,656,204	\$10,136,493	\$301,182,150	\$10,096,619
Funds and beneficiary certificates	19,330,994	634,843	25,805,922	865,100
Collateralized loans obligation and collateralized bonds obligation	5,025,249	165,033	5,704,214	191,224
Government bonds	223,449,886	7,338,256	239,377,149	8,024,712
Corporate bonds	74,845,147	2,457,969	74,735,796	2,505,391
Financial debentures	162,423,268	5,334,097	169,682,258	5,688,309
Overseas financial instruments	562,183,448	18,462,511	550,130,528	18,442,190
Less: Litigation deposits	(47,477)	(1,559)	(37,307)	(1,251)
Less: Securities serving as deposits paid-bonds	(9,428,439)	(309,637)	(9,473,934)	(317,598)
Total	\$1,346,438,280	\$44,218,006	\$1,357,106,776	\$45,494,696

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Common stock	\$240,393,631	\$8,064,194	\$218,513,045	\$7,521,964
Funds and beneficiary certificates	25,015,641	839,169	23,132,131	807,672
Collateralized loans obligation and collateralized bonds obligation	6,440,472	216,051	6,761,735	221,376
Government bonds	232,228,091	7,790,275	228,054,133	7,850,400
Corporate bonds	72,903,467	2,445,605	70,704,273	2,433,882
Financial debentures	199,392,915	6,688,793	200,618,738	6,905,981
Overseas financial instruments	623,725,500	20,923,365	564,482,514	19,431,413
Less: Litigation deposits	(8,425)	(283)	-	-
Less: Securities serving as deposits paid-bonds	(9,597,504)	(321,956)	(9,523,307)	(327,825)
Total	\$1,390,493,788	\$46,645,213	\$1,302,743,262	\$44,844,863

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- (1) As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$17,772,170 (US\$583,651) thousands, NT\$14,414,200 (US\$483,212) thousands, NT\$32,078,650 (US\$1,076,104) thousands, and NT\$15,936,600 (US\$548,592) thousands, respectively. Such repurchase agreements amounting to NT\$12,838,443 (US\$421,624) thousands, NT\$14,071,807 (US\$471,733) thousands, NT\$34,644,673 (US\$1,162,183) thousands, and NT\$17,116,932 (US\$589,223) thousands, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013 are settled at NT\$12,844,828 (US\$421,833) thousands, NT\$14,079,632 (US\$471,996) thousands, NT\$34,659,146 (US\$1,162,668) thousands, and NT\$17,125,290 (US\$589,511) thousands, prior to 30 September 2014, 30 June 2014, 30 September 2013, and 30 June 2013, respectively; as of 31 March 2014 and 31 December 2013, certain available-for-sale financial assets were sold under repurchase agreement with notional amounts of NT\$5,527,020(US\$181,511) thousands and NT\$1,411,144(US\$47,306) thousands, but didn’t have repurchase agreements date.
- (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 its subsidiaries. As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, Cathay Life and its subsidiaries recognized impairment losses amounting to NT\$1,669,430 (US\$54,825) thousands, NT\$1,669,430 (US\$55,965) thousands, NT\$1,673,957 (US\$56,154) thousands, and NT\$1,697,370 (US\$58,429) thousands, respectively.
- (3) Cathay United Bank has recognized accumulated impairment loss for the available-for-sale financial assets in the amount of NT\$163,785 (US\$5,379) thousands, NT\$163,785 (US\$5,491) thousands, NT\$438,941 (US\$14,725) thousands, and NT\$438,311 (US\$15,088) thousands as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, respectively, due to the existence of objective impairment evidence.
- (4) Please refer to Note 36 for related information on the above available-for-sale financial assets being pledged as collaterals as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013.

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9. Receivable -net

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$1,833,793	\$60,223	\$2,540,478	\$85,165
Accounts receivable	49,331,862	1,620,094	52,532,967	1,761,078
Interest receivable	31,253,043	1,026,372	30,143,010	1,010,493
Foreign currency receivable	72,836	2,392	103,526	3,471
Acceptances	1,026,643	33,716	1,378,174	46,201
Factoring receivable	57,014,790	1,872,407	69,249,723	2,321,479
Others	19,101,431	627,305	15,849,520	531,328
Subtotal	159,634,398	5,242,509	171,797,398	5,759,215
Adjustment for discounts and premiums	(6,624)	(218)	(6,519)	(219)
Less: Allowance for bad debts	(2,432,352)	(79,880)	(2,199,913)	(73,748)
Total	\$157,195,422	\$5,162,411	\$169,590,966	\$5,685,248

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$2,474,922	\$83,023	\$3,238,517	\$111,481
Accounts receivable	39,870,956	1,337,503	40,152,466	1,382,185
Interest receivable	29,946,702	1,004,586	28,194,033	970,534
Foreign currency receivable	83,994	2,817	88,657	3,052
Acceptances	828,926	27,807	1,639,721	56,445
Factoring receivable	29,991,766	1,006,097	9,151,418	315,023
Others	32,026,763	1,074,363	29,575,597	1,018,093
Subtotal	135,224,029	4,536,196	112,040,409	3,856,813
Adjustment for discounts and premiums	(5,718)	(192)	(5,602)	(193)
Less: Allowance for bad debts	(2,027,247)	(68,005)	(2,123,529)	(73,099)
Total	\$133,191,064	\$4,467,999	\$109,911,278	\$3,783,521

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

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$2,199,913	\$72,247	\$2,123,529	\$71,235
Provision (reversal) of doubtful accounts	181,453	5,959	(122,477)	(4,109)
Write-offs	(91,951)	(3,020)	(106,012)	(3,556)
Debt counseling recoveries	33,230	1,091	36,061	1,210
Recoveries	136,466	4,482	142,860	4,792
Reclassification	(33,230)	(1,091)	(47,953)	(1,609)
Effect of exchange rates change	6,471	212	1,239	42
Balance, end of the period	\$2,432,352	\$79,880	\$2,027,247	\$68,005

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

Item		Total receivables			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$11,072,589	\$363,632	\$11,247,366	\$377,049
	Collective assessment of impairment	156,810	5,150	168,765	5,657
Objective evidence of impairment does not exist individually	Collective assessment of impairment	148,404,999	4,873,727	160,381,267	5,376,509

Item		Total receivables			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$28,279,449	\$948,656	\$24,591,363	\$846,519
	Collective assessment of impairment	160,166	5,373	140,445	4,835
Objective evidence of impairment does not exist individually	Collective assessment of impairment	106,784,414	3,582,167	87,308,601	3,005,459

Item		Allowance for bad debts			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$86,810	\$2,851	\$62,751	\$2,104
	Collective assessment of impairment	117,281	3,852	128,609	4,311
Objective evidence of impairment does not exist individually	Collective assessment of impairment	2,228,261	73,177	2,008,553	67,333

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Item		Allowance for bad debts			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$29,332	\$984	\$39,675	\$1,366
	Collective assessment of impairment	119,393	4,005	110,930	3,819
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,878,522	63,016	1,972,924	67,914

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

10.Loans -net

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$9,490,273	\$311,668	\$6,669,210	\$223,574
Loans	1,733,674,793	56,935,133	1,673,190,609	56,090,869
Overdrafts	976,553	32,071	867,731	29,089
Delinquent accounts	3,403,828	111,784	4,188,586	140,415
Subtotal	1,747,545,447	57,390,656	1,684,916,136	56,483,947
Adjustment for discounts and premiums	976,849	32,080	982,481	32,936
Less: Allowance for bad debts	(18,630,970)	(611,855)	(18,506,935)	(620,414)
Total	\$1,729,891,326	\$56,810,881	\$1,667,391,682	\$55,896,469

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Inward-outward documentary bills	\$1,877,041	\$62,967	\$1,764,969	\$60,756
Loans	1,556,764,050	52,222,880	1,529,906,453	52,664,594
Overdrafts	982,499	32,959	594,231	20,456
Delinquent accounts	4,881,639	163,758	4,532,217	156,014
Subtotal	1,564,505,229	52,482,564	1,536,797,870	52,901,820
Adjustment for discounts and premiums	1,087,202	36,471	1,097,491	37,779
Less: Allowance for bad debts	(16,896,789)	(566,816)	(16,183,237)	(557,082)
Total	\$1,548,695,642	\$51,952,219	\$1,521,712,124	\$52,382,517

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

	2013.1.1~2013.03.31		2012.1.1~2012.03.31	
	NT\$	US\$	NT\$	US\$
Balance, beginning of the period	\$18,506,935	\$607,781	\$16,183,237	\$542,880
(Reversal) provision of doubtful accounts	(222,525)	(7,308)	267,640	8,978
Write-offs	(293,887)	(9,651)	(19,875)	(667)
Debt counseling recoveries	29,507	969	15,215	510
Recoveries	580,463	19,063	373,264	12,521
Reclassification	33,230	1,091	36,067	1,210
Effect of exchange rates change	(2,753)	(90)	41,241	1,384
Balance, end of the period	\$18,630,970	\$611,855	\$16,896,789	\$566,816

(2) Assessment for loans are showed as followed:

Item		Total loans			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$24,029,936	\$789,161	\$22,223,592	\$745,008
	Collective assessment of impairment	10,502,681	344,916	10,188,010	341,536
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,713,012,830	56,256,579	1,652,504,534	55,397,403

Item		Total loans			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$32,278,078	\$1,082,794	\$31,951,217	\$1,099,870
	Collective assessment of impairment	10,597,167	355,490	4,566,018	157,178
Objective evidence of impairment does not exist individually	Collective assessment of impairment	1,521,629,984	51,044,280	1,500,280,635	51,644,772

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Item		Allowance for bad debts			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$5,085,049	\$166,997	\$4,925,984	\$165,135
	Collective assessment of impairment	1,819,519	59,754	1,679,630	56,307
Objective evidence of impairment does not exist individually	Collective assessment of impairment	11,726,402	385,104	11,901,321	398,972

Item		Allowance for bad debts			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Objective evidence of impairment exists individually	Individual assessment of impairment	\$4,838,217	\$162,302	\$4,887,318	\$168,238
	Collective assessment of impairment	1,732,850	58,130	713,956	24,577
Objective evidence of impairment does not exist individually	Collective assessment of impairment	10,325,722	346,384	10,581,963	364,267

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

11.Held-to-maturity financial assets

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Government bonds	\$3,106,837	\$102,031	\$951,287	\$31,890
Financial debentures	2,197,335	72,162	-	-
Overseas financial instruments	54,117,290	1,777,251	54,018,866	1,810,891
Total	\$59,421,462	\$1,951,444	\$54,970,153	\$1,842,781

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Government bonds	\$959,185	\$32,176	\$962,741	\$33,141
Financial debentures	200,000	6,709	200,000	6,885
Overseas financial instruments	50,531,848	1,695,131	23,218,244	799,251
Total	\$51,691,033	\$1,734,016	\$24,380,985	\$839,277

Please refer to Note 36 for related information on the above held-to-maturity financial assets being pledged as collaterals as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013.

12. Investments accounted for using the equity method

Investee	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$232,670	\$7,641	\$207,884	\$6,969
Seaward Card	39,580	1,300	39,107	1,311
Cathay Insurance (Bermuda)	113,229	3,718	114,759	3,847
Subtotal	385,479	12,659	361,750	12,127
Investments in associates:				
WK Technology Fund VI Co., Ltd	288,695	9,481	280,880	9,416
Vista Technology Venture Capital Corp.	5,912	194	5,935	199
Omnitek Venture Capital Corp.	-	-	39,704	1,331
Taiwan Real-estate Management Corp.	98,430	3,232	99,359	3,331
Taiwan Finance Corp.	1,504,128	49,397	1,487,419	49,863
IBT Venture Capital Corp.	21,191	696	29,365	984
Tien-Tai energy Corp.	42,720	1,403	42,598	1,428
Tien-Tai one energy Corp.	31,041	1,019	21,107	708
Tien-Tai Management Consulting Co., Ltd.	210	7	150	5
CDBS Cathay Asset Management Co., Ltd.	288,136	9,463	298,036	9,991
Cathay Conning Asset Management Ltd.	81,107	2,664	81,032	2,717
Symphox Information Co., Ltd.	413,501	13,580	405,985	13,610
Subtotal	2,775,071	91,136	2,791,570	93,583
Total	\$3,160,550	\$103,795	\$3,153,320	\$105,710

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Investee	2013.3.31		2012.12.31	
	NT\$	US\$	NT\$	US\$
Investments in subsidiaries exclude from consolidated:				
Cathay Securities Investment Consulting	\$197,953	\$6,641	\$170,659	\$5,875
Seaward Card	39,887	1,338	39,753	1,368
Cathay Insurance (Bermuda)	103,943	3,487	101,761	3,503
Subtotal	341,783	11,466	312,173	10,746
Investments in associates:				
WK Technology Fund VI Co., Ltd	284,447	9,542	279,441	9,619
Vista Technology Venture Capital Corp.	10,507	353	10,532	362
Omnitek Venture Capital Corp.	36,530	1,225	31,694	1,091
Taiwan Real-estate Management Corp.	104,409	3,503	105,357	3,627
Taiwan Finance Corp.	1,410,563	47,318	1,418,699	48,836
IBT Venture Capital Corp.	58,083	1,948	56,435	1,943
Tien-Tai energy Corp.	-	-	-	-
Tien-Tai one energy Corp.	-	-	-	-
Tien-Tai Management Consulting Co., Ltd.	-	-	-	-
CDBS Cathay Asset Management Co., Ltd.	-	-	-	-
Cathay Conning Asset Management Ltd.	42,931	1,440	21,543	742
Symphox Information Co., Ltd.	-	-	-	-
Subtotal	1,947,470	65,329	1,923,701	66,220
Total	\$2,289,253	\$76,795	\$2,235,874	\$76,966

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

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$49,842,621	\$1,636,868	\$49,834,525	\$1,670,618
Total liabilities (100%)	(40,104,525)	(1,317,062)	(40,072,134)	(1,343,350)

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Total assets (100%)	\$42,474,868	\$1,424,853	\$40,808,912	\$1,404,782
Total liabilities (100%)	(34,264,411)	(1,149,427)	(32,986,134)	(1,135,495)

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	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Revenue (100%)	\$683,212	\$22,437	\$648,844	\$21,766
Profit (loss) (100%)	23,129	760	79,651	2,672

- (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 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, the carrying amount of investments accounted for using the equity method amounted to NT\$2,775,071 (US\$91,136) thousands, NT\$2,791,570 (US\$93,583) thousands, NT\$1,947,470 (US\$65,329) thousands and NT\$1,923,701 (US\$66,220) thousands, respectively. The share of the profits (losses) of associates and joint ventures accounted for using the equity method amounts to NT\$8,217 (US\$270) thousands and NT\$(3,738) (US\$(125)) thousands for the three-month periods ended 31 March 2014 and 2013, respectively. The share of the other comprehensive income of associates and joint ventures accounted for using the equity method amounts to NT\$4,933 (US\$162) thousands and NT\$19,826 (US\$665) thousands for the three-month periods ended 31 March 2014 and 2013, respectively.
- (3) No investment in the associates was pledged.
- (4) Cathay Life disposed the subsidiaries of Sympox Information Co., Ltd.'s investment of equity in 11% and its proceeds from disposal amount of NT\$90,297 (US\$2,965) thousands, and results in decrease net carrying amount of the equity amount of NT\$61,155 (US\$2,008) thousands during November 2013. The difference amount of NT\$29,142(US\$957) thousands between the sales proceeds and the carrying amount is recognized in equity. Cathay Venture disposed the investments accounted for using the equity method of Sympox Information Co., Ltd.'s investment of equity in 39.88%, and its proceeds from disposal amount of NT\$327,365 (US\$10,751) thousands, and profit from disposal amount of NT\$109,828 (US\$3,607) thousands.

The Group loses control of a subsidiary of Sympox Information Co., Ltd. and remaining 49.12% interest investment whose fair value at the date of was NT\$404,431(US\$13,282) thousands and the NT\$131,174 (US\$4,308) thousands profit represented. Although losing control over the subsidiary not losing significant influence, the Group is using the equity method of accounting.

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This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

	NT\$	US\$
Retained investment is measured at fair value	\$404,431	\$13,282
Carrying amount of the investment at the date when control is lost	(273,274)	(8,974)
Share of other equity of associates and joint ventures accounted for using equity method turn into profit or loss	17	-
Recognized in profit	\$131,174	\$4,308

13.Other financial assets

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,334,140,960	\$43,814,153	\$1,305,675,228	\$43,770,540
Separate account product assets	413,942,267	13,594,163	376,252,736	12,613,233
Structured time deposits	37,415,200	1,228,742	40,900,000	1,371,103
Other miscellaneous financial assets	1,431,894	47,025	1,969,853	66,036
Total	\$1,786,930,321	\$58,684,083	\$1,724,797,817	\$57,820,912

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Investments in debt securities with no active market	\$1,274,525,065	\$42,754,950	\$1,242,279,799	\$42,763,504
Separate account product assets	359,375,292	12,055,528	329,557,246	11,344,484
Structured time deposits	25,900,000	868,836	23,500,000	808,950
Other miscellaneous financial assets	4,447,753	149,204	9,963,164	342,966
Total	\$1,664,248,110	\$55,828,518	\$1,605,300,209	\$55,259,904

Investments in debt securities with no active market

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,437,017	\$277,078	\$8,481,017	\$284,312
Corporate bonds	29,399,813	965,511	29,000,000	972,176
Overseas financial instruments	1,021,129,620	33,534,634	987,760,191	33,112,980
Time deposit	275,074,510	9,033,646	280,334,020	9,397,721
Beneficial right of real estate	100,000	3,284	100,000	3,352
Total	\$1,334,140,960	\$43,814,153	\$1,305,675,228	\$43,770,541

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Preferred stocks	\$8,481,017	\$284,502	\$8,481,017	\$291,945
Corporate bonds	24,650,000	826,904	22,949,999	790,017
Overseas financial instruments	843,786,048	28,305,470	781,861,152	26,914,326
Time deposit	397,608,000	13,338,074	428,987,631	14,767,216
Total	\$1,274,525,065	\$42,754,950	\$1,242,279,799	\$42,763,504

(1) A CDO impairment is recognized as objective impairment evidence exists for some overseas bonds held by Cathay Life and its subsidiaries. As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, Cathay Life and its subsidiaries recognized impairment losses amounting to NT\$396,630 (US\$13,026) thousands, NT\$389,350 (US\$13,052) thousands, NT\$388,375 (US\$13,028) thousands, and NT\$378,768 (US\$13,038) 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\$1,221,751 (US\$40,123) thousands, NT\$1,199,326 (US\$40,205) thousands, NT\$1,107,748 (US\$37,160) thousands, and NT\$1,167,518 (US\$40,190) thousands as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, 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\$3,139) thousands, NT\$95,586 (US\$3,204) thousands, NT\$105,843 (US\$3,551) thousands and NT\$106,215 (US\$3,656) thousands as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, respectively, due to the default on the convertible bonds.

(3) As of 31 March 2014, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of NT\$10,940,465 (US\$359,293) thousands. Such repurchase agreements amounting to NT\$3,783,240 (US\$124,244) thousands was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 March 2014 was settled at NT\$3,784,731 (US\$124,293) thousands prior to 30 April 2014.

As of 31 December 2013, certain investments in debt securities with no active market assets was sold under repurchase agreement with notional amounts of NT\$10,739,833 (US\$360,035) thousands. Such repurchase agreements amounting to NT\$3,803,650 (US\$127,511) thousands was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2013 was settled at NT\$3,805,024 (US\$127,557) thousands prior to 31 January 2014.

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- (4) Please refer to Note 36 for related information on the above investments in debt securities with no active market being pledged as collaterals as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013.

14. Investment property

	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2014	\$199,711,118	\$42,222,852	\$7,519,477	\$1,581,767	\$251,035,214
Additions from acquisitions	-	-	957,675	11,213	968,888
Additions from subsequent expenditure	-	-	244,165	-	244,165
Transfers from (to) property and equipment	-	-	-	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	5,304	9,641	(9,641)	(5,304)	-
Losses generated from fair value adjustments	(5,304)	(9,641)	-	-	(14,945)
Disposals	-	-	-	-	-
Exchange differences	-	-	-	-	-
31 March 2014	\$199,711,118	\$42,222,852	\$8,711,676	\$1,587,676	\$252,233,322

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2013	\$6,699,467	\$1,416,399	\$252,247	\$53,061	\$8,421,174
Additions from acquisitions	-	-	32,126	376	32,502
Additions from subsequent expenditure	-	-	8,191	-	8,191
Transfers from (to) property and equipment	-	-	-	-	-
Transfers from (to) investment property under construction and prepayments for buildings and land	178	323	(323)	(178)	-
Losses generated from fair value adjustments	(178)	(323)	-	-	(501)
Disposals	-	-	-	-	-
Exchange differences	-	-	-	-	-
31 March 2013	\$6,699,467	\$1,416,399	\$292,241	\$53,259	\$8,461,366

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	NT\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2014	\$228,023,701	\$43,054,754	\$15,570,122	\$5,173,152	\$291,821,729
Additions from acquisitions	-	-	909,541	6,311,584	7,221,125
Additions from subsequent expenditure	-	-	319,910	-	319,910
Transfers from (to) property and equipment	3,156,552	7,663,344	-	-	10,819,896
Transfers from (to) investment property under construction and prepayments for buildings and land	5,731,836	286,182	(24,352)	(5,992,486)	1,180
Losses generated from fair value adjustments	(7,123)	(27,456)	-	-	(34,579)
Disposals	(170,862)	-	-	-	(170,862)
Exchange differences	-	(23,198)	-	(33,491)	(56,689)
31 March 2014	\$236,734,104	\$50,953,626	\$16,775,221	\$5,458,759	\$309,921,710

	US\$				
	Land	Buildings	Construction	Prepayments for buildings and land	Total
1 January 2013	\$7,488,463	\$1,413,949	\$511,334	\$169,890	\$9,583,636
Additions from acquisitions	-	-	29,870	207,277	237,147
Additions from subsequent expenditure	-	-	10,506	-	10,506
Transfers from (to) property and equipment	103,663	251,670	-	-	355,333
Transfers from (to) investment property under construction and prepayments for buildings and land	188,238	9,398	(800)	(196,797)	39
Losses generated from fair value adjustments	(234)	(901)	-	-	(1,135)
Disposals	(5,611)	-	-	-	(5,611)
Exchange differences	-	(762)	-	(1,100)	(1,862)
31 March 2013	\$7,774,519	\$1,673,354	\$550,910	\$179,270	\$10,178,053

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Rent revenue from investment properties	\$1,896,720	\$62,290	\$1,751,395	\$58,752
Less: Direct operating expense related to investment properties	(59,015)	(1,938)	(47,334)	(1,588)
Direct operating expense related to investment properties not generating rent revenue	(18,923)	(621)	(16,408)	(550)
Subtotal	\$1,818,782	\$59,731	\$1,687,653	\$56,614

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- (1) Cathay Life and its subsidiaries' valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and valuation dates are 31 December 2013 and 31 December 2012. Please refer to original financial report for detail information of the appraisers and agencies.

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

The inputs used are as follows:

	2014.3.31	2013.12.31	2013.3.31	2013.1.1
Direct capitalization rate	Mainly	Mainly	Mainly	Mainly
(Net)	1.5%~4.8%	1.5%~4.8%	1.5%~4.8%	1.5%~4.8%
Discount rate	3.3%~5.0%	3.3%~5.0%	3.2%~5.0%	3.2%~5.0%

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

- (2) Cathay United Bank appointed Appraisers Savills Valuation and Professional Services Fabulous Buffett (real estate appraisers, include Kempis Tai, Howard Chang, Sky Liu, Yi – Jun, Chen) to evaluate the fair value of investment property based on by Regulations on Real Estate Appraisal on 31 December 2013 and 1 January 2013.

The fair value has been determined by discounted cash flow method and the method of land development analysis. °

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A. Office building had more market liquidity by comparing with rents of similar neighboring regions. The fair value has been determined by discounted cash flow method.

Gross income is based on the current market trading practices, assuming an annual rent adjusted from 0% to 1.5% , and should exclude idle and other related costs, etc.

The house tax has been determined based by National Association of Real Estate Appraiser Guilds No.5.

Land value tax is based on variance of current land value.

The amount of replacement allowance is 0.5%~1.5% of construction or building cost has been based on National Association of Real Estate Appraiser Guilds No.5.

The inputs used are as follows,

	2013.12.31	2013.1.1
Discounted rates	4.625%	4.625%

Above the discount rate shall be determined using the risk premium approach only, with the calculation based on the interest rate may not be lower than the floating interest rate on a 2-year time deposit of a small amount, as posted by the Chunghwa Post Co., Ltd. That is based on Regulations Governing the Preparation of Financial Reports by Securities Issuers.

B. The fair value has been determined by the method of land development analysis. Because road space and scenic hillside land had fewer market transactions and restricted by government without significant changes in the near future.

	2013.12.31	2013.1.1
Rate of return	18%~20%	18%~20%
Overall capital interest rate	1.29%~7.03%	1.29%~7.03%

(3) The real estate investments are held mainly for leasing purposes.

(4) 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.

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(5) Rents from real estate investment are received annually, semiannually, quarterly, monthly or in a lump sum.

(6) As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, no investments in real estate were pledged as collateral.

15. Property and equipment

NT\$									
		Building and	Computer	Transport	Other	Leasehold	Leased assets	Construction in progress and prepayment for	Total
Cost:	Land	construction	equipment	equipment	equipment	improvement		real estate	
1 January 2014	\$72,197,094	\$44,887,944	\$7,335,567	\$114,673	\$10,375,537	\$398,867	\$423,216	\$768,297	\$136,501,195
Additions	-	378	92,036	20,761	77,339	6,916	-	107,182	304,612
Transfers	(8,296,665)	(1,237,661)	18,606	-	71,122	-	-	(123,577)	(9,568,175)
Disposal	(16,717)	(5,847)	(103,994)	(2,402)	(33,688)	-	-	-	(162,648)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-	-	-	-
Exchange difference	2,428	312	4,692	1,383	921	(1,480)	-	2,147	10,403
31 March 2014	\$63,886,140	\$43,645,126	\$7,346,907	\$134,415	\$10,491,231	\$404,303	\$423,216	\$754,049	\$127,085,387
US\$									
		Building and	Computer	Transport	Other	Leasehold	Leased assets	Construction in progress and prepayment for	Total
Cost:	Land	construction	equipment	equipment	equipment	improvement		real estate	
1 January 2014	\$2,371,005	\$1,474,153	\$240,905	\$3,766	\$340,740	\$13,099	\$13,899	\$25,231	\$4,482,798
Additions	-	12	3,023	682	2,540	227	-	3,520	10,004
Transfers	(272,469)	(40,646)	611	-	2,336	-	-	(4,058)	(314,226)
Disposal	(549)	(192)	(3,415)	(79)	(1,106)	-	-	-	(5,341)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-	-	-	-
Exchange difference	80	10	154	45	30	(49)	-	71	341
31 March 2014	\$2,098,067	\$1,433,337	\$241,278	\$4,414	\$344,540	\$13,277	\$13,899	\$24,764	\$4,173,576

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NT\$									
Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
1 January 2013	\$76,637,886	\$50,726,103	\$7,334,966	\$124,337	\$10,524,572	\$311,354	\$275,652	\$426,058	\$146,360,928
Additions	-	-	130,519	-	126,535	12,264	-	148,771	418,089
Transfers	-	1,319,505	39,255	(80)	65,430	(4,671)	-	(97,530)	1,321,909
Disposal	-	-	(331,756)	(285)	(23,880)	(3,626)	-	-	(359,547)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-	-	-	-
Exchange difference	3,204	99,386	21,608	2,296	5,262	5,576	-	4,190	141,522
31 March 2013	\$76,641,090	\$52,144,994	\$7,194,592	\$126,268	\$10,697,919	\$320,897	\$275,652	\$481,489	\$147,882,901

US\$									
Cost:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
1 January 2013	\$2,570,879	\$1,701,647	\$246,057	\$4,171	\$353,055	\$10,445	\$9,247	\$14,292	\$4,909,793
Additions	-	-	4,378	-	4,245	411	-	4,991	14,025
Transfers	-	44,264	1,317	(3)	2,195	(157)	-	(3,272)	44,344
Disposal	-	-	(11,129)	(10)	(801)	(121)	-	-	(12,061)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-	-	-	-
Exchange difference	107	3,334	725	77	177	187	-	141	4,748
31 March 2013	\$2,570,986	\$1,749,245	\$241,348	\$4,235	\$358,871	\$10,765	\$9,247	\$16,152	\$4,960,849

NT\$									
Depreciation and impairment:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	Construction in progress and prepayment for real estate	Total
1 January 2014	\$ 105,610	\$ 16,527,813	\$6,214,639	\$85,461	\$8,721,079	\$213,118	\$145,104	\$-	\$32,012,824

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Depreciation	-	167,256	104,976	2,522	120,504	18,063	19,809	-	433,130
Transfers	-	1,059,363	-	-	-	-	-	-	1,059,363
Disposal	-	(4,164)	(101,249)	(2,403)	(33,082)	-	-	-	(140,898)
Loss of control of the subsidiary transfers out	-	-	-	-	-	39	-	-	39
Exchange difference	-	965	3,235	956	462	(762)	(414)	-	4,442
31 March 2014	\$105,610	\$17,751,233	\$6,221,601	\$86,536	\$8,808,963	\$230,458	\$164,499	\$-	\$33,368,900

US\$

Depreciation and impairment:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Construction in progress and prepayment for		Total
							Leased assets	real estate	
1 January 2014	\$3,468	\$542,785	\$204,093	\$2,807	\$286,407	\$6,999	\$4,765	\$-	\$1,051,324
Depreciation	-	5,493	3,447	83	3,958	593	651	-	14,225
Transfers	-	34,790	-	-	-	-	-	-	34,790
Disposal	-	(137)	(3,325)	(79)	(1,086)	-	-	-	(4,627)
Loss of control of the subsidiary transfers out	-	-	-	-	-	1	-	-	1
Exchange difference	-	32	106	31	15	(25)	(13)	-	146
31 March 2014	\$3,468	\$582,963	\$204,321	\$2,842	\$289,294	\$7,568	\$5,403	\$-	\$1,095,859

NT\$

Depreciation and impairment:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Construction in progress and prepayment for		Total
							Leased assets	real estate	
1 January 2013	\$ 105,610	\$ 17,406,774	\$6,290,375	\$89,828	\$8,758,658	\$220,281	\$28,714	\$-	\$32,900,240
Depreciation	-	225,562	130,114	2,452	128,160	11,106	17,228	-	514,622
Transfers	-	1,455,128	(31,247)	(4,346)	23,697	-	-	-	1,443,232
Disposal	-	-	(331,529)	(269)	(19,246)	(3,680)	-	-	(354,724)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-	-	-	-
Exchange difference	-	2,381	10,463	1,552	15,201	4,212	-	-	33,809

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31 March 2013	\$105,610	\$19,089,845	\$6,068,176	\$89,217	\$8,906,470	\$231,919	\$45,942	\$-	\$34,537,179
US\$									
								Construction in progress and prepayment for	
Depreciation and impairment:	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	Total
1 January 2013	\$3,543	\$583,924	\$211,016	\$3,013	\$293,816	\$7,390	\$963	\$-	\$1,103,665
Depreciation	-	7,567	4,365	82	4,299	373	578	-	17,264
Transfers	-	48,813	(1,048)	(146)	795	-	-	-	48,414
Disposal	-	-	(11,121)	(9)	(646)	(124)	-	-	(11,900)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-	-	-	-
Exchange difference	-	80	351	52	510	141	-	-	1,134
31 March 2013	\$3,543	\$640,384	\$203,563	\$2,992	\$298,774	\$7,780	\$1,541	\$-	\$1,158,577

NT\$

								Construction in progress and prepayment for	
Net book value	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	Total
31 March 2014	\$63,780,530	\$25,893,893	\$1,125,306	\$47,879	\$1,682,268	\$173,845	\$258,717	\$754,049	\$93,716,487
31 December 2013	\$72,091,484	\$28,360,131	\$1,120,928	\$29,212	\$1,654,458	\$185,749	\$278,112	\$768,297	\$104,488,371
31 March 2013	\$76,535,480	\$33,055,149	\$1,126,416	\$37,051	\$1,791,449	\$88,978	\$229,710	\$481,489	\$113,345,722
1 January 2013	\$76,532,276	\$33,319,329	\$1,044,591	\$34,509	\$1,765,914	\$91,073	\$246,938	\$426,058	\$113,460,688

US\$

								Construction in progress and prepayment for	
Net book value	Land	Building and construction	Computer equipment	Transport equipment	Other equipment	Leasehold improvement	Leased assets	real estate	Total
31 March 2014	\$2,094,599	\$850,374	\$36,957	\$1,572	\$55,246	\$5,709	\$8,496	\$24,764	\$3,077,717
31 December 2013	\$2,367,537	\$931,368	\$36,812	\$959	\$54,333	\$6,100	\$9,134	\$25,231	\$3,431,474
31 March 2013	\$2,567,443	\$1,108,861	\$37,785	\$1,243	\$60,097	\$2,985	\$7,706	\$16,152	\$3,802,272
1 January 2013	\$2,567,336	\$1,117,723	\$35,041	\$1,158	\$59,239	\$3,055	\$8,284	\$14,292	\$3,806,128

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- (1) No property and equipment were pledged as collaterals as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013.
- (2) Composition from property and equipment are building, air conditioning equipment and elevators, and the service life is limited and depreciated by straight-tine method within 3 to 60 years.

16.Intangible assets

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
1 January 2014	\$8,579,854	\$281,769	\$3,504,443	\$115,088	\$12,084,297	\$396,857
Addition-individual acquisition	-	-	44,838	1,473	44,838	1,473
Reduction	-	-	(18,182)	(597)	(18,182)	(597)
Transfer	-	-	20,906	687	20,906	687
Loss of control of the subsidiary transfers out	-	-	-	-	-	-
Exchange difference	5,919	194	377	12	6,296	206
31 March 2014	\$8,585,773	\$281,963	\$3,552,382	\$116,663	\$12,138,155	\$398,626

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cost:						
1 January 2013	\$8,571,250	\$287,529	\$3,552,107	\$119,158	\$12,123,357	\$406,687
Addition-individual acquisition	-	-	21,479	721	21,479	721
Reduction	-	-	(6,899)	(231)	(6,899)	(231)
Transfer	-	-	(47,142)	(1,581)	(47,142)	(1,581)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-
Exchange difference	7,811	262	8,313	279	16,124	541
31 March 2013	\$8,579,061	\$287,791	\$3,527,858	\$118,346	\$12,106,919	\$406,137

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
1 January 2014	\$-	\$-	\$2,860,865	\$93,953	\$2,860,865	\$93,953
Amortization	-	-	70,770	2,324	70,770	2,324
Reduction	-	-	(18,182)	(597)	(18,182)	(597)

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Transfer	-	-	(14,884)	(489)	(14,884)	(489)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-
Exchange difference	-	-	(761)	(25)	(761)	(25)
31 March 2014	\$-	\$-	\$2,897,808	\$95,166	\$2,897,808	\$95,166

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Amortization and impairment:						
1 January 2013	\$-	\$-	\$2,730,350	\$91,592	\$2,730,350	\$91,592
Amortization	-	-	81,291	2,727	81,291	2,727
Reduction	-	-	(6,899)	(231)	(6,899)	(231)
Transfer	-	-	(1,041)	(35)	(1,041)	(35)
Loss of control of the subsidiary transfers out	-	-	-	-	-	-
Exchange difference	-	-	(21,588)	(724)	(21,588)	(724)
31 March 2013	\$-	\$-	\$2,782,113	\$93,329	\$2,782,113	\$93,329

	Goodwill		Computer software		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Net Book value:						
31 March 2014	\$8,585,773	\$281,963	\$654,574	\$21,497	\$9,240,347	\$303,460
31 December 2013	\$8,579,854	\$281,769	\$643,578	\$21,135	\$9,223,432	\$302,904
31 March 2013	\$8,579,061	\$287,791	\$745,745	\$25,017	\$9,324,806	\$312,808
1 January 2013	\$8,571,250	\$287,529	\$821,757	\$27,566	\$9,393,007	\$315,095

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

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$23,012,374	\$755,743	\$27,290,672	\$914,873
Bond Investment	1,195,748	39,269	497,002	16,661
Security lending payables hedging	180,953	5,943	147,557	4,947
Security lending payables non-hedging	940,118	30,874	819,390	27,469
Total	\$25,329,193	\$831,829	\$28,754,621	\$963,950

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$23,514,366	\$788,808	\$7,582,664	\$261,021
Security lending payables hedging	142,598	4,784	287,312	9,890
Security lending payables non-hedging	720,217	24,160	1,216,370	41,872
Total	\$24,377,181	\$817,752	\$9,086,346	\$312,783

18. Commercial paper payables

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$10,990,000	\$360,920	\$10,050,000	\$336,909
Less: Discount on commercial paper payable	-	-	-	-
Total	\$10,990,000	\$360,920	\$10,050,000	\$336,909

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Commercial paper payable	\$3,360,000	\$112,714	\$5,540,000	\$190,706
Less: Discount on commercial paper payable	-	-	-	-
Total	\$3,360,000	\$112,714	\$5,540,000	\$190,706

As at 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, the average interest rates for the commercial paper payables were 0.58%~0.92%, 0.60%~0.97%, 0.70%~0.95% and 0.74%~0.93%, respectively.

19. Deposits

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Check deposits	\$13,348,915	\$438,388	\$16,080,928	\$539,086
Demand deposits	286,274,150	9,401,450	294,045,326	9,857,369
Demand savings deposits	642,038,001	21,084,992	618,233,159	20,725,215
Time deposits	665,579,666	21,858,117	655,284,136	21,967,286
Remittances	1,378,177	45,260	1,387,452	46,512
Total	\$1,608,618,909	\$52,828,207	\$1,585,031,001	\$53,135,468

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Check deposits	\$13,633,283	\$457,339	\$15,963,648	\$549,523
Demand deposits	239,102,585	8,020,885	249,757,411	8,597,501
Demand savings deposits	581,678,321	19,512,859	577,491,231	19,879,216
Time deposits	630,914,642	21,164,530	613,620,928	21,122,924
Remittances	1,358,535	45,573	1,559,758	53,692
Total	<u>\$1,466,687,366</u>	<u>\$49,201,186</u>	<u>\$1,458,392,976</u>	<u>\$50,202,856</u>

20. Bonds payable

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,313,629	\$40,000,000	\$1,340,932
Subordinated financial debentures	51,888,364	1,704,051	51,705,031	1,733,323
Discount on financial debentures	(14,573)	(479)	(16,366)	(548)
Valuation adjustment	639,584	21,005	728,548	24,423
Total	<u>\$92,513,375</u>	<u>\$3,038,206</u>	<u>\$92,417,213</u>	<u>\$3,098,130</u>

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subordinated bonds payable-net	\$40,000,000	\$1,341,831	\$40,000,000	\$1,376,936
Convertible bonds	7,600,200	254,955	7,412,199	255,153
Discount on convertible bonds	(86,659)	(2,907)	(99,823)	(3,436)
Subordinated financial debentures	41,680,478	1,398,205	41,438,544	1,426,456
Discount on financial debentures	(22,322)	(749)	(23,666)	(815)
Valuation adjustment	1,024,754	34,376	1,103,753	37,995
Total	<u>\$90,196,451</u>	<u>\$3,025,711</u>	<u>\$89,831,007</u>	<u>\$3,092,289</u>

(1) According to R.O.C GAAP No.34” Financial Instruments: Recognition and Measurement” and No.36” Financial Instruments: Disclosure and Presentation”, The Company recognized discount amortization expense of the second Euro convertible bonds issued by the Company in the amount of NT\$55,116 (US\$1,810) thousands for the year ended 31 December 2013. Loss on valuation of financial liabilities NT\$1,685,577 (US\$55,356) thousands and loss on disposal of financial liabilities NT\$85,139 (US\$2,796) thousands, which were recorded under “Interest Expense”, “Loss on valuation of financial liabilities at fair value through profit or loss” and “Loss on disposal of financial liabilities at fair value through profit or loss”, respectively.

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The Company did meet Early Redemption and announced for by exercising the conversion right of the second Euro convertible bonds issued by the Company from 29 October 2013.

On conversion of a convertible bond before maturity at 11 October 2013 of conversion is transferred to common stock 1,011,703 per share and the conversion price was set at NT\$35.51 per share. As of 8 November 2013, the Company distributed as share dividends NT\$0.678 (US\$0.02) per share and from 8 November 2013, the Company issued the second Unsecured Euro-Convertible bonds which exercise price was reduced from NT\$35.51(US\$1.17) dollars to the price of NT\$33.26(US\$1.09) dollars.

As of 28 November 2013, all the bondholders exercise the conversion right and its underlying stock was treasury stock of the Company 200,000 thousand shares which the shortage was paid in cash.

- (2) Cathay United Bank issued a 15-year US\$500,000 thousands subordinated financial debenture with a stated interest rate of 5.5% on 5 October 2005, and the interest is payable semiannually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures. Cathay United Bank has bought back the bonds amounting to US\$172,620 thousand on 12 May 2009.
- (3) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$1,200,000 (US\$39,409) 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\$32,841) 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\$91,954) thousands with a stated interest rate of 2.95% in October 2008, and the interest is payable quarterly.
- (6) Cathay United Bank issued an eight-year subordinated financial debentures totaling NT\$3,650,000 (US\$119,869) thousands with a stated interest rate of 2.42% in June 2009, and the interest is payable quarterly.
- (7) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$49,261) thousands with a stated interest rate of 2.60% in July 2009, and the interest is payable quarterly.

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- (8) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$3,850,000 (US\$126,437) thousands with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.
- (9) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$1,500,000 (US\$49,261) thousands with a stated interest rate of 1.72% in March 2011, and the interest is payable quarterly.
- (10) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$3,900,000 (US\$128,079) thousands with a stated interest rate of 1.65% in June 2011, and the interest is payable quarterly.
- (11) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$2,500,000 (US\$82,102) thousands with a stated interest rate of 1.72% in June 2011, and the interest is payable quarterly.
- (12) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$200,000 (US\$6,568) thousands with a stated interest rate of 1.48% in June 2012, and the interest is payable annually.
- (13) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$4,200,000 (US\$137,931) thousands with a stated interest rate of 1.65% in June 2012, and the interest is payable annually.
- (14) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$5,600,000 (US\$183,908) thousands with a stated interest rate of 1.65% in August 2012, and the interest is payable annually.
- (15) Cathay United Bank issued a seven-year subordinated financial debentures totaling NT\$100,000 (US\$3,284) thousands with a stated interest rate of 1.55% in April 2013, and the interest is payable annually.
- (16) Cathay United Bank issued a ten-year subordinated financial debentures totaling NT\$9,900,000 (US\$325,123) thousands with a stated interest rate of 1.70% in April 2013, and the interest is payable annually.
- (17) 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.

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21. Other financial liabilities

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$413,942,267	\$13,594,164	\$376,252,736	\$12,613,233
Principle received from the sale of structured products	44,674,808	1,467,153	36,113,309	1,210,637
Borrowed funds	-	-	31,849	1,068
Other financial liabilities	1,097,245	36,034	1,016,323	34,070
Total	\$459,714,320	\$15,097,351	\$413,414,217	\$13,859,008

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Separate account insurance products-liabilities	\$359,375,292	\$12,055,528	\$329,557,246	\$11,344,483
Principle received from the sale of structured products	18,165,655	609,382	17,340,691	596,926
Borrowed funds	78,019	2,617	85,500	2,943
Other financial liabilities	1,263,176	42,374	1,246,500	42,909
Total	\$378,882,142	\$12,709,901	\$348,229,937	\$11,987,261

22. Provisions

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$23,263,329	\$763,984	\$23,779,676	\$797,173
Reserve for life insurance liabilities	3,368,026,544	110,608,425	3,298,323,062	110,570,669
Special reserve	46,306,590	1,520,742	49,775,293	1,668,632
Reserve for claims	12,817,164	420,925	10,682,607	358,116
Premium deficiency reserve	20,139,590	661,399	19,872,859	666,204
Reserve for insurance contracts with feature of financial instruments	56,675,317	1,861,258	57,596,449	1,930,823
Foreign exchange volatility reserve	11,281,256	370,485	10,482,181	351,397
Reserve for Guarantees	114,837	3,771	24,892	835
Reserve for employee benefits liabilities	5,957,059	195,634	5,959,721	199,790
Contingent liabilities reserve	834,604	27,409	921,412	30,889
Other operating reserve	22,680	745	22,680	760
Total	\$3,545,438,970	\$116,434,777	\$3,477,440,832	\$116,575,288

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Unearned premium reserve	\$22,299,629	\$748,059	\$22,176,220	\$763,381
Reserve for life insurance liabilities	3,063,680,012	102,773,566	2,993,462,480	103,045,180
Special reserve	57,345,308	1,923,694	59,874,744	2,061,093
Reserve for claims	10,191,705	341,889	10,356,844	356,518
Premium deficiency reserve	18,962,181	636,101	17,198,784	592,041
Reserve for insurance contracts with feature of financial instruments	60,026,735	2,013,644	61,350,872	2,111,906
Foreign exchange volatility reserve	7,478,930	250,887	4,270,856	147,017
Reserve for Guarantees	24,892	835	24,892	857
Reserve for employee benefits liabilities	5,794,279	194,374	5,813,917	200,134
Contingent liabilities reserve	1,168,237	39,189	1,158,682	39,886
Other operating reserve	-	-	-	-
Total	\$3,246,971,908	\$108,922,238	\$3,175,688,291	\$109,318,013

(1) Life insurance subsidiaries

As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, the details and changes of insurance contracts and financial instruments with discretionary participation feature are summarized below:

A. Reserve for life insurance liabilities:

	2014.3.31(NT\$)			2014.3.31(US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	\$2,900,417,964	\$40,635,213	\$2,941,053,177	\$95,251,821	\$1,334,490	\$96,586,311
Injury insurance	7,921,625	-	7,921,625	260,152	-	260,152
Health insurance	326,441,597	-	326,441,597	10,720,578	-	10,720,578
Annuity insurance	1,238,298	90,245,436	91,483,734	40,667	2,963,725	3,004,392
Investment-linked insurance	1,063,119	-	1,063,119	34,914	-	34,914
Recover from major incident reserve	63,292	-	63,292	2,078	-	2,078
Total	\$3,237,145,895	\$130,880,649	\$3,368,026,544	\$106,310,210	\$4,298,215	\$110,608,425

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	2013.12.31(NT\$)			2013.12.31(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,830,815,643	\$41,698,426	\$2,872,514,069	\$94,898,277	\$1,397,869	\$96,296,146
Injury insurance	7,948,252	-	7,948,252	266,452	-	266,452
Health insurance	317,416,493	-	317,416,493	10,640,848	-	10,640,848
Annuity insurance	1,230,168	98,089,349	99,319,517	41,239	3,288,279	3,329,518
Investment-linked insurance	1,061,439	-	1,061,439	35,583	-	35,583
Recover from major incident reserve	63,292	-	63,292	2,122	-	2,122
Total	\$3,158,535,287	\$139,787,775	\$3,298,323,062	\$105,884,521	\$4,686,148	\$110,570,669

	2013.3.31(NT\$)			2013.3.31(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,609,640,088	\$44,565,261	\$2,654,205,349	\$87,542,439	\$1,494,977	\$89,037,416
Injury insurance	7,868,779	-	7,868,779	263,964	-	263,964
Health insurance	278,804,769	-	278,804,769	9,352,726	-	9,352,726
Annuity insurance	1,214,256	120,431,117	121,645,373	40,733	4,039,957	4,080,690
Investment-linked insurance	1,092,450	-	1,092,450	36,647	-	36,647
Recover from major incident reserve	63,292	-	63,292	2,123	-	2,123
Total	\$2,898,683,634	\$164,996,378	\$3,063,680,012	\$97,238,632	\$5,534,934	\$102,773,566

	2013.1.1(NT\$)			2013.1.1(US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Life insurance	\$2,543,865,959	\$44,435,855	\$2,588,301,814	\$87,568,535	\$1,529,634	\$89,098,169
Injury insurance	7,888,169	-	7,888,169	271,538	-	271,538
Health insurance	270,572,717	-	270,572,717	9,314,035	-	9,314,035
Annuity insurance	1,226,217	124,300,017	125,526,234	42,210	4,278,830	4,321,040
Investment-linked insurance	1,110,254	-	1,110,254	38,219	-	38,219
Recover from major incident reserve	63,292	-	63,292	2,179	-	2,179
Total	\$2,824,726,608	\$168,735,872	\$2,993,462,480	\$97,236,716	\$5,808,464	\$103,045,180

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Reserve for life insurance liabilities is summarized below:

	2014.1.1~2014.3.31 (NT\$)			2014.1.1~2014.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$3,158,535,287	\$139,787,775	\$3,298,323,062	\$103,728,581	\$4,590,732	\$108,319,313
Reserve	99,409,907	1,280,687	100,690,594	3,264,693	42,059	3,306,752
Recover	(28,019,305)	(10,551,949)	(38,571,254)	(920,174)	(346,534)	(1,266,708)
Losses (gains) on foreign exchange	7,220,006	364,136	7,584,142	237,110	11,958	249,068
Ending balance	\$3,237,145,895	\$130,880,649	\$3,368,026,544	\$106,310,210	\$4,298,215	\$110,608,425

	2013.1.1~2013.3.31 (NT\$)			2013.1.1~2013.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$2,824,726,608	\$168,735,872	\$2,993,462,480	\$94,757,685	\$5,660,378	\$100,418,063
Reserve	97,661,698	1,012,224	98,673,922	3,276,139	33,956	3,310,095
Recover	(29,101,982)	(4,974,176)	(34,076,158)	(976,249)	(166,863)	(1,143,112)
Losses (gains) on foreign exchange	5,397,310	222,458	5,619,768	181,057	7,463	188,520
Ending balance	\$2,898,683,634	\$164,996,378	\$3,063,680,012	\$97,238,632	\$5,534,934	\$102,773,566

B. Unearned premium reserve:

	2014.3.31 (NT\$)			2014.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$357,033	\$-	\$357,033	\$11,725	\$-	\$11,725
Individual injury insurance	4,585,454	-	4,585,454	150,590	-	150,590
Individual health insurance	6,137,937	-	6,137,937	201,574	-	201,574
Group insurance	1,018,977	-	1,018,977	33,464	-	33,464
Investment-linked insurance	109,966	-	109,966	3,611	-	3,611
Total	12,209,367	-	12,209,367	400,964	-	400,964
Less ceded unearned premium reserve:						
Individual life insurance	97,677	-	97,677	3,208	-	3,208
Individual injury insurance	149,916	-	149,916	4,923	-	4,923
Individual health insurance	60	-	60	2	-	2
Group insurance	389	-	389	13	-	13
Total	248,042	-	248,042	8,146	-	8,146
Net	\$11,961,325	\$-	\$11,961,325	\$392,818	\$-	\$392,818

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	2013.12.31 (NT\$)			2013.12.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$354,815	\$-	\$354,815	\$11,895	\$-	\$11,895
Individual injury insurance	4,695,925	-	4,695,925	157,423	-	157,423
Individual health insurance	6,457,104	-	6,457,104	216,463	-	216,463
Group insurance	946,897	-	946,897	31,743	-	31,743
Investment-linked insurance	111,466	-	111,466	3,737	-	3,737
Total	12,566,207	-	\$12,566,207	421,261	-	\$421,261
Less ceded unearned premium reserve:						
Individual life insurance	132,364	-	132,364	4,437	-	4,437
Individual injury insurance	151,009	-	151,009	5,063	-	5,063
Individual health insurance	6,151	-	6,151	206	-	206
Group insurance	32,458	-	32,458	1,088	-	1,088
Total	321,982	-	321,982	10,794	-	10,794
Net	\$12,244,225	\$-	\$12,244,225	\$410,467	\$-	\$410,467

	2013.3.31 (NT\$)			2013.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$296,625	\$-	\$296,625	\$9,951	\$-	\$9,951
Individual injury insurance	4,418,945	-	4,418,945	148,237	-	148,237
Individual health insurance	5,778,576	-	5,778,576	193,847	-	193,847
Group insurance	1,380,772	-	1,380,772	46,319	-	46,319
Investment-linked insurance	108,675	-	108,675	3,646	-	3,646
Total	11,983,593	-	11,983,593	402,000	-	402,000
Less ceded unearned premium reserve:						
Individual life insurance	3,299,995	-	3,299,995	110,701	-	110,701
Individual injury insurance	2,744,456	-	2,744,456	92,065	-	92,065
Individual health insurance	2,991	-	2,991	100	-	100
Group insurance	3,348	-	3,348	112	-	112
Total	6,050,790	-	6,050,790	202,978	-	202,978
Net	\$5,932,803	\$-	\$5,932,803	\$199,022	\$-	\$199,022

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	2012.12.31 (NT\$)			2012.12.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$286,321	\$-	\$286,321	\$9,856	\$-	\$9,856
Individual injury insurance	4,536,860	-	4,536,860	156,174	-	156,174
Individual health insurance	6,137,375	-	6,137,375	211,269	-	211,269
Group insurance	1,025,604	-	1,025,604	35,305	-	35,305
Investment-linked insurance	118,616	-	118,616	4,083	-	4,083
Total	12,104,776	-	12,104,776	416,687	-	416,687
Less ceded unearned premium reserve:						
Individual life insurance	3,686,674	-	3,686,674	126,907	-	126,907
Individual injury insurance	4,690,485	-	4,690,485	161,462	-	161,462
Individual health insurance	2,862	-	2,862	99	-	99
Group insurance	4,260	-	4,260	147	-	147
Total	8,384,281	-	8,384,281	288,615	-	288,615
Net	\$3,720,495	\$-	\$3,720,495	\$128,072	\$-	\$128,072

Unearned premium reserve is summarized below:

	2014.1.1~2014.3.31 (NT\$)			2014.1.1~2014.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$12,566,207	\$-	\$12,566,207	\$412,683	\$-	\$412,683
Reserve	12,024,663	-	12,024,663	394,899	-	394,899
Recover	(12,379,485)	-	(12,379,485)	(406,551)	-	(406,551)
Losses (gains) on foreign exchange	(2,018)	-	(2,018)	(66)	-	(66)
Ending balance	12,209,367	-	12,209,367	400,965	-	400,965
Less ceded unearned premium reserve:						
Beginning balance-Net	321,982	-	321,982	10,574	-	10,574
Increase	212	-	212	7	-	7
Decrease	(74,198)	-	(74,198)	(2,437)	-	(2,437)
Gain or loss on foreign exchange	46	-	46	2	-	2
Total	248,042	-	248,042	8,146	-	8,146
Ending balance-Net	\$11,961,325	\$-	\$11,961,325	\$392,819	\$-	\$392,819

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	2013.1.1~2013.3.31 (NT\$)			2013.1.1~2013.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$12,104,776	\$-	\$12,104,776	\$406,064	\$-	\$406,064
Reserve	11,794,972	-	11,794,972	395,672	-	395,672
Recover	(11,923,552)	-	(11,923,552)	(399,985)	-	(399,985)
Exchange	7,397	-	7,397	249	-	249
Ending balance	11,983,593	-	11,983,593	402,000	-	402,000
Less ceded unearned premium reserve:						
Beginning balance-Net	8,384,281	-	8,384,281	281,257	-	281,257
Increase	219	-	219	7	-	7
Decrease	(2,333,900)	-	(2,333,900)	(78,293)	-	(78,293)
Gain or loss on foreign exchange	190	-	190	7	-	7
Total	6,050,790	-	6,050,790	202,978	-	202,978
Ending balance-Net	\$5,932,803	\$-	\$5,932,803	\$199,022	-	\$199,022

C. Reserve for claims:

	2014.3.31 (NT\$)			2014.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid claim	\$126,135	\$797	\$126,932	\$4,142	\$26	\$4,168
— Unreported claim	-	-	-	-	-	-
Individual injury insurance	58,654	-	58,654	1,926	-	1,926
— Reported but not paid claim	120,717	-	120,717	3,965	-	3,965
— Unreported claim	-	-	-	-	-	-
Individual health insurance	1,175,134	-	1,175,134	38,592	-	38,592
— Reported but not paid claim	161,062	-	161,062	5,289	-	5,289
— Unreported claim	-	-	-	-	-	-
Group insurance	1,740,237	-	1,740,237	57,151	-	57,151
— Reported but not paid claim	88,615	-	88,615	2,910	-	2,910
— Unreported claim	-	-	-	-	-	-
Investment-linked insurance	1,339,996	-	1,339,996	44,007	-	44,007
— Reported but not paid claim	8,880	-	8,880	292	-	292
Total	4,819,430	797	4,820,227	158,274	26	158,300
Less ceded reserve for claims:						
Individual injury insurance	16,753	-	16,753	550	-	550
Net	\$4,802,677	\$797	\$4,803,474	\$157,724	\$26	\$157,750

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	2013.12.31 (NT\$)			2013.12.31 (US\$)		
	Insurance contract	Financial instruments with discretionary participation		Insurance contract	Financial instruments with discretionary participation	
		feature	Total		feature	Total
Individual life insurance						
— Reported but not paid claim	\$120,787	\$1,091	\$121,878	\$4,049	\$37	\$4,086
— Unreported claim	55,499	-	55,499	1,861	-	1,861
Individual injury insurance						
— Reported but not paid claim	104,922	-	104,922	3,517	-	3,517
— Unreported claim	1,136,476	-	1,136,476	38,098	-	38,098
Individual health insurance						
— Reported but not paid claim	161,210	-	161,210	5,404	-	5,404
— Unreported claim	1,668,718	-	1,668,718	55,941	-	55,941
Group insurance						
— Reported but not paid claim	133,679	-	133,679	4,481	-	4,481
— Unreported claim	1,254,846	-	1,254,846	42,067	-	42,067
Investment-linked insurance						
— Reported but not paid claim	3,856	-	3,856	129	-	129
Total	4,639,993	1,091	\$4,641,084	155,547	37	155,584
Less ceded reserve for claims:						
Individual injury insurance	16,875	-	16,875	566	-	566
Net	\$4,623,118	\$1,091	\$4,624,209	\$154,981	\$37	\$155,018
	2013.3.31 (NT\$)			2013.3.31 (US\$)		
	Insurance contract	Financial instruments with discretionary participation		Insurance contract	Financial instruments with discretionary participation	
		feature	Total		feature	Total
Individual life insurance						
— Reported but not paid claim	\$139,550	\$4,189	\$143,739	\$4,681	\$141	\$4,822
— Unreported claim	50,207	-	50,207	1,684	-	1,684
Individual injury insurance						
— Reported but not paid claim	186,898	-	186,898	6,270	-	6,270
— Unreported claim	-	-	-	-	-	-
Individual health insurance	972,832	-	972,832	32,634	-	32,634
— Reported but not paid claim	159,292	-	159,292	5,344	-	5,344
— Unreported claim	-	-	-	-	-	-
Group insurance	1,583,993	-	1,583,993	53,136	-	53,136
— Reported but not paid claim	90,949	-	90,949	3,051	-	3,051
— Unreported claim	-	-	-	-	-	-
Investment-linked insurance	1,378,164	-	1,378,164	46,232	-	46,232
— Reported but not paid claim	15,178	-	15,178	509	-	509
Total	4,577,063	4,189	4,581,252	153,541	141	153,682
Less ceded reserve for claims:						
Individual injury insurance	776,364	-	776,364	26,044	-	26,044
Net	\$3,800,699	\$4,189	\$3,804,888	\$127,497	\$141	\$127,638

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	2013.1.1 (NT\$)			2013.1.1 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance						
— Reported but not paid claim	\$110,006	\$797	\$110,803	\$3,787	\$27	\$3,814
— Unreported claim	52,108	-	52,108	1,794	-	1,794
Individual injury insurance						
— Reported but not paid claim	150,906	-	150,906	5,195	-	5,195
— Unreported claim	1,027,670	-	1,027,670	35,376	-	35,376
Individual health insurance						
— Reported but not paid claim	127,591	-	127,591	4,392	-	4,392
— Unreported claim	1,542,886	-	1,542,886	53,111	-	53,111
Group insurance						
— Reported but not paid claim	102,306	-	102,306	3,522	-	3,522
— Unreported claim	1,432,384	-	1,432,384	49,308	-	49,308
Investment-linked insurance						
— Reported but not paid claim	4,600	-	4,600	158	-	158
Total	4,550,457	797	4,551,254	156,643	27	156,670
Less ceded reserve for claims:						
Individual injury insurance	781,354	-	781,354	26,897	-	26,897
Net	\$3,769,103	\$797	\$3,769,900	\$129,746	\$27	\$129,773

Reserve for claims is summarized below:

	2014.1.1~2014.3.31 (NT\$)			2014.1.1~2014.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Beginning balance	\$4,639,993	\$1,091	\$4,641,084	\$152,381	\$36	\$152,417
Reserve	4,469,004	797	4,469,801	146,765	26	146,791
Recover	(4,285,870)	(1,091)	(4,286,961)	(140,751)	(36)	(140,787)
Gains (loss) on foreign exchange	(3,697)	-	(3,697)	(121)	-	(121)
Ending balance	4,819,430	797	4,820,227	158,274	26	158,300
Less ceded reserve for claims:						
Beginning balance-Net	16,875	-	16,875	554	-	554
Increase	17	-	17	1	-	1
Decrease	-	-	-	-	-	-
Gains (loss) on foreign exchange	(139)	-	(139)	(5)	-	(5)
Total	16,753	-	16,753	550	-	550
Net	\$4,802,677	\$797	\$4,803,474	\$157,724	\$26	\$157,750

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	2013.1.1~2013.3.31 (NT\$)			2013.1.1~2013.3.31 (US\$)		
	Insurance contract	Financial instruments with discretionary participation feature	Total	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$4,550,457	\$797	\$4,551,254	\$152,649	\$27	\$152,676
Reserve	4,248,676	4,189	4,252,865	142,525	141	142,666
Recover	(4,234,021)	(797)	(4,234,818)	(142,034)	(27)	(142,061)
Gains (loss) on foreign exchange	11,951	-	11,951	401	-	401
Ending balance	4,577,063	4,189	4,581,252	153,541	141	153,682
Less ceded reserve for claims:						
Beginning balance-Net	781,354	-	781,354	26,211	-	26,211
Increase	48	-	48	2	-	2
Decrease	(5,054)	-	(5,054)	(170)	-	(170)
Gains (loss) on foreign exchange	16	-	16	1	-	1
Total	776,364	-	776,364	26,044	-	26,044
Net	\$3,800,699	\$4,189	\$3,804,888	\$127,497	\$141	\$127,638

D. Special reserve:

	2014.3.31 (NT\$)				2014.3.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	\$2,205	\$-	\$-	\$2,205	\$72	\$-	\$-	\$72
Special reserve for revaluation increments of property	-	-	42,926,619	42,926,619	-	-	1,409,741	1,409,741
Others	1,783	-	-	1,783	59	-	-	59
Total	\$3,988	\$-	\$42,926,619	\$42,930,607	\$131	\$-	\$1,409,741	\$1,409,872

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	2013.12.31 (NT\$)				2013.12.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	\$1,931	\$-	\$-	\$1,931	\$65	\$-	\$-	\$65
Special reserve for revaluation increments of property	-	-	45,416,619	45,416,619	-	-	1,522,515	1,522,515
Others	1,751	-	-	1,751	58	-	-	58
Total	\$3,682	\$-	\$45,416,619	\$45,420,301	\$123	\$-	\$1,522,515	\$1,522,638

	2013.3.31 (NT\$)				2013.3.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Participating policies dividends reserve	\$2,328	\$-	\$-	\$2,328	\$78	\$-	\$-	\$78
Special reserve for revaluation increments of property	-	-	52,926,619	52,926,619	-	-	1,775,465	1,775,465
Others	527	-	-	527	18	-	-	18
Total	\$2,855	\$-	\$52,926,619	\$52,929,474	\$96	\$-	\$1,775,465	\$1,775,561

	2013.1.1 (NT\$)				2013.1.1 (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	\$1,970	\$-	\$-	\$1,970	\$68	\$-	\$-	\$68
Special reserve for revaluation increments of property	517	-	55,416,619	55,417,136	18	-	1,907,629	1,907,647
Others	-	-	-	-	-	-	-	-
Total	\$2,487	\$-	\$55,416,619	\$55,419,106	\$86	\$-	\$1,907,629	\$1,907,715

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Special reserve is summarized below:

	2014.1.1~2014.3.31 (NT\$)				2014.1.1~2014.3.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	\$3,682	\$-	\$45,416,619	\$45,420,301	\$121	\$-	\$1,491,514	\$1,491,635
Reserves for participating policies								
dividends reserve	274	-	-	274	9	-	-	9
Recover from special reserve for revaluation increments of property (Note)	-	-	(2,490,000)	(2,490,000)	-	-	(81,773)	(81,773)
Exchange difference	32	-	-	32	1	-	-	1
Ending balance	\$3,988	\$-	\$42,926,619	\$42,930,607	\$131	\$-	\$1,409,741	\$1,409,872

	2013.1.1~2013.3.31 (NT\$)				2013.1.1~2013.3.31 (US\$)			
	Insurance contract	Financial instruments with discretionary participation feature	Other	Total	Insurance contract	Financial instruments with discretionary participation feature	Other	Total
Beginning balance	\$2,487	\$-	\$55,416,619	\$55,419,106	\$84	\$-	\$1,858,994	\$1,859,078
Reserves for participating policies								
dividends reserve	358	-	-	358	12	-	-	\$12
Recover from special reserve for revaluation increments of property (Note)	-	-	(2,490,000)	(2,490,000)	-	-	(83,529)	\$(83,529)
Exchange difference	10	-	-	10	-	-	-	-
Ending balance	\$2,855	\$-	\$52,926,619	\$52,929,474	\$96	\$-	\$1,775,465	\$1,775,561

Note: According to the regulations established by the authorities on 29 January 2014 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.

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E. Prem deficiency reserve:

	2014.3.31 (NT\$)			2014.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$19,308,839	\$-	\$19,308,839	\$634,116	\$-	\$634,116
Individual health insurance	611,418	-	611,418	20,079	-	20,079
Group insurance	1,068	-	1,068	35	-	35
Total	\$19,921,325	\$-	\$19,921,325	\$654,230	\$-	\$654,230

	2013.12.31 (NT\$)			2013.12.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$19,012,225	\$-	\$19,012,225	\$637,352	\$-	\$637,352
Individual health insurance	615,791	-	615,791	20,643	-	20,643
Group insurance	1,237	-	1,237	42	-	42
Total	\$19,629,253	\$-	\$19,629,253	\$658,037	\$-	\$658,037

	2013.3.31 (NT\$)			2013.3.31 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$18,140,988	\$-	\$18,140,988	\$608,554	\$-	\$608,554
Individual health insurance	689,579	-	689,579	23,132	-	23,132
Group insurance	38,239	-	38,239	1,283	-	1,283
Total	\$18,868,806	\$-	\$18,868,806	\$632,969	\$-	\$632,969

	2013.1.1 (NT\$)			2013.1.1 (US\$)		
	Financial instruments with discretionary participation			Financial instruments with discretionary participation		
	Insurance contract	feature	Total	Insurance contract	feature	Total
Individual life insurance	\$16,389,516	\$-	\$16,389,516	\$564,183	\$-	\$564,183
Individual health insurance	690,546	-	690,546	23,771	-	23,771
Group insurance	41,573	-	41,573	1,431	-	1,431
Total	\$17,121,635	\$-	\$17,121,635	\$589,385	\$-	\$589,385

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Premium deficiency reserve is summarized below:

	2014.1.1~2014.3.31 (NT\$)			2014.1.1~2014.3.31 (US\$)		
	Financial instruments with discretionary participation		Total	Financial instruments with discretionary participation		Total
	Insurance contract	feature		Insurance contract	feature	
Beginning balance	\$19,629,253	\$-	\$19,629,253	\$644,639	\$-	\$644,639
Reserve	97,324	-	97,324	3,196	-	3,196
Recover	(48,099)	-	(48,099)	(1,580)	-	(1,580)
Losses (gains) on foreign exchange	242,847	-	242,847	7,975	-	7,975
Ending balance	\$19,921,325	\$-	\$19,921,325	\$654,230	\$-	\$654,230

	2013.1.1~2013.3.31 (NT\$)			2013.1.1~2013.3.31 (US\$)		
	Financial instruments with discretionary participation		Total	Financial instruments with discretionary participation		Total
	Insurance contract	feature		Insurance contract	feature	
Beginning balance	\$17,121,635	\$-	\$17,121,635	\$574,359	\$-	\$574,359
Reserve	1,530,276	-	1,530,276	51,334	-	51,334
Recover	-	-	-	-	-	-
Losses (gains) on foreign exchange	216,895	-	216,895	7,276	-	7,276
Ending balance	\$18,868,806	\$-	\$18,868,806	\$632,969	\$-	\$632,969

F. Liability adequacy reserve

	2014.3.31 (NT\$)	2014.3.31 (US\$)
Reserve for life insurance liabilities	\$3,368,026,544	\$110,608,425
Unearned premium reserve	12,209,367	400,964
Premium deficiency reserve	19,921,325	654,231
Total	\$3,400,157,236	\$111,663,620
Book value of insurance liabilities	\$3,400,157,236	\$111,663,620
Estimated present value of cash flows	\$2,700,409,222	\$88,683,390
Balance of liability adequacy reserve	\$-	\$-

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	2013.12.31 (NT\$)	2013.12.31 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,298,323,062	\$110,570,669
Unearned premium reserve	12,566,207	421,261
Premium deficiency reserve	19,629,253	658,037
Total	\$3,330,518,522	\$111,649,967
Book value of insurance liabilities	\$3,330,518,522	\$111,649,967
Estimated present value of cash flows	\$2,611,105,371	\$87,532,865
Balance of liability adequacy reserve	\$-	\$-
	2013.3.31 (NT\$)	2013.3.31 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$3,063,680,012	\$102,773,566
Unearned premium reserve	11,983,593	401,999
Premium deficiency reserve	18,868,806	632,969
Total	\$3,094,532,411	\$103,808,534
Book value of insurance liabilities	\$3,094,532,411	\$103,808,534
Estimated present value of cash flows	\$2,467,972,511	\$82,790,088
Balance of liability adequacy reserve	\$-	\$-
	2013.1.1 (NT\$)	2013.1.1 (US\$)
	Insurance contract and financial instruments with discretionary participation feature	Insurance contract and financial instruments with discretionary participation feature
Reserve for life insurance liabilities	\$2,993,462,480	\$103,045,180
Unearned premium reserve	12,104,776	416,687
Premium deficiency reserve	17,121,635	589,385
Total	\$3,022,688,891	\$104,051,252
Book value of insurance liabilities	\$3,022,688,891	\$104,051,252
Estimated present value of cash flows	\$2,176,699,004	\$74,929,398
Balance of liability adequacy reserve	\$-	\$-

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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 methodologies are listed as follows:

2014.3.31	
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 2014. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2013, with neutral assumption for discount rates after 30 years.

2013.12.31	
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 2013. (2) Discount rate: Under assets allocation plan on September 2013, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2012, with neutral assumption for discount rates after 30 years.

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	2013.3.31
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 2013. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2012, with neutral assumption for discount rates after 30 years.

	2013.1.1
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 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.

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

	2014.3.31
Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 March 2014. (2) Discount rate: Discount rates are calculated using the best estimated scenario investment return based on the actuary report of 2013, with neutral assumption for discount rates after 30 years.

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2013.12.31

Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 31 December 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.

2013.3.31

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

2013.1.1

Test method	Gross premium valuation method (GPV)
Groups	Integrated testing
Assumptions	(1) Information of policies: Including insurance contracts and financial instruments with discretionary participation feature as of 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.

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 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, reserve for insurance contract with feature of financial instruments is summarized below:

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

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Life insurance	\$56,674,643	\$1,861,236	\$57,595,990	\$1,930,808
Investment-linked insurance	674	22	459	15
Total	\$56,675,317	\$1,861,258	\$57,596,449	\$1,930,823

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Life insurance	\$60,026,515	\$2,013,637	\$61,350,872	\$2,111,906
Investment-linked insurance	220	7	-	-
Total	\$60,026,735	\$2,013,644	\$61,350,872	\$2,111,906

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$57,596,449	\$1,891,509	\$61,350,872	\$2,058,063
Premiums (returned) received	273,640	8,986	30,603	1,027
Insurance claim payments	(1,166,474)	(38,308)	(1,393,314)	(46,740)
Net provision of statutory reserve	10,445	343	(95,856)	(3,216)
Gain (losses) on foreign exchange	(38,743)	(1,272)	134,430	4,510
Ending balance	\$56,675,317	\$1,861,258	\$60,026,735	\$2,013,644

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:

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$10,482,181	\$344,243	\$4,270,856	\$143,269
Reserve:				
Compulsory reserve	674,417	22,148	561,388	18,833
Extra reserve	2,013,223	66,116	2,646,686	88,785
Subtotal	2,687,640	88,264	3,208,074	107,618
Recover	(1,888,565)	(62,022)	-	-
Total	\$11,281,256	\$370,485	\$7,478,930	\$250,887

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(C) Effects due to foreign exchange volatility reserve:

Item	2014.1.1~2014.3.31					
	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	13,016,440	427,469	12,353,208	405,688	(663,232)	(21,781)
Earnings per share	1.08	0.03	1.03	0.03	(0.05)	-
Foreign exchange volatility reserve	-	-	11,281,256	370,485	11,281,256	370,485
Equity	400,379,991	13,148,768	394,761,016	12,964,237	(5,618,975)	(184,531)

Item	2013.1.1~2013.3.31					
	Inapplicable amount (1)		Applicable amount (2)		Effects(3)= (2) - (1)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consolidated income	9,882,117	331,503	7,219,416	242,181	(2,662,701)	(89,322)
Earnings per share	0.85	0.03	0.62	0.02	(0.23)	(0.01)
Foreign exchange volatility reserve	-	-	7,478,930	250,887	7,478,930	250,887
Equity	333,191,240	11,177,163	330,728,196	11,094,538	(2,463,044)	(82,625)

(2) Century Insurance subsidiaries

A. Unearned premiums reserve

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

Item	2014.3.31							
	Unearned premium reserve				Ceded unearned premium reserve			
			Assumed reinsurance		Ceded reinsurance		Retained business	
	Direct business		business		business		business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,760,155	\$57,805	\$49,946	\$1,640	\$794,412	\$26,089	\$1,015,689	\$33,356
Marine insurance	126,907	4,168	13,099	430	105,840	3,476	34,166	1,122
Land and air insurance	3,694,220	121,321	5,221	171	173,426	5,695	3,526,015	115,797
Liability insurance	543,175	17,838	461	15	159,170	5,227	384,466	12,626
Bonding insurance	50,799	1,668	645	22	30,771	1,011	20,673	679
Other property insurance	1,454,811	47,777	27,408	900	580,034	19,049	902,185	29,628
Accident insurance	1,548,570	50,856	2,639	87	86,679	2,847	1,464,530	48,096
Health insurance	42,359	1,391	-	-	134	4	42,225	1,387
Compulsory automobile liability insurance	1,543,028	50,674	190,519	6,257	516,754	16,971	1,216,793	39,960
Total	\$10,764,024	\$353,498	\$289,938	\$9,522	\$2,447,220	\$80,369	\$8,606,742	\$282,651

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Item	Ceded unearned premium							
	Unearned premium reserve				reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$2,026,423	\$67,932	\$54,083	\$1,813	\$964,076	\$32,319	\$1,116,430	\$37,426
Marine insurance	139,775	4,686	14,955	501	104,044	3,488	50,686	1,699
Land and air insurance	3,590,802	120,376	8,625	289	178,898	5,997	3,420,529	114,668
Liability insurance	538,568	18,055	597	20	166,651	5,587	372,514	12,488
Bonding insurance	35,730	1,198	722	24	18,958	636	17,494	586
Other property insurance	1,477,530	49,532	30,213	1,013	475,846	15,952	1,031,897	34,593
Accident insurance	1,510,910	50,650	2,591	87	71,337	2,391	1,442,164	48,346
Health insurance	48,879	1,638	-	-	156	5	48,723	1,633
Compulsory automobile liability insurance	1,544,803	51,787	188,263	6,311	515,124	17,269	1,217,942	40,829
Total	\$10,913,420	\$365,854	\$300,049	\$10,058	\$2,495,090	\$83,644	\$8,718,379	\$292,268

2013.3.31

Item	Ceded unearned premium							
	Unearned premium reserve				reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,835,937	\$61,588	\$61,314	\$2,057	\$800,317	\$26,847	\$1,096,934	\$36,798
Marine insurance	217,194	7,286	20,565	690	184,883	6,202	52,876	1,774
Land and air insurance	3,325,795	111,567	9,862	331	150,416	5,046	3,185,241	106,852
Liability insurance	522,914	17,542	85	3	160,189	5,374	362,810	12,171
Bonding insurance	33,067	1,109	525	17	16,925	568	16,667	558
Other property insurance	1,154,119	38,716	12,852	431	507,778	17,034	659,193	22,113
Accident insurance	1,566,106	52,536	3,806	128	79,010	2,650	1,490,902	50,014
Health insurance	89,433	3,000	-	-	756	25	88,677	2,975
Compulsory automobile liability insurance	1,274,442	42,752	188,020	6,307	490,990	16,471	971,472	32,588
Total	\$10,019,007	\$336,096	\$297,029	\$9,964	\$2,391,264	\$80,217	\$7,924,772	\$265,843

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2013.1.1

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

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

2014.1.1~2014.3.31

Item	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
	Beginning balance	\$11,213,469	\$368,258	\$2,495,090
Reserve	11,063,711	363,341	2,448,590	80,413
Recover	(11,215,616)	(368,329)	(2,495,631)	(81,958)
Effects of exchange rate changes	(7,602)	(250)	(829)	(27)
Ending balance	\$11,053,962	\$363,020	\$2,447,220	\$80,369

2013.1.1~2013.3.31

Item	Unearned premium reserve		Ceded unearned premium reserve	
	NT\$	US\$	NT\$	US\$
	Beginning balance	\$10,071,444	\$337,855	\$2,547,036
Reserve	10,296,522	345,405	2,379,756	79,831
Recover	(10,097,186)	(338,718)	(2,538,609)	(85,160)
Effects of exchange rate changes	45,256	1,518	3,081	104
Ending balance	\$10,316,036	\$346,060	\$2,391,264	\$80,217

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B. Claims reserve

a. Claims reserve and ceded claims reserve

2014.3.31

Item	Claims reserve				Ceded claims reserve		Retained business (4)=(1)+(2)-(3)	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	(1)		(2)		(3)			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,767,041	\$123,712	\$308,448	\$10,130	\$1,218,879	\$40,029	\$2,856,610	\$93,813
Unreported claims	3,702,259	121,585	219,189	7,198	1,050,685	34,505	2,870,763	94,278
Total	\$7,469,300	\$245,297	\$527,637	\$17,328	\$2,269,564	\$74,534	\$5,727,373	\$188,091

2013.12.31

Item	Claims reserve				Ceded claims reserve		Retained business (4)=(1)+(2)-(3)	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	(1)		(2)		(3)			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,886,032	\$130,273	\$307,234	\$10,299	\$1,350,564	\$45,275	\$2,842,702	\$95,297
Unreported claims	1,789,128	59,977	59,129	1,983	313,203	10,500	1,535,054	51,460
Total	\$5,675,160	\$190,250	\$366,363	\$12,282	\$1,663,767	\$55,775	\$4,377,756	\$146,757

2013.3.31

Item	Claims reserve				Ceded claims reserve		Retained business (4)=(1)+(2)-(3)	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	(1)		(2)		(3)			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Claims reported but not paid off	\$3,741,313	\$125,505	\$252,802	\$8,481	\$1,432,636	\$48,059	\$2,561,479	\$85,927
Unreported claims	1,541,327	51,705	75,011	2,516	390,103	13,086	1,226,235	41,135
Total	\$5,282,640	\$177,210	\$327,813	\$10,997	\$1,822,739	\$61,145	\$3,787,714	\$127,062

2013.1.1

Item	Claims reserve				Ceded claims reserve		Retained business (4)=(1)+(2)-(3)	
	Direct business		Assumed reinsurance business		Ceded reinsurance business			
	(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

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b. Net changes for claims reserve and ceded claims reserve

2014.1.1 ~ 2014.3.31								
NT\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2) +(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)
Claims reported but not paid off	\$3,772,149	\$3,888,670	\$308,448	\$307,234	\$(115,307)	\$1,218,755	\$1,352,266	\$(133,511)
Unreported claims	3,707,376	1,789,669	219,214	59,139	2,077,782	1,052,032	313,333	738,699
Total	<u>\$7,479,525</u>	<u>\$5,678,339</u>	<u>\$527,662</u>	<u>\$366,373</u>	<u>\$1,962,475</u>	<u>\$2,270,787</u>	<u>\$1,665,599</u>	<u>\$605,188</u>
2014.1.1 ~ 2014.3.31								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2) +(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)
Claims reported but not paid off	\$123,880	\$127,707	\$10,130	\$10,090	\$(3,787)	\$40,025	\$44,409	\$(4,384)
Unreported claims	121,753	58,774	7,199	1,942	68,236	34,549	10,290	24,259
Total	<u>\$245,633</u>	<u>\$186,481</u>	<u>\$17,329</u>	<u>\$12,032</u>	<u>\$64,449</u>	<u>\$74,574</u>	<u>\$54,699</u>	<u>\$19,875</u>
2013.1.1 ~ 2013.3.31								
NT\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2) +(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)
Claims reported but not paid off	\$3,732,738	\$4,118,236	\$252,802	\$293,676	\$(426,372)	\$1,430,082	\$1,726,155	\$(296,073)
Unreported claims	1,537,028	1,365,832	74,986	39,581	206,601	389,144	291,177	97,967
Total	<u>\$5,269,766</u>	<u>\$5,484,068</u>	<u>\$327,788</u>	<u>\$333,257</u>	<u>\$(219,771)</u>	<u>\$1,819,226</u>	<u>\$2,017,332</u>	<u>\$(198,106)</u>
2013.1.1 ~ 2013.3.31								
US\$								
Item	Direct underwriting business		Assumed reinsurance business		Net change for claims reserve	Ceded reinsurance business		Net change for ceded claims reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2) +(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)
Claims reported but not paid off	\$125,218	\$138,149	\$8,481	\$9,852	\$(14,302)	\$47,973	\$57,905	\$(9,932)
Unreported claims	51,561	45,818	2,515	1,328	6,930	13,054	9,768	3,286
Total	<u>\$176,779</u>	<u>\$183,967</u>	<u>\$10,996</u>	<u>\$11,180</u>	<u>\$(7,372)</u>	<u>\$61,027</u>	<u>\$67,673</u>	<u>\$(6,646)</u>

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

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

Item	2014.3.31					
	Claims reserve					
	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$816,750	\$26,823	\$165,934	\$5,449	\$982,684	\$32,272
Marine insurance	612,965	20,130	197,854	6,498	810,819	26,628
Land and air insurance	944,866	31,030	696,229	22,865	1,641,095	53,895
Liability insurance	283,646	9,315	348,547	11,446	632,193	20,761
Bonding insurance	20,615	677	3,481	114	24,096	791
Other property insurance	653,664	21,467	238,493	7,832	892,157	29,299
Accident insurance	99,791	3,277	380,430	12,494	480,221	15,771
Health insurance	4,841	159	39,969	1,313	44,810	1,472
Compulsory automobile liability insurance	638,351	20,964	1,850,511	60,772	2,488,862	81,736
Total	\$4,075,489	\$133,842	\$3,921,448	\$128,783	\$7,996,937	\$262,625

Item	2013.12.31					
	Claims reserve					
	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$859,480	\$28,813	\$134,727	\$4,516	\$994,207	\$33,329
Marine insurance	621,182	20,824	176,133	5,905	797,315	26,729
Land and air insurance	820,143	27,494	620,039	20,786	1,440,182	48,280
Liability insurance	259,018	8,683	281,177	9,426	540,195	18,109
Bonding insurance	19,789	663	1,837	62	21,626	725
Other property insurance	654,657	21,946	189,141	6,341	843,798	28,287
Accident insurance	67,805	2,273	350,047	11,735	417,852	14,008
Health insurance	6,149	206	44,518	1,492	50,667	1,698
Compulsory automobile liability insurance	885,043	29,670	50,638	1,697	935,681	31,367
Total	\$4,193,266	\$140,572	\$1,848,257	\$61,960	\$6,041,523	\$202,532

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2013.3.31						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$912,599	\$30,614	\$41,081	\$1,378	\$953,680	\$31,992
Marine insurance	691,742	23,205	331,488	11,120	1,023,230	34,325
Land and air insurance	733,689	24,612	579,196	19,429	1,312,885	44,041
Liability insurance	250,715	8,410	321,740	10,793	572,455	19,203
Bonding insurance	18,490	620	1,747	59	20,237	679
Other property insurance	509,360	17,087	147,357	4,943	656,717	22,030
Accident insurance	57,773	1,938	148,788	4,991	206,561	6,929
Health insurance	7,467	251	22,555	757	30,022	1,008
Compulsory automobile liability insurance	812,280	27,249	22,386	751	834,666	28,000
Total	\$3,994,115	\$133,986	\$1,616,338	\$54,221	\$5,610,453	\$188,207

2013.1.1						
Claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,338,560	\$46,078	\$19,362	\$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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d. Reinsurance asset- ceded claims reserve for policyholder

2014.3.31						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$276,448	\$9,079	\$73,807	\$2,424	\$350,255	\$11,503
Marine insurance	420,599	13,813	145,043	4,763	565,642	18,576
Land and air insurance	55,495	1,823	17,005	558	72,500	2,381
Liability insurance	74,785	2,456	96,612	3,173	171,397	5,629
Bonding insurance	18,392	604	1,747	57	20,139	661
Other property insurance	194,253	6,379	23,951	787	218,204	7,166
Accident insurance	7,399	243	32,010	1,051	39,409	1,294
Health insurance	-	-	596	20	596	20
Compulsory automobile liability insurance	171,508	5,632	659,914	21,672	831,422	27,304
Total	\$1,218,879	\$40,029	\$1,050,685	\$34,505	\$2,269,564	\$74,534

2013.12.31						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$286,597	\$9,607	\$32,707	\$1,097	\$319,304	\$10,704
Marine insurance	439,425	14,731	121,983	4,089	561,408	18,820
Land and air insurance	61,353	2,057	17,045	571	78,398	2,628
Liability insurance	71,041	2,381	89,780	3,010	160,821	5,391
Bonding insurance	18,180	609	695	24	18,875	633
Other property insurance	181,717	6,092	13,811	463	195,528	6,555
Accident insurance	5,034	169	28,494	955	33,528	1,124
Health insurance	-	-	692	23	692	23
Compulsory automobile liability insurance	287,217	9,629	7,996	268	295,213	9,897
Total	\$1,350,564	\$45,275	\$313,203	\$10,500	\$1,663,767	\$55,775

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2013.3.31						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$333,561	\$11,190	\$9,411	\$316	\$342,972	\$11,506
Marine insurance	528,873	17,741	243,339	8,163	772,212	25,904
Land and air insurance	51,787	1,737	15,681	526	67,468	2,263
Liability insurance	65,127	2,185	82,085	2,753	147,212	4,938
Bonding insurance	18,069	606	1,027	34	19,096	640
Other property insurance	144,088	4,833	17,969	603	162,057	5,436
Accident insurance	3,148	106	12,640	424	15,788	530
Health insurance	-	-	301	10	301	10
Compulsory automobile liability insurance	287,983	9,661	7,650	257	295,633	9,918
Total	\$1,432,636	\$48,059	\$390,103	\$13,086	\$1,822,739	\$61,145

2013.1.1						
Ceded claims reserve						
Item	Claim reported but not paid off		Unreported claims		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$556,200	\$19,146	\$3,430	\$118	\$559,630	\$19,264
Marine insurance	614,236	21,144	133,937	4,610	748,173	25,754
Land and air insurance	42,156	1,451	11,765	405	53,921	1,856
Liability insurance	68,341	2,353	76,629	2,638	144,970	4,991
Bonding insurance	18,225	627	5,719	197	23,944	824
Other property insurance	152,278	5,242	18,356	632	170,634	5,874
Accident insurance	6,829	235	31,650	1,089	38,479	1,324
Health insurance	75	3	1,398	48	1,473	51
Compulsory automobile liability insurance	265,582	9,142	7,510	259	273,092	9,401
Total	\$1,723,922	\$59,343	\$290,394	\$9,996	\$2,014,316	\$69,339

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e. Reconciliation statement of claims reserve and ceded claims reserve

Item	2014.1.1~2014.3.31			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$6,041,523	\$198,408	\$1,663,767	\$54,639
Reserve	8,007,187	262,962	2,270,787	74,574
Recover	(6,044,712)	(198,513)	(1,665,599)	(54,699)
Effects of exchange rate changes	(7,061)	(232)	609	20
Ending balance	<u>\$7,996,937</u>	<u>\$262,625</u>	<u>\$2,269,564</u>	<u>\$74,534</u>

Item	2013.1.1~2013.3.31			
	Claims reserve		Ceded claims reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$5,805,590	\$194,753	\$2,014,316	\$67,572
Reserve	5,597,554	187,775	1,819,226	61,027
Recover	(5,817,325)	(195,147)	(2,017,332)	(67,673)
Effects of exchange rate changes	24,634	826	6,529	219
Ending balance	<u>\$5,610,453</u>	<u>\$188,207</u>	<u>\$1,822,739</u>	<u>\$61,145</u>

C. Special reserve

a. Special reserve - Compulsory automobile liability insurance

Item	2014.1.1 ~ 2014.3.31	
	NT\$	US\$
Beginning balance	\$2,225,672	\$73,093
Reserve	-	-
Recover	(979,009)	(32,151)
Ending balance	<u>\$1,246,663</u>	<u>\$40,942</u>

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

b. Special reserve - Non-compulsory automobile liability insurance

Item	2014.1.1 ~ 2014.3.31					
	Liability					
	Major incidents		Fluctuation of risks		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Beginning balance	\$1,094,341	\$35,939	\$1,034,979	\$33,989	\$2,129,320	\$69,928
Reserve	-	-	-	-	-	-
Recover	-	-	-	-	-	-
Ending balance	<u>\$1,094,341</u>	<u>\$35,939</u>	<u>\$1,034,979</u>	<u>\$33,989</u>	<u>\$2,129,320</u>	<u>\$69,928</u>

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

“Precautions of Strengthening Disaster Insurance of Property Insurance Industry(Commercial Earthquake and Typhoons Flood Insurance)”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Regulations for the Management of the Various Reserves for the nuclear Insurance”, and other reserve are not material impact on the Company's profit and earnings per share. The special reserve under liabilities are decrease 1,277,740 (US\$41,962) thousands and special earnings capital under equity are increase 488,862 (US\$16,055) thousands.

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D. Premiums deficiency reserve

a. Premiums deficiency reserve and ceded premium deficiency reserve

2014.3.31

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$1,593	\$52	\$33	\$1	\$-	\$-	\$1,626	\$53
Marine insurance	57	2	-	-	(3,960)	(130)	4,017	132
Land and air insurance	-	-	1,288	43	-	-	1,288	43
Liability insurance	21,830	717	17	1	3,458	114	18,389	604
Bonding insurance	89	3	-	-	19	-	70	3
Other property insurance	149,448	4,908	251	8	15,225	500	134,474	4,416
Accident insurance	-	-	74	2	-	-	74	2
Health insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	43,585	1,431	-	-	-	-	43,585	1,431
Total	\$216,602	\$7,113	\$1,663	\$55	\$14,742	\$484	\$203,523	\$6,684

2013.12.31

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$4,237	\$142	\$92	\$3	\$-	\$-	\$4,329	\$145
Marine insurance	160	5	2	-	(8,736)	(293)	8,898	298
Land and air insurance	-	-	377	13	(329)	(11)	706	24
Liability insurance	27,518	923	12	-	3,485	117	24,045	806
Bonding insurance	10,288	345	-	-	9,698	325	590	20
Other property insurance	161,090	5,400	424	15	-	-	161,514	5,415
Accident insurance	-	-	97	3	-	-	97	3
Health insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	39,309	1,318	-	-	-	-	39,309	1,318
Total	\$242,602	\$8,133	\$1,004	\$34	\$4,118	\$138	\$239,488	\$8,029

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2013.3.31

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained business	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$3,412	\$114	\$20	\$1	\$-	\$-	\$3,432	\$115
Marine insurance	8,333	280	922	31	(11,622)	(390)	20,877	701
Land and air insurance	-	-	5,775	194	-	-	5,775	194
Liability insurance	18,730	628	8	-	210	7	18,528	621
Bonding insurance	6,239	209	-	-	6,082	204	157	5
Other property insurance	42,058	1,411	313	10	20	1	42,351	1,420
Accident insurance	-	-	167	6	-	-	167	6
Health insurance	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	7,399	248	-	-	-	-	7,399	248
Total	\$86,171	\$2,890	\$7,205	\$242	\$(5,310)	\$(178)	\$98,686	\$3,310

2013.1.1

Item	Premiums deficiency reserve				Ceded premiums deficiency reserve			
	Direct business		Assumed reinsurance business		Ceded reinsurance business		Retained 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

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

Item	2014.1.1 ~ 2014.3.31								
	NT\$								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognized net loss (gain) for premiums deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover		
(1)	(2)	(3)	(4)	(5)=(1)-(2) +(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)	
Fire insurance	\$1,608	\$4,242	\$34	\$92	\$(2,692)	\$-	\$-	\$-	\$(2,692)
Marine insurance	57	160	-	2	(105)	(3,960)	(8,736)	4,776	(4,881)
Land and air insurance	-	-	1,288	377	911	-	(329)	329	582
Liability insurance	22,036	27,551	17	12	(5,510)	3,491	3,489	2	(5,512)
Bonding insurance	90	10,288	-	-	(10,198)	19	9,698	(9,679)	(519)
Other property insurance	150,861	161,282	253	425	(10,593)	15,369	-	15,369	(25,962)
Accident insurance	-	-	75	97	(22)	-	-	-	(22)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	43,998	\$39,356	-	-	4,642	-	-	-	4,642
Total	\$218,650	\$242,879	\$1,667	\$1,005	\$(23,567)	\$14,919	\$4,122	\$10,797	\$(34,364)

Item	2014.1.1 ~ 2014.3.31								
	US\$								
	Direct underwriting business		Assumed reinsurance business		Net change for premiums deficiency reserve	Ceded reinsurance business		Net change for ceded premiums deficiency reserve	Recognized net loss (gain) for premiums deficiency reserve
	Reserve	Recover	Reserve	Recover		Reserve	Recover		
(1)	(2)	(3)	(4)	(5)=(1)-(2) +(3)-(4)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(8)	
Fire insurance	\$53	\$139	\$1	\$3	\$(88)	\$-	\$-	\$-	\$(88)
Marine insurance	2	5	-	-	(3)	(130)	(287)	157	(160)
Land and air insurance	-	-	42	13	29	-	(10)	10	19
Liability insurance	723	905	1	-	(181)	114	114	-	(181)
Bonding insurance	3	338	-	-	(335)	1	318	(317)	(18)
Other property insurance	4,954	5,296	8	14	(348)	505	-	505	(853)
Accident insurance	-	-	3	3	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	1,445	1,293	-	-	152	-	-	-	152
Total	\$7,180	\$7,976	\$55	\$33	\$(774)	\$490	\$135	\$355	\$(1,129)

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2013.1.1 ~ 2013.3.31

Item	NT\$								
	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)	(8)	(9)		
Fire insurance	\$3,357	\$6,254	\$19	\$24	\$(2,902)	\$-	\$-	\$-	\$(2,902)
Marine insurance	8,331	9,325	922	726	(798)	(11,623)	(7,183)	(4,440)	3,642
Land and air insurance	-	-	5,775	9,319	(3,544)	-	-	-	(3,544)
Liability insurance	18,431	13,225	8	10	5,204	207	-	207	4,997
Bonding insurance	6,236	2,205	-	-	4,031	6,082	2,096	3,986	45
Other property insurance	41,385	36,132	308	441	5,120	20	34	(14)	5,134
Accident insurance	-	-	165	196	(31)	-	-	-	(31)
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	7,281	-	-	-	7,281	-	-	-	7,281
Total	\$85,021	\$67,141	\$7,197	\$10,716	\$14,361	\$(5,314)	\$(5,053)	\$(261)	\$14,622

2013.1.1 ~ 2013.3.31

Item	US\$								
	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)	(8)	(9)		
Fire insurance	\$113	\$210	\$1	\$1	\$(97)	\$-	\$-	\$-	\$(97)
Marine insurance	280	313	31	24	(26)	(390)	(241)	(149)	123
Land and air insurance	-	-	194	313	(119)	-	-	-	(119)
Liability insurance	618	444	-	-	174	7	-	7	167
Bonding insurance	209	74	-	-	135	204	70	134	1
Other property insurance	1,388	1,212	10	15	171	1	1	-	171
Accident insurance	-	-	6	6	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	244	-	-	-	244	-	-	-	244
Total	\$2,852	\$2,253	\$242	\$359	\$482	\$(178)	\$(170)	\$(8)	\$490

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

Item	2014.1.1 ~ 2014.3.31			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$243,606	\$8,000	\$4,118	\$135
Reserve	220,317	7,235	14,919	490
Recover	(243,884)	(8,009)	(4,122)	(135)
Effects of exchange rate changes	(1,774)	(58)	(173)	(6)
Ending balance	<u>\$218,265</u>	<u>\$7,168</u>	<u>\$14,742</u>	<u>\$484</u>

Item	2013.1.1 ~ 2013.3.31			
	Premiums deficiency reserve		Ceded premiums deficiency reserve	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$77,149	\$2,588	\$(5,055)	\$(170)
Reserve	92,218	3,094	(5,314)	(178)
Recover	(77,857)	(2,612)	5,053	170
Effects of exchange rate changes	1,866	62	6	-
Ending balance	<u>\$93,376</u>	<u>\$3,132</u>	<u>\$(5,310)</u>	<u>\$(178)</u>

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 was referred to the data in the past three years, spectacular compensation case and the trend of loss. The expected operation expense ratio was referred to the insurance expense statements in the past three years exclude entertainment expense and membership fee. The actual ratio of return on investment may not be the same as the expected ratio due to the uncertainty of estimation and assumption.

23. Post-employment benefits

(1) Defined contribution plans

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in a specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, the fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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

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

The Group recognized expenses for defined contribution plan for the three-month periods ended 31 March 2014 and 2013, amounted to NT\$399,563 (US\$13,122) thousands and NT\$408,296 (US\$13,697) thousands, respectively.

(2) Defined benefit plans

The Group recognized expenses for defined benefit plans for the three-month periods ended 31 March 2014 and 2013, amounted to NT\$105,030 (US\$3,449) thousands and NT\$143,854 (US\$4,826) thousands, respectively, and were recorded as "Employee benefits expenses".

(3) Employee preferential interest deposit plan

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

Expenses under preferential interest rate deposits plan amounted to NT\$76,688 (US\$2,518) thousands and NT\$71,338 (US\$2,393) thousands, respectively, were recognized for the three-month periods ended 31 March 2014 and 2013, respectively, and were recorded as "Employee benefits expenses".

24.Common stock

- (1) As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, the authorized share capital amounted to NT\$120,000,000 (US\$3,940,887) thousands, and the issued share capital amounted NT\$119,649,621 (US\$3,929,380) thousands, NT\$119,649,621 (US\$4,011,050) thousands, NT\$108,653,851 (US\$3,644,879) thousands, and NT\$108,653,851 (US\$3,740,236) thousands, respectively.

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- (2) The Company increased its capital by NT\$5,982,481 thousands was resolved by the Company's board of directors (according to the Company Act, the board of directors acted on behalf of the Company's shareholders) on 21 April 2014 and pending approval by the Financial Supervisory Commission.
- (3) The recapitalization of cash by issuing 353,000 thousand shares with par value of NT\$10 (US\$0.33) was resolved at the Company's shareholders' meeting on 24 May 2013 and approved by the Financial Supervisory commission on 17 June 2013. The company set the issue par value at NT\$36 (US\$1.18). the authorized share capital amounted to NT\$12,708,000(US\$417,340) thousands, and the recapitalization record date was 9 September 2013.
- (4) The recapitalization of undistributed earnings of NT\$ 7,465,770 (US\$245,181) thousands by issuing 746,577 thousand shares with par value of NT\$10 (US\$0.33) was resolved at the Company's shareholders' meeting on 14 June 2013. Approved by the Financial Supervisory commission on 3 October 2013, and the recapitalization record date was 8 November 2013.
- (5) On 31 December 2001, the Company listed its shares on Taiwan Stock Exchange Corporation (TWSE) in accordance with relevant regulations. On 29 July 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs).

25.Capital surplus

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$85,126,187	2,795,605	\$85,126,187	\$2,853,711
Treasury share transactions	2,539,377	83,395	2,539,377	85,128
Value difference between price of subsidiary stock paid and book value	29,142	957	29,142	977
Additional paid-in capital-Employee stock option	203,408	6,680	203,408	6,819
Convertible bonds to convert	1,144,486	37,586	1,144,486	38,367
Others	20,584	676	20,584	690
Total	\$89,063,184	\$2,924,899	\$89,063,184	\$2,985,692

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Additional paid-in capital	\$75,948,187	\$2,547,742	\$75,948,187	\$2,614,395
Treasury share transactions	2,539,377	85,185	2,539,377	87,414
Others	20,584	691	20,584	709
Total	<u>\$78,508,148</u>	<u>\$2,633,618</u>	<u>\$78,508,148</u>	<u>\$2,702,518</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\$89,063,184 (US\$2,924,899) 、 NT\$89,063,184 (US\$2,985,692) 、 NT\$78,508,148 (US\$2,633,618) 、 NT\$78,508,148 (US\$2,702,518) thousands as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted to NT\$267,215 (US\$8,776) thousands were included in the capital surplus as of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013.
- (2) The capital surplus of par value through the conversion of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of capital surplus from the share exchange which comes from the original financial institution's undistributed earnings is allowed to be distributed as cash dividends or to be capitalized.
- (3) According to the statutory regulations, capital reserves are exclusively used to compensate the company's deficit. When the company has surplus, the capital reserves generated from the premium of stock issuance in excess of par value and from donation received may be capitalized in certain proportion to actual receipt capital. The capital reserves mentioned previously also are allowed to be distributed in cash in the proportion to the original shares held by stockholders.

26.Retained earnings

- (1) Legal reserve

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

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On 21 April 2014, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of NT\$2,861,628 (US\$93,978) thousands. On 30 April 2013, the Company's board of directors, acting on behalf of the shareholders, resolved to recognize the legal capital reserves of NT\$1,700,174 (US\$55,835) thousands.

(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.
- 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. The Company appropriated to the special reserve an amount of NT\$333,598 (US\$10,956) thousands on 31 December 2011.
- C. According to IFRS 4, the probable future settlements of claims stemmed from insurance contracts which do not exist at the balance sheet date shall not be recognized as liabilities. The special reserves made in conformity with the Regulations Governing the Preparation of Covered Reserve by Insurance Enterprises as liabilities prior to 31 December 2012 should be reclassified to special reserves under retained earnings by the after-tax amounts on 1 January 2013 after adopting IFRS 12. To maintain the consistency and continuity of comparative financial statements, the Group should make retrospective adjustments back to 1 January 2012. As of 1 January 2012, the Group classified as special reserves for catastrophic events and potential hazards recorded as insurance liabilities by NT\$9,022,812 (US\$296,316) thousands, in addition to remain it one-half and reclassify to foreign exchange volatility reserve on 1 March 2012, or reserve net of tax needs to be recorded in special capital reserve NT\$4,511,405 (US\$148,158) thousands under retained earnings amount to NT\$3,744,467 (US\$122,971) thousands. The Company appropriated to the special reserve an amount of NT\$3,744,467 (US\$122,971) thousands on 31 December 2013.

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- D. Cathay Life has elected to use the fair value of certain investment properties on the transition date to TIFRS as their deemed costs. In accordance with Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the incremental value from fair value revaluation can be used to offset the negative impact from transition and shall be set aside an equal amount of retained earnings; the residual amount should be recognized under special reserve. According to Order No. 10202508140 issued by Insurance Bureau, the abovementioned amount NT\$2,994,565 (US\$98,344) thousands shall be set aside under special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-10102508861. The Company appropriated to the special reserve an amount of NT\$2,994,565 (US\$98,344) thousands on 31 December 2013.
- E. In 2014, changed the subsequent measurement of investment properties from cost model to fair value model. According to Order No. Financial-Supervisory-Securities-Corporate-1030006415, on the first-time adoption of fair value model for investment properties subsequent measurement, shall set aside an equal amount of special reserve when transfer the fair value increment of investment properties to retained earnings. The Company appropriated to the special reserve an amount of NT\$75,242,150 (US\$2,471,007) thousands on 31 December 2013. As of 31 March 2014, the special reserves amounted to NT\$75,221,988 (US\$2,470,344) thousands.
- E. On 21 April 2014, the Company's board of directors, acting on behalf of the shareholders, resolved to use the special capital reserves to offset the cumulative deficits amounting to NT\$1,684,327 (US\$55,315) thousands after recognizing special capital reserves of NT\$14,144,966 (US\$464,531) thousands, among which special reserves for major incidents and special reserves for fluctuation of risks in the amount of NT\$1,439,845 (US\$47,286) thousands had been recognized at the end of 2013 in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." The resolution was authorized by Financial Supervisory Commission on 22 April 2014.
- F. 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 31 March 2014, the reserves amounted to NT\$1,364,645 (US\$44,816) thousands.

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(3) Undistributed earnings

- A. According to Article 30 of the Company's Articles of Incorporation, 10% of the Company's annual earnings, after paying tax and offsetting losses from previously years, if any, shall be appropriated as legal reserve and then 0.01%~0.05% of the remaining amount for employees' bonus. Finally, the remainder after deducting the aforementioned items must be appropriated in accordance with the resolutions passed at the shareholders' meeting.
- B. The Company is required to pay 10% surtax in the forthcoming tax year for undistributed earnings.
- C. When distributing distributable earnings, 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 year ended 31 December 2014 and 2013 were NT\$825 (US\$27) thousands、NT\$1,350 (US\$45) thousands 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 2013 and 2012 earnings distribution and dividends per share as approved by the board of directors and the shareholders' meeting on 29 April 2014 and 14 June 2013, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2013.1.1~ 2013.12.31	2012.1.1~ 2012.12.31	2013.1.1~ 2013.12.31	2012.1.1~ 2012.12.31
Legal reserve	\$2,861,628	\$1,700,174	\$-	\$-
Common stock -cash dividend	17,947,443	7,465,770	1.5	0.7
Common stock-stock dividend	5,982,481	7,465,770	0.5	0.7
Directors' remuneration	3,300	5,400	-	-
Employee bonus—cash	2,394	1,494	-	-

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	Appropriation of earnings		Dividend per share (US\$)	
	2013.1.1~ 2013.12.31	2012.1.1~ 2012.12.31	2013.1.1~ 2013.12.31	2012.1.1~ 2012.12.31
Legal reserve	\$95,931	\$58,526	\$-	\$-
Common stock -cash dividend	601,657	256,997	0.05	0.02
Common stock-stock dividend	200,552	256,997	0.02	0.02
Directors' remuneration	111	186	-	-
Employee bonus — cash	80	51	-	-

There is no significant difference between the actual employee bonuses and remuneration to directors and supervisors distributed from the 2012's earnings and the estimated amount in the financial statements for the year ended 2012.

F. Information regarding the board of directors' recommendations and shareholders' approval regarding the employee bonuses and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of TWSE.

27. Treasury stock

As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, the amount and share number of treasury stocks were NT\$0(US\$0) thousands, NT\$0(US\$0) thousands, NT\$7,179,872 (US\$240,854) thousands, and NT\$7,179,872 (US\$247,156) thousands, and 0 thousands shares, 0 thousands shares, 200,000 thousands shares and 200,000 thousands shares, respectively.

28. Non-Controlling Interests

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Beginning balance	\$4,180,338	137,286	\$3,751,614	125,851
Net income attributed to non-controlling interests	68,128	2,237	135,251	4,537
Other comprehensive income attributed to non-controlling interests:				
Exchange differences resulting from translating the financial statements of a foreign operation	57,374	1,884	99,409	3,335
Unrealized gains from available-for-sale financial assets	12,721	418	15,726	527
The movement of non-controlling interests	-	-	618	21
Ending balance	\$4,318,561	141,825	\$4,002,618	134,271

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29. Employee benefits, depreciation and amortization

Summary statement of employee benefits and depreciation expenses breakdown:

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Employee benefits expense				
Salary and wages	\$6,545,658	214,964	\$6,590,703	221,090
Labor and health insurance	820,888	26,959	975,284	32,717
Pension expense	439,317	14,427	487,171	16,343
Other employee benefits	558,245	18,333	542,969	18,214
Depreciation	554,568	18,212	627,099	21,037
Amortization	70,982	2,331	71,356	2,394

30. The Components of other comprehensive income

For the three-month periods ended 31 March 2014

	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	\$286,489	\$-	\$286,489	\$(40,442)	\$246,047
Unrealized gains (losses) from available-for-sale financial assets	11,166,028	(9,875,666)	1,290,362	589,644	1,880,006
Gains (losses) on cash flow hedges	62,083	(137,933)	(75,850)	12,744	(63,106)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	7,053	-	7,053	-	7,053
Revaluation profit	902,335	-	902,335	(74,726)	827,609
Total	\$12,423,988	\$(10,013,599)	\$2,410,389	\$487,220	\$2,897,609

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	US\$				
	Arising during the period	Reclassificatio n 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	\$9,409	\$-	\$9,409	\$(1,328)	\$8,080
Unrealized gains (losses) from available-for-sale financial assets	366,700	(324,324)	42,376	19,364	61,741
Gains (losses) on cash flow hedges	2,039	(4,530)	(2,491)	419	(2,072)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	232	-	232	-	232
Revaluation profit	29,633	-	29,633	(2,454)	27,179
Total	\$408,013	\$(328,854)	\$79,159	\$16,001	\$95,160

For the three-month periods ended 31 March 2013

	NT\$				
	Arising during the period	Reclassificatio n adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$532,192	\$-	\$532,192	\$(51,492)	\$480,700
Unrealized gains (losses) from available-for-sale financial assets	4,140,429	(4,172,764)	(32,335)	(187,843)	(220,178)
Gains (losses) on cash flow hedges	(8,765)	(191,152)	(199,917)	33,841	(166,076)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	22,403	-	22,403	-	22,403
Total	\$4,686,259	\$(4,363,916)	\$322,343	\$(205,494)	\$116,849

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	US\$				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$17,853	\$-	\$17,853	\$(1,727)	\$16,125
Unrealized gains (losses) from available-for-sale financial assets	138,894	(139,979)	(1,085)	(6,301)	(7,386)
Gains (losses) on cash flow hedges	(294)	(6,412)	(6,706)	1,135	(5,571)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	751	-	751	-	752
Total	\$157,204	\$(146,391)	\$10,813	\$(6,893)	\$3,920

31. Income taxes

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

Income tax expense (income) recognized in profit or loss

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Current income tax expense (income):				
Current income tax charge	\$850,814	\$27,941	\$745,072	\$24,994
Adjustments in respect of current income tax of prior periods	(144,834)	(4,757)	95,092	3,190
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,796,749	124,688	144,668	4,853
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(4,180,215)	(137,281)	(60,182)	(2,019)
Other	(16,181)	(531)	(89,426)	(3,000)
Total income tax expense (income)	\$306,333	\$(10,060)	\$835,224	\$28,018

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Income tax relating to components of other comprehensive income

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Deferred tax expense (income):				
Exchange difference resulting from translating the financial statements of a foreign operation	\$40,442	\$1,328	\$51,492	\$1,727
Unrealized gains (losses) from available-for-sale financial assets	(589,644)	(19,364)	187,843	6,301
Loss on cash flow hedges	(12,744)	(419)	(33,841)	(1,135)
Revaluation profit	74,726	2,454	-	-
Income tax relating to components of other comprehensive income	<u>\$ (487,220)</u>	<u>\$ (16,001)</u>	<u>\$ 205,494</u>	<u>\$ 6,893</u>

(2) Income tax returns:

		2014.3.31
		Income tax returns examined by tax authorities
		Notes
The Company	through 2008	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 2008	Cathay Life re-examination of 2003 tax return, and was in the process of administrative litigation procedure for 2006 and 2007 tax returns.
Cathay United Bank	through 2008	Cathay United Bank was in the process of administrative litigation procedure for 2006 and 2007.
Cathay Century	through 2008	Cathay Century was in the process of administrative litigation procedure for 2006 and 2007.
Cathay Securities	through 2008	Cathay Securities was in the process of administrative remedy for 2007 tax returns.
Cathay Venture	through 2009	-
Cathay Securities Investment Trust	through 2011	Cathay Security Investment Trust has not been examined for 2009 tax return.
Cathay Futures	through 2011	-

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.

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(3) Information related to imputation credit account:

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$702,818	\$23,081	\$702,818	\$23,561

	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$1,665,811	\$55,881	\$1,665,811	\$57,343

The Company's cash dividends-imputed and stock dividends-imputed tax credit ratio applied to actual distribution was 2.48% and 2.48% in 2013, respectively. And the cash dividends-imputed and stock dividends-imputed tax credit rate applied to actual distribution was 18.68% and 20.66% in 2012, respectively.

Undistributed earnings occurred before 1997 in the amount of NT\$267,215 (US\$8,776) 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.

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand)	\$12,285,080	\$403,451	\$7,084,165	\$237,644
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	11,964,962	392,938	11,411,962	382,823
Basic earnings per share	\$1.03	\$0.03	\$0.62	\$0.02

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- (1) 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.
- (2) The diluted earnings per share for the year ended 31 March 2014 had an antidilutive effect; as a result, diluted earnings per share was not calculated

33. Business combinations

Cathay Life and Cathay Venture disposed the subsidiaries of Symphox Information Co., Ltd.'s investment of equity in 11% and 39.88% during the November 2013, respectively. As of December 2013, Symphox Information Co., Ltd. excluded from condensed consolidated financial statements.

Cathay United Bank acquired 70% of the voting shares of CUBC Bank 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. CUBC Bank was incorporated in Cambodia, mainly engaged in the wholesale banking business.

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

34. Information of insurance contract

- (1) Life insurance subsidiaries

Risk management objectives, policies, procedures and methods:

A. Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, to ensure assets safety, to increase shareholder value, and to comply with any and all applicable regulations for the purpose of steady growth and sustainable management.

B. Framework of risk management, organization structure and responsibilities

(A) Board of directors

- a. The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and allocate resources in the most effective manner.

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- b. The board of directors and senior management should promote and execute risk management policies and standards. Furthermore, they should keep the policies and standards in line with Cathay Life's operational objective and strategy.
- c. The board of directors should acknowledge the risk arising from daily 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 limits by other departments.

(B) Risk management committee

- a. The committee should develop the risk management policies, framework and organizational function and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing such policies and standards to the board regularly and making necessary suggestions for improvement.
- b. The committee should execute the risk management decisions set by the board of directors and evaluate the results of developing and executing risk management mechanisms.
- c. The committee should assist and monitor the risk management activities.
- d. The committee should adjust the risk category, risk limits and risk taking tendency according to the change of the environment.
- e. The committee should enhance cross-department interaction and communication.

(C) Chief Risk Officer

- a. The Chief Risk Officer should maintain independence and can't concurrently hold a post in business, financial, or other profit generating units.
- b. The Chief Risk Officer has the right to obtain all business information that may have an impact on the company's risk framework.

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- c. The Chief Risk Officer should take the responsibility for integral risk management of the company.
- d. The Chief Risk Officer should participate in the company's important decisions and express opinions on risk management.
- e. Risk management department
 - (a) The department is responsible for monitoring, measuring and evaluating daily risks and should perform its duties independently.
 - (b) The department should perform the following functions with regard to different business activities:
 - Propose and execute the risk management policies set by the board of directors.
 - Suggest the risk limits based on risk appetite.
 - Summarize the risk information provided by all departments, facilitate the execution of the policies and discuss the risk limits with departments respectively.
 - Regularly generate risk management related reports.
 - Regularly review all department's risk limits and cope with the violation of such limits.
 - Execute stress testing.
 - Execute back testing if necessary.
 - Manage other risk management issues.

(D) Operating departments

- a. Managers of the operating departments shall:
 - (a) be responsible for such department's daily risk management reporting and report issues if necessary; and
 - (b) urge the disclosure of risk management information regularly to the risk management department.

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b. Operating departments shall:

- (a) identify and measure risks and report risk exposure and potential influence against Cathay Life on time;
- (b) regularly review the risk limits. Any excess of such limits should be reported along with any actions taken against such excess;
- (c) assist with developing the risk model and to ensure that the risk measurement, the model application and the assumptions behind the model are reasonable and consistent;
- (d) ensure that internal control operates effectively to comply with relevant regulations and Cathay Life's risk management policies; and
- (e) assist in risk management data collection.

(E) Audit department

The department is required to audit all departments and to figure out the status of risk management policies execution pursuant to the relevant regulations and Cathay Life's risk management policies.

C. The scope and types of risk assessment and reporting

Cathay Life's procedures for risk management include risk identification, risk measurement, risk control process and risk management reporting. Cathay Life sets its risk management standards for a broad variety of risks as specified below, i.e. market risk, credit risk, sovereign risk, liquidity risk, operation risk, insurance risk, and assets/liability matching risk as well as for the capital adequacy. Cathay Life also monitors Cathay Life's risks and regularly provides the risk management reports.

(A) Market risk

This risk can be defined as the risk of losses in value of Cathay Life's financial assets arising from adverse movements in market prices of financial instruments. Cathay Life applies one-week 95% and 99% value-at-risk (VaR) to measuring market risk. Cathay Life also uses back testing regularly to ensure the accuracy of the market risk model. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluating the changes in the value of certain asset groups due to significant domestic and/or international events. In response to the enforcement of foreign exchange volatility reserve, Cathay Life determines the ceiling of foreign exchange risk, implements early warning system and also monitors the foreign exchange risk regularly.

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(B) Credit risk

This risk refers to Cathay Life's losses 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 testing to evaluate the changes in the value of the asset groups due to significant domestic and/or international events.

(C) Sovereign risk

It means that Cathay Life suffers losses from investment in a specific country as a consequence of market price fluctuation or government's default stemming from local political and/or economic situations. Cathay Life takes international credit rating agencies' ratings and other economic indexes into consideration to measure the sovereign risk and to set the investment ceiling for specific countries. Cathay Life reviews and adjusts the ceiling on a regular basis.

(D) Liquidity risk

Liquidity risk includes 'funding liquidity risk' and 'market liquidity risk'. The former is the risk of insufficient funding to meet Cathay Life's commitment when due. Cathay Life uses current ratio to measure funding liquidity risk and maintains 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 regularly. They also set the annual assets allocation plan to better maintain the liquidity of funding. 'Market liquidity risk' occurs when drastic change of market price is triggered by market turmoil or lack of market depth. All investment departments have evaluated the market trading volumes and adequacy of holding positions based on the characteristics and objectives of current investment portfolio.

(E) Operating risk

This risk occurs when there are errors caused by internal processes, employees, system breakdowns or external issues such as the legislative risk; however, the strategic risk and the reputation risk are excluded. Cathay Life had set the standard operating procedures based on all characteristics of operations and established losses reporting system as well to manage operating risk losses information.

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(F) Insurance risk

Cathay Life assumes that certain risks transfer from policy holders to Cathay Life after collecting premiums from policy holders and, as a result, Cathay Life may bear a loss for paying a claim due to unexpected changes. This risk generally happens because of the policy design, pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

(G) Asset and liability matching risk

It happens when the changes in the value of assets and liabilities are not equal. Cathay Life measures the risk with capital costs, duration, cash flow management and scenario analysis.

(H) Risk-based capital (RBC) ratio

The RBC ratio regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies is the total capital of Cathay Life divided by Cathay Life's risk-based capital. Cathay Life regards such ratio as an indicator for capital adequacy.

D. The process of assuming, measuring, monitoring and controlling risks and the way to determine a proper risk classification, a premium level and underwriting policies

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

- a. Promulgate Cathay Life's risk management standards including the definitions and range of risks, management structure, risk management indexes and other risk management measures.
- b. Establish methods to evaluate insurance risks.
- c. Regularly provide the insurance risk management report to be reviewed by the risk management committee and as a reference to developing insurance risk management strategies.

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When an exceptional risk event occurs, the affected departments should propose possible solutions to the risk management committee in Cathay Life and that in the Cathay Financial Holdings.

(B) The way to determine a proper risk classification, a premium level and underwriting policies:

- a. Underwriters should, at all times, comply with certain relevant rules of financial underwriting which includes checking insurance notification database for exceptional cases and consider the amount insured, type of insurance, age, family status, reason for insurance, employment status, financial situation etc. to determine whether an insurance policy is suitable and affordable for the potential policyholder.
- b. Cathay Life has an underwriting team dealing with controversial cases with regard to new contracts and changes of the terms and conditions and having the right to interpret relevant underwriting standards.
- c. Cathay Life has a special panel for major insurance projects to enhance risk management over such projects and avoid adverse selection and moral hazard.

E. The scope of insurance risk assessment and management from a company-wise perspective

(A) Insurance risk assessment covers the following topics:

- a. Product design and pricing risk: This risk arises from improper design of products, terms and conditions and pricing attributable to using the unsuitable and/or inconsistent information and/or facing unexpected changes.
- b. Underwriting risk: Unexpected losses arise from soliciting business, underwriting activities and approval, other expenditure activities, etc.
- c. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk or a reinsurer fails to fulfill its responsibility that results in losses in premium, claims or non-reimbursed expenses.

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- d. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating and solvency.
- e. Claim risk: This risk arises from mishandling claims.
- f. Risk of insufficient reserve: It happens when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimating its liabilities.

(B) The scope of management of insurance risk

- a. Build up a top-down framework of Cathay Life's insurance risk management and empower relevant parties to execute risk management.
- b. Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management of the structure, risk management indexes and other risk management measures.
- c. Develop action plans in consideration of Cathay Life's growth strategy and the global financial environment.
- d. Determine methods to measure insurance risks.
- e. Regularly provide insurance risk management report for supervision and as a reference to initiate insurance management strategy.
- f. Manage other risk management issues.

F. The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The method that Cathay Life mainly uses to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk is the reinsurance management plan which is made considering Cathay Life's risk profiling and risk taking ability, legal issues and technical factors. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

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G. Asset/liability management

- (A) Cathay Life has an asset/liability management committee to establish management structure, to ensure full application of the management policy, to integrate human capital and resources, to review the strategy and practice regularly and, furthermore, to reduce all types of risks.
- (B) Authorized departments will review the measurement of asset/liability management regularly and report to the asset/liability management committee regularly; following that, the results will be sent to the risk management committee of Cathay Life. Furthermore, the annual report should be delivered to the risk management committee of the Cathay Financial Holdings.
- (C) When an exceptional situation occurs, the affected departments should propose possible solutions to the asset/liability management committee, the risk management committee in Cathay Life and that in the Cathay Financial Holdings.

H. The procedure to manage, monitor and control a special event which results in extra liability to be taken or extra owner equity to be committed

Pursuant to the applicable laws and regulations, Cathay Life is required to maintain a certain Risk-based capital (RBC) ratio. In order to enhance Cathay Life's capital management and to comply with such RBC ratio, Cathay Life has established a set of capital adequacy management standards as follows:

(A) Capital adequacy management

- a. Regularly provide capital adequacy management reports and analysis to the finance department of the Cathay Financial Holdings.
- b. Regularly provide the risk management committee the capital adequacy management analysis report.
- c. Conduct scenario analysis to figure out how the use of funding, the changes of the financial environment or the amendments of applicable laws and regulations can affect RBC ratio.
- d. Regularly review RBC ratio and related control standards to ensure a solid capital adequacy management.

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(B) Exception management process

When RBC ratio exceeds the standard given or other exceptions occur, Cathay Life is required to notify the risk management department and finance department of the Cathay Financial Holdings together with the capital adequacy analysis report and possible solution(s).

I. Risk mitigation and avoidance policies and 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 hedge risks arising from investments, such as equity risk, interest rate risk, foreign exchange risk and credit risk. To clarify, 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.

(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; meanwhile, a copy of the assessment report is delivered to the audit department for future reference

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

Credit and investment limits to a group of companies are set by Cathay Life. When such limits have been reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loan or make investment to such group in general. However, if there is any individual reason to require Cathay Life to undertake it, the expected investment or loan needs to be reviewed by the loan review or investment decision committee and approved by the risk management department of the Cathay Financial Holdings.

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Information of insurance risk

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

(A) Cathay Life

For the three-month period ended 31 March 2014

NT\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.05 (×0.95)	491,712	408,121
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	585,120	485,650
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.05 (×0.95)	100,313	83,259
Rate of return +0.1%	Increase 927,242	Increase 769,611
Rate of return -0.1%	Decrease 927,473	Decrease 769,803

For the three-month period ended 31 March 2014

US\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.05 (×0.95)	16,148	13,403
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	19,216	15,949
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.05 (×0.95)	3,294	2,734
Rate of return +0.1%	Increase 30,451	Increase 25,275
Rate of return -0.1%	Decrease 30,459	Decrease 25,281

For the three-month period ended 31 March 2013

NT\$

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

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For the three-month period ended 31 March 2013

US\$

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

(B) Cathay life (China)

For the three-month period ended 31 March 2014

NT\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.10 (×0.90)	24,498	18,374
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	19,538	14,654
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.10 (×0.90)	7,795	5,846
Rate of return +0.25%	Increase 78,791	Increase 59,093
Rate of return -0.25%	Decrease 89,489	Decrease 67,117

For the three-month period ended 31 March 2014

US\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.10 (×0.90)	805	603
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	642	481
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.10 (×0.90)	256	192
Rate of return +0.25%	Increase 2,588	Increase 1,941
Rate of return -0.25%	Decrease 2,939	Decrease 2,204

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For the three-month period ended 31 March 2013

NT\$

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

For the three-month period ended 31 March 2013

US\$

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

(C) Cathay Life (Vietnam)

For the three-month period ended 31 March 2014

NT\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.05 (×0.95)	41	32
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	2,227	1,737
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.05 (×0.95)	176	137
Rate of return +0.1%	Increase 860	Increase 671
Rate of return -0.1%	Decrease 861	Decrease 671

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For the three-month period ended 31 March 2014

US\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.05 (×0.95)	1	1
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	73	57
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.05 (×0.95)	6	4
Rate of return +0.1%	Increase 28	Increase 22
Rate of return -0.1%	Decrease 28	Decrease 22

For the three-month period ended 31 March 2013

NT\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.05 (×0.95)	97	73
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	2,344	1,758
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.05 (×0.95)	232	174
Rate of return +0.1%	Increase 428	Increase 321
Rate of return -0.1%	Decrease 428	Decrease 321

For the three-month period ended 31 March 2013

US\$

Scenarios	Change in income	
	before tax	Change in equity
	Decrease (increase)	Decrease (increase)
Mortality/Morbidity ×1.05 (×0.95)	3	2
	Decrease (increase)	Decrease (increase)
Expense ×1.05 (×0.95)	79	59
	Increase (decrease)	Increase (decrease)
Surrender rates ×1.05 (×0.95)	8	6
Rate of return +0.1%	Increase 14	Increase 11
Rate of return -0.1%	Decrease 14	Decrease 11

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- a. Changes in income before tax listed above refer to the effects of income before tax arising from the assumption for the three-month periods ended 31 March 2014 and 2013. The influence on equities of Cathay Life, Cathay Life (China) and Cathay Life (Vietnam) is assumed that the income tax is calculated on pre-tax income at rates of 17%, 25% and 22% (25% for the three-month period ended 31 March 2013) individually.
- b. An increase (decrease) of 0.1% on discount rate applied to liability adequacy test has no impact on income before tax and equity. The result of the test shows Cathay Life's adequacy. However, if the discount rate keeps declining significantly, income before tax and equity will probably be affected.
- c. Sensitivity Test
 - (a) Mortality/Morbidity test is executed by multiplying mortality, morbidity and the occurrence rate of injury insurance by the changes of assumptions and results in the corresponding changes in income before tax.
 - (b) Expense sensitivity is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by the changes of assumptions and results in the corresponding changes in income before tax.
 - (c) Surrender rate sensitivity test is executed by multiplying surrender rate by the changes of assumptions and results in the corresponding changes in income before tax.
 - (d) The rate of returns sensitivity test is executed by multiplying the rate of returns (Note 2) increases (decreases) by the changes of assumptions and results in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating expenses included in operating costs as well as business expenses, administration expenses and training expenses included in operating expenses.

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

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B. Interpretation of concentration of insurance risks

Cathay Life’s insurance business is mainly in Taiwan, Republic of China. All the insurance policies have similar risks of exposure, for example, the exposure of the unexpected changes in trend (ex: mortality, morbidity, and lapse rate), the exposure of multiple insurance contracts caused by single specific event (ex: the simultaneous exposure of life insurance, health insurance, and accidental insurance caused by one earthquake). Cathay Life reduces the risk of exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

Cathay Life reviews the profits and losses on compensation and the capability of assuming risk as a whole periodically. Cathay Life will also evaluate the retention amount according to the risk features and approve by competent authority. For the excess of retention amount, Cathay Life cedes this portion of amounts to reinsurers. 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 losses from retained risks. Cathay Life determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the range of losses. Hence, the insurance risk to some extent has been diversified to reduce the potential impact on unexpected losses.

Furthermore, according to “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the annual increase of after-tax amount of special capital reserve for major incidents and fluctuation of risks for the abnormal changes of the loss ratio of each type of insurance and claims needs to be recognized and recorded in special capital reserve of equity in accordance with IAS 12.

C. Claim development trend

(A) Cathay Life

a. Direct business development trend

Accident year	Development year							Expected future payment	
	1	2	3	4	5	6	7		
2007Q2~2008Q1	12,487,783	14,726,326	14,896,224	14,956,935	15,042,774	15,061,744	15,075,385	-	
2008Q2~2009Q1	13,384,763	15,820,692	16,011,049	16,085,163	16,136,693	16,166,732	16,181,471	14,739	
2009Q2~2010Q1	14,445,550	17,287,961	17,551,424	17,635,968	17,710,596	17,738,482	17,754,483	43,887	
2010Q2~2011Q1	14,307,274	17,419,064	17,706,462	17,820,861	17,899,363	17,927,514	17,943,168	122,307	
2011Q2~2012Q1	14,912,513	18,349,974	18,679,807	18,772,368	18,851,613	18,880,757	18,897,120	217,313	
2012Q2~2013Q1	14,027,513	17,185,135	17,424,578	17,501,844	17,565,971	17,589,706	17,604,509	419,374	
2013Q2~2014Q1	13,953,009	16,758,823	16,991,401	17,066,509	17,128,391	17,149,700	17,163,821	3,210,812	
								Expected future payment	\$4,028,432
								Less: Expected reported but not paid claim	132,308
								Add: Assumed reserve for incurred but not reported claim	48,433
								Reserve for unreported claim	3,944,557
								Add: Reported but not paid claim	422,464
								Claims reserve balance	<u>\$4,367,021</u>

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Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	410,108	483,623	489,203	491,197	494,016	494,639	495,087	-
2008Q2~2009Q1	439,565	519,563	525,814	528,248	529,941	530,927	531,411	484
2009Q2~2010Q1	474,402	567,749	576,401	579,178	581,629	582,545	583,070	1,441
2010Q2~2011Q1	469,861	572,055	581,493	585,250	587,828	588,753	589,267	4,017
2011Q2~2012Q1	489,738	602,626	613,458	616,498	619,101	620,058	620,595	7,137
2012Q2~2013Q1	460,674	564,372	572,236	574,773	576,879	577,659	578,145	13,773
2013Q2~2014Q1	458,227	550,372	558,010	560,476	562,509	563,209	563,672	105,445

Expected future payment	\$132,297
Less: Expected reported but not paid claim	4,345
Add: Assumed reserve for incurred but not reported claim	1,590
Reserve for unreported claim	129,542
Add: Reported but not paid claim	13,874
Claims reserve balance	<u>\$143,416</u>

b. Retained business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	12,565,071	14,847,475	15,032,428	15,095,226	15,182,539	15,211,643	15,231,063	-
2008Q2~2009Q1	13,456,213	15,865,117	16,055,532	16,127,273	16,187,539	16,222,311	16,237,329	15,018
2009Q2~2010Q1	13,115,598	15,412,134	15,601,597	15,677,422	15,743,821	15,772,105	15,788,401	44,580
2010Q2~2011Q1	12,498,335	14,957,871	15,170,234	15,271,054	15,350,598	15,379,102	15,395,018	123,964
2011Q2~2012Q1	13,030,367	15,813,683	16,072,502	16,166,101	16,246,460	16,275,981	16,292,622	220,120
2012Q2~2013Q1	12,343,112	14,962,708	15,205,892	15,284,167	15,349,378	15,373,479	15,388,553	425,845
2013Q2~2014Q1	13,476,265	16,312,795	16,549,101	16,625,215	16,688,176	16,709,850	16,723,603	3,247,338

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

Expected future payment	\$4,076,865
Less: Expected reported but not paid claim	132,308
Add: Reported but not paid claim	422,464
Retained claims reserve balance	<u>\$4,367,021</u>

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Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	412,646	487,602	493,676	495,738	498,606	499,561	500,199	-
2008Q2~2009Q1	441,912	521,022	527,275	529,631	531,610	532,752	533,245	493
2009Q2~2010Q1	430,726	506,146	512,368	514,858	517,038	517,967	518,502	1,464
2010Q2~2011Q1	410,454	491,227	498,201	501,512	504,125	505,061	505,583	4,071
2011Q2~2012Q1	427,927	519,333	527,833	530,906	533,545	534,515	535,062	7,229
2012Q2~2013Q1	405,357	491,386	499,372	501,943	504,085	504,876	505,371	13,985
2013Q2~2014Q1	442,570	535,724	543,484	545,984	548,052	548,764	549,215	106,645

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

Expected future payment	\$133,887
Less: Expected reported but not paid claim	4,345
Add: Reported but not paid claim	13,874
Retained claims reserve balance	<u>\$143,416</u>

(B) Cathay life (China)

a. Direct business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	28	54	55	55	55	55	55	-
2008Q2~2009Q1	822	3,305	3,317	3,317	3,317	3,317	3,317	-
2009Q2~2010Q1	9,441	18,183	18,988	18,988	18,988	18,988	18,988	-
2010Q2~2011Q1	52,051	117,617	123,790	123,790	123,790	123,790	123,790	-
2011Q2~2012Q1	97,846	195,818	208,352	208,352	208,352	208,352	208,352	-
2012Q2~2013Q1	131,701	362,519	381,752	381,752	381,752	381,752	381,752	19,233
2013Q2~2014Q1	149,718	528,718	531,682	531,682	531,682	531,682	531,682	381,964

Expected future payment	\$401,197
Less: Expected reported but not paid claim	32,489
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	368,708
Add: Reported but not paid claim	83,640
Claims reserve balance	<u>\$452,348</u>

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

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	1	2	2	2	2	2	2	-
2008Q2~2009Q1	27	109	109	109	109	109	109	-
2009Q2~2010Q1	310	597	624	624	624	624	624	-
2010Q2~2011Q1	1,709	3,863	4,065	4,065	4,065	4,065	4,065	-
2011Q2~2012Q1	3,213	6,431	6,842	6,842	6,842	6,842	6,842	-
2012Q2~2013Q1	4,325	11,905	12,537	12,537	12,537	12,537	12,537	632
2013Q2~2014Q1	4,917	17,363	17,461	17,461	17,461	17,461	17,461	12,544

Expected future payment	\$13,176
Less: Expected reported but not paid claim	1,067
Add: Assumed reserve for incurred but not reported claim	-
Reserve for unreported claim	12,109
Add: Reported but not paid claim	2,747
Claims reserve balance	<u>\$14,856</u>

b. Retained business development trend

Accident year	Development year							Expected future payment
	NT\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	28	54	55	55	55	55	55	-
2008Q2~2009Q1	822	3,305	3,317	3,317	3,317	3,317	3,317	-
2009Q2~2010Q1	9,441	18,183	18,988	18,988	18,988	18,988	18,988	-
2010Q2~2011Q1	52,051	117,617	123,790	123,790	123,790	123,790	123,790	-
2011Q2~2012Q1	97,846	195,681	208,212	208,212	208,212	208,212	208,212	-
2012Q2~2013Q1	121,480	368,488	379,780	379,780	379,780	379,780	379,780	11,292
2013Q2~2014Q1	140,348	501,240	513,500	513,500	513,500	513,500	513,500	373,152

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

Expected future payment	\$384,444
Less: Expected reported but not paid claim	32,489
Add: Reported but not paid claim	83,640
Retained claims reserve balance	<u>\$435,595</u>

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

Accident year	Development year							Expected future payment
	US\$							
	1	2	3	4	5	6	7	
2007Q2~2008Q1	1	2	2	2	2	2	2	-
2008Q2~2009Q1	27	109	109	109	109	109	109	-
2009Q2~2010Q1	310	597	624	624	624	624	624	-
2010Q2~2011Q1	1,709	3,863	4,065	4,065	4,065	4,065	4,065	-
2011Q2~2012Q1	3,213	6,426	6,838	6,838	6,838	6,838	6,838	-
2012Q2~2013Q1	3,989	12,101	12,472	12,472	12,472	12,472	12,472	371
2013Q2~2014Q1	4,609	16,461	16,863	16,863	16,863	16,863	16,863	12,254

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

Expected future payment	\$12,625
Less: Expected reported but not paid claim	1,067
Add: Reported but not paid claim	2,747
Retained claims reserve balance	<u>\$14,305</u>

Cathay Life and Cathay Life (China) recognize claims reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in reserving for claim. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. Some claims are delayed in notifying Cathay Life and Cathay Life (China). Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experiences. Thus, uncertainty exists that the estimated claims reserve for claim payments on the balance sheet date will not be equal to the final settled amount of claim payments. The claims reserve recorded on the book is estimated based upon the currently available information. However, the final amount probably will deviate from the original estimates because of the follow-up developments of the claim events.

The chart above has shown the development trend of claim payments. The event year is the actual year for the occurrence of the insurance claim events; The x-axis is the year of the development for the settlement cases; the dollar amount showing above the diagonal line represents the settlement cases in that specific event year with the corresponding accumulated dollar amounts has been paid in the end of the year; the dollar amount shown below the diagonal line represents the accumulated estimated dollar amounts need to be paid for each event year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for the claims reserve in current year will be different from that in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by this chart.

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(C) Cathay life (Vietnam)

Direct business development trend (and retained business development trend)

Accident year	Development year NT\$				
	1	2	3	4	5
2009Q2~2010Q1	152	159	159	159	159
2010Q2~2011Q1	158	179	179	179	179
2011Q2~2012Q1	656	875	875	875	875
2012Q2~2013Q1	1,144	1,249	1,249	1,249	1,249
2013Q2~2014Q1	564	658	658	658	658

Accident year	Development year US \$				
	1	2	3	4	5
2009Q2~2010Q1	5	5	5	5	5
2010Q2~2011Q1	5	6	6	6	6
2011Q2~2012Q1	22	29	29	29	29
2012Q2~2013Q1	38	41	41	41	41
2013Q2~2014Q1	19	22	22	22	22

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

Cathay Life (Vietnam) recognizes claims reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). The estimation method of unreported claims is earned premium multiplied by the loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by Vietnam local authorities. Thus, the expected future payment amount for the settlement cases cannot be determined by this chart. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experiences. Thus, uncertainty exists that the estimated claims reserve for claim payments on the balance sheet date will not be equal to the final settled amount of claim payments.

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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 regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of concentration of credit risk in reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's "Reinsurance Risk Management Plan" and "Evaluation Standards for Reinsurers."

The credit ratings of Cathay Life's reinsurers are 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 in terms of assets; 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 specific times in the future on the balance sheet date. The actual future payment amounts will not be the same as expected due to the difference between the actual and expected experiences.

31 March 2014				Unit: Billion
NT\$	Within 1 year	1 to 5 years	Over 5 years	
Insurance contracts and financial instruments				
with discretionary participation features	(71.4)	149.9	11,056.5	

31 March 2014				Unit: Billion
US\$	Within 1 year	1 to 5 years	Over 5 years	
Insurance contracts and financial instruments				
with discretionary participation features	(2.34)	4.92	363.10	

Note: Separate account products are not included.

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C. Market risk

When Cathay Life measures insurance liabilities, the discounted rate required by the regulator is applied. The regulator reviews the discount rate assumption which has been used for reserves periodically. However, the discount rate assumption does not move at the same time in the same direction with the market price and interest rate, and is only applied to new businesses. Thus, those possible variables in market risk to Cathay Life's valid insurance contracts have slight impact on profit and loss or equity. When the regulator changes the discount rate assumption possibly and reasonably, this change will have the impact of different range on profit and loss or equity depending upon the level of change it has been made and the overall company product portfolio. Furthermore, the reasonably possible change on the market risk will probably have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities via adequacy test. Based upon the reasonably possible changes of current market risk, it has little impact on the adequacy of current recognized insurance liabilities.

(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, 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.

Responsibility of risk management division :

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

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(D) Business unit

a. The responsibilities of business's risk management are as follows:

- (a) To supervise the daily risk management and report of the responsible unit and take necessary responsive actions.
- (b) To oversee the sharing of risk management information to risk management on a regular basis.

b. The business unit's responsibilities for risk management are as follows:

- (a) To identify risk and report risk exposure.
- (b) To evaluate (quantitative or qualitative) the degree of influence when risks occur and pass the risk information in a timely and correct manner.
- (c) To review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.
- (d) To oversee risk exposure and report when over-limit occur, including measures taken against it.
- (e) To assist in development of risk model to insure the evaluation of risk, use of model, and its assumption are conducted on a reasonable basis and is consistent with actual practice.
- (f) To assure effective execution of internal control within business unit to comply with relevant regulations and risk management policies of Cathay Century.
- (g) To assist in collecting information regarding operation risk.

(E) Internal audit room

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.

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- 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 risk management committee and board of director to oversee risks on a regular basis.

(B) Scope and nature of risk evaluation system

The risk management unit of Cathay Century and that of its parent company's, Cathay Financial Holding 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	2014		2013	
	NT\$	US\$	NT\$	US\$
Fire insurance	\$729,000	\$23,941	\$673,000	\$22,576
Marine insurance	729,000	23,941	673,000	22,576
Engineering insurance	729,000	23,941	673,000	22,576
Other property insurance	729,000	23,941	673,000	22,576
Automobile insurance	729,000	23,941	673,000	22,576
Health and injury insurance	729,000	23,941	673,000	22,576

F. Methods of asset/liability management

Provisions are evaluated on a regular basis based on Cathay Century’s business characteristics to insure 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\$			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
Fire insurance	\$385,440	\$605,859	\$369,777	\$665,154
Marine insurance	244,293	266,869	286,175	369,048
Land and air insurance	767,570	852,082	777,943	748,157
Liability insurance	156,059	173,230	175,841	217,416
Bonding insurance	44,861	27,737	22,296	13,983
Other property insurance	429,286	427,980	342,604	345,181
Accident insurance	298,454	270,300	316,196	288,526
Health insurance	18,529	25,735	21,391	22,994
Compulsory automobile liability insurance	287,113	286,025	302,973	268,872
Total	2,631,605	2,935,817	2,615,196	2,939,331
Less: Allowance for bad debts	(68,313)	(64,162)	(66,356)	(69,978)
Net	\$2,563,292	\$2,871,655	\$2,548,840	\$2,869,353

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Item	Premiums receivable(Note)			
	US\$			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
Fire insurance	\$12,658	\$20,310	\$12,404	\$22,897
Marine insurance	8,023	8,946	9,600	12,704
Land and air insurance	25,208	28,565	26,097	25,754
Liability insurance	5,125	5,807	5,899	7,484
Bonding insurance	1,473	930	748	481
Other property insurance	14,098	14,347	11,493	11,882
Accident insurance	9,801	9,061	10,607	9,932
Health insurance	609	863	718	792
Compulsory automobile liability insurance	9,429	9,589	10,163	9,255
Total	86,424	98,418	87,729	101,181
Less: Allowance for bad debts	(2,243)	(2,151)	(2,226)	(2,408)
Net	\$84,181	\$96,267	\$85,503	\$98,773

Note: As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the receivables included overdue receivables amounted to NT\$505,372 (US\$16,597) thousands, NT\$484,663 (US\$16,248) thousands, NT\$419,858 (US\$14,084) thousands, and NT\$497,914 (US\$17,140) thousands, the allowance for bad debts amounted to NT\$25,766 (US\$846) thousands, NT\$20,634 (US\$692) thousands, NT\$33,963 (US\$1,139) thousands, and NT\$31,767 (US\$1,094) thousands .

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

Item	Claims reported and paid off			
	NT\$			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
Fire insurance	\$5,110	\$22,767	\$117,859	\$241,267
Marine insurance	88,337	37,647	71,666	42,699
Land and air insurance	29,467	25,154	18,794	40,214
Liability insurance	10,167	21,545	18,415	13,506
Bonding insurance	143	(2)	125	8
Other property insurance	8,893	31,352	9,069	8,231
Accident insurance	15,501	15,040	11,412	23,435
Health insurance	-	-	-	-
Compulsory automobile liability insurance	149,496	179,208	131,557	144,232
Total	307,114	332,711	378,897	513,592
Less: Allowance for bad debts	-	-	-	-
Net	\$307,114	\$332,711	\$378,897	\$513,592

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Item	Claims reported and paid off			
	US\$			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
Fire insurance	\$168	\$763	\$3,954	\$8,305
Marine insurance	2,901	1,262	2,404	1,470
Land and air insurance	968	843	630	1,385
Liability insurance	334	722	618	465
Bonding insurance	5	-	4	-
Other property insurance	292	1,051	304	283
Accident insurance	509	504	383	807
Health insurance	-	-	-	-
Compulsory automobile liability insurance	4,909	6,008	4,413	4,965
Total	10,086	11,153	12,710	17,680
Less: Allowance for bad debts	-	-	-	-
Net	\$10,086	\$11,153	\$12,710	\$17,680

C. Payables of insurance contract

Item	2014.3.31					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$8,812	\$289	\$9,200	\$302	\$18,012	\$591
Marine insurance	2,586	85	3,850	127	6,436	212
Land and air insurance	5,237	172	96,482	3,169	101,719	3,341
Liability insurance	5,005	164	6,314	207	11,319	371
Bonding insurance	45	2	174	6	219	8
Other property insurance	39,919	1,311	5,766	189	45,685	1,500
Accident insurance	28	1	32,419	1,065	32,447	1,066
Health insurance	974	32	8,324	273	9,298	305
Compulsory automobile liability insurance	97,687	3,208	-	-	97,687	3,208
Total	\$160,293	\$5,264	\$162,529	\$5,338	\$322,822	\$10,602

Item	2013.12.31					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$3,411	\$114	\$7,178	\$241	\$10,589	\$355
Marine insurance	2,394	80	3,529	118	5,923	198
Land and air insurance	5,524	185	91,621	3,072	97,145	3,257
Liability insurance	2,554	86	7,166	240	9,720	326
Bonding insurance	74	2	210	7	284	9
Other property insurance	44,466	1,491	6,082	204	50,548	1,695
Accident insurance	206	7	26,940	903	27,146	910
Health insurance	210	7	5,959	200	6,169	207
Compulsory automobile liability insurance	89,457	2,999	-	-	89,457	2,999
Total	\$148,296	\$4,971	\$148,685	\$4,985	\$296,981	\$9,956

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.3.31					
	Commission payables		Other payables		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Fire insurance	\$4,294	\$144	\$8,386	\$281	\$12,680	\$425
Marine insurance	1,337	45	7,738	260	9,075	305
Land and air insurance	2,950	99	90,515	3,037	93,465	3,136
Liability insurance	8,407	282	5,873	197	14,280	479
Bonding insurance	100	3	111	4	211	7
Other property insurance	37,888	1,271	8,981	301	46,869	1,572
Accident insurance	-	-	31,443	1,055	31,443	1,055
Health insurance	469	16	4,902	164	5,371	180
Compulsory automobile liability insurance	93,697	3,143	93,697	3,143	187,394	6,286
Total	\$149,142	\$5,003	\$251,646	\$8,442	\$400,788	\$13,445

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

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

Item	2014.3.31			
	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	\$55,882	\$1,835	\$209,956	\$6,895
Central Re	51,954	1,706	113,878	3,740
Guy Carpenter	33,023	1,084	118,218	3,883
Korean Re	48,018	1,577	52,125	1,712
Swiss Re	30,786	1,011	118,063	3,877
Willis	15,271	502	62,607	2,056
Others	321,522	10,559	576,081	18,919
Total	556,456	18,274	1,250,928	41,082
Less: Allowance for bad debts	(14,074)	(462)	-	-
Net	\$542,382	\$17,812	\$1,250,928	\$41,082

English Translation of Financial Statements Originally Issued in Chinese

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

Item	2013.12.31			
	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	\$56,061	\$1,879	\$211,063	\$7,075
Kann An	35,266	1,182	-	-
Best Re	31,477	1,055	9,269	311
Central Re	20,166	676	80,543	2,700
JLT	698	23	75,250	2,523
Guy Carpenter	-	-	76,301	2,558
Marsh	25,101	842	174,020	5,834
Swiss Re	4,675	157	108,591	3,640
Others	402,720	13,501	628,209	21,060
Total	576,164	19,315	1,363,246	45,701
Less: Allowance for bad debts	(14,624)	(490)	-	-
Net	\$561,540	\$18,825	\$1,363,246	\$45,701

Item	2013.3.31			
	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	\$54,534	\$1,829	\$213,579	\$7,165
Central Re	51,920	1,742	97,090	3,257
FP Marine	110,702	3,714	101,488	3,404
Guy Carpenter	44,307	1,486	114,780	3,850
Korean Re	57,145	1,917	60,613	2,034
Swiss Re	1,803	60	79,147	2,655
Wilson Re	44,429	1,491	8,992	302
Zurich	364	12	74,163	2,488
Others	318,297	10,677	577,698	19,378
Total	683,501	22,928	1,327,550	44,533
Less: Allowance for bad debts	(6,272)	(210)	-	-
Net	\$677,229	\$22,718	\$1,327,550	\$44,533

English Translation of Financial Statements Originally Issued in Chinese

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Item	2013.1.1			
	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	\$54,422	\$1,873	\$197,276	\$6,791
FP Marine	76,332	2,628	68,251	2,349
JLT	-	-	83,049	2,859
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	252,010	8,675	591,045	20,346
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

Notes: As of 31 March 2014, 31 December 2013, and 31 March 2013, the due from reinsurers and ceding companies included overdue receivables amounted to NT\$40,748 (US\$1,338) thousands, NT\$46,239 (US\$1,550) thousands, NT\$419,858 (US\$14,084) thousands, and NT\$54,939 (US\$1,891) thousands, the allowance for bad debts amounted to NT\$14,074 (US\$462) thousands, NT\$14,624 (US\$490) thousands, NT\$33,963 (US\$1,139) thousands, and NT\$5,494 (US\$189) thousands.

Information of management achievements

A. Acquisition cost for insurance contracts

Item	2014.1.1 ~ 2014.3.31 (NT\$)					
	Commissi on expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$8,860	\$1,534	\$7,487	\$1,147	\$22,752	\$41,780
Marine insurance	3,013	527	988	366	9,865	14,759
Land and air insurance	18,978	1,236	-	118	220,244	240,576
Liability insurance	6,407	678	4,582	25	16,339	28,031
Bonding insurance	963	25	115	1	407	1,511
Other property insurance	3,611	872	64,334	990	16,555	86,362
Accident insurance	4,587	565	-	-	84,750	89,902
Health insurance	4,626	446	-	-	5,279	10,351
Compulsory automobile liability insurance	-	-	119,895	-	1,796	121,691
Total	\$51,045	\$5,883	\$197,401	\$2,647	\$377,987	\$634,963

English Translation of Financial Statements Originally Issued in Chinese

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

2014.1.1 ~ 2014.3.31 (US\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$291	\$50	\$246	\$38	\$747	\$1,372
Marine insurance	99	17	32	12	324	484
Land and air insurance	623	40	-	4	7,233	7,900
Liability insurance	210	22	151	1	537	921
Bonding insurance	32	1	4	-	13	50
Other property insurance	118	29	2,113	32	544	2,836
Accident insurance	151	19	-	-	2,783	2,953
Health insurance	152	15	-	-	173	340
Compulsory automobile liability insurance	-	-	3,937	-	59	3,996
Total	\$1,676	\$193	\$6,483	\$87	\$12,413	\$20,852

2013.1.1 ~ 2013.3.31 (NT\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$12,466	\$1,050	\$9,305	\$151	\$18,891	\$41,863
Marine insurance	3,289	723	929	1,018	17,243	23,202
Land and air insurance	5,865	698	-	358	200,275	207,196
Liability insurance	7,221	516	17,024	28	14,059	38,848
Bonding insurance	326	8	107	-	393	834
Other property insurance	2,536	365	32,332	1,918	19,617	56,768
Accident insurance	3,493	505	-	6	81,012	85,016
Health insurance	2,316	201	-	-	2,951	5,468
Compulsory automobile liability insurance	-	-	112,717	-	1,660	114,377
Total	\$37,512	\$4,066	\$172,414	\$3,479	\$356,101	\$573,572

2013.1.1 ~ 2013.3.31 (US\$)						
Item	Commissi on expense	Agency fee	Surcharge	Reinsurance commission expense	Other cost	Total
Fire insurance	\$418	\$35	\$312	\$5	\$634	\$1,404
Marine insurance	110	25	31	34	578	778
Land and air insurance	197	23	-	12	6,718	6,950
Liability insurance	242	17	571	1	472	1,303
Bonding insurance	11	-	4	-	13	28
Other property insurance	85	12	1,085	65	658	1,905
Accident insurance	117	17	-	-	2,718	2,852
Health insurance	78	7	-	-	99	184
Compulsory automobile liability insurance	-	-	3,781	-	56	3,837
Total	\$1,258	\$136	\$5,784	\$117	\$11,946	\$19,241

English 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	2014.1.1 ~ 2014.3.31 (NT\$)					
	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
income	premiums	insurance	paid	reserve		
Fire insurance	\$481,924	\$265,339	\$(40,633)	\$(82,697)	\$17,930	\$641,863
Marine insurance	151,722	12,857	(14,393)	(120,346)	(511)	29,329
Land and air insurance	1,615,767	(103,445)	(240,458)	(857,061)	(208,150)	206,653
Liability insurance	255,691	(5,242)	(28,006)	(95,720)	(94,289)	32,434
Bonding insurance	35,213	(15,077)	(1,510)	(1,448)	(2,477)	14,701
Other property insurance	534,554	18,822	(85,372)	(274,920)	(54,206)	138,878
Accident insurance	637,143	(37,655)	(89,902)	(208,353)	(63,307)	237,926
Health insurance	35,546	6,519	(10,351)	(24,387)	5,857	13,184
Compulsory automobile liability insurance	870,639	(293)	(121,691)	(581,662)	(1,402,033)	(1,235,040)
Total	\$4,618,199	\$141,825	\$(632,316)	\$(2,246,594)	\$(1,801,186)	\$79,928

Item	2014.1.1 ~ 2014.3.31 (US\$)					
	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
income	premiums	insurance	paid	reserve		
Fire insurance	\$15,827	\$8,714	\$(1,334)	\$(2,716)	\$589	\$21,080
Marine insurance	4,983	422	(472)	(3,952)	(17)	964
Land and air insurance	53,063	(3,397)	(7,896)	(28,147)	(6,836)	6,787
Liability insurance	8,397	(172)	(920)	(3,143)	(3,097)	1,065
Bonding insurance	1,157	(495)	(50)	(48)	(81)	483
Other property insurance	17,555	618	(2,804)	(9,029)	(1,780)	4,560
Accident insurance	20,924	(1,237)	(2,953)	(6,842)	(2,079)	7,813
Health insurance	1,167	214	(340)	(801)	193	433
Compulsory automobile liability insurance	28,592	(10)	(3,996)	(19,102)	(46,044)	(40,560)
Total	\$151,665	\$4,657	\$(20,765)	\$(73,780)	\$(59,152)	\$2,625

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2013.1.1 ~ 2013.3.31 (NT\$)						
Item	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
	income	reserve	contract	paid	reserve	
Fire insurance	\$502,289	\$264,409	\$(41,712)	\$(416,738)	\$409,718	\$717,966
Marine insurance	166,710	23,771	(22,184)	(105,667)	(78,837)	(16,207)
Land and air insurance	1,557,838	(370,375)	(206,838)	(746,455)	(127,795)	106,375
Liability insurance	249,218	(3,650)	(38,820)	(100,524)	(91,730)	14,494
Bonding insurance	22,344	(6,543)	(834)	(1,237)	13,926	27,656
Other property insurance	353,720	(1,167)	(54,850)	(138,155)	(13,660)	145,888
Accident insurance	622,656	(36,590)	(85,010)	(194,208)	145,340	452,188
Health insurance	35,147	(1,331)	(5,468)	(42,185)	16,023	2,186
Compulsory automobile liability insurance	801,693	(75,715)	(114,377)	(469,160)	(58,683)	83,758
Total	\$4,311,615	\$(207,191)	\$(570,093)	\$(2,214,329)	\$214,302	\$1,534,304

2013.1.1 ~ 2013.3.31 (US\$)						
Item	Direct	Net change	Acquisition	Insurance	Net change	Net gain(loss)
	premium	for unearned	cost for	claims	for claims	
	income	reserve	contract	paid	reserve	
Fire insurance	\$16,850	\$8,870	\$(1,399)	\$(13,980)	\$13,744	\$24,085
Marine insurance	5,592	797	(744)	(3,545)	(2,645)	(545)
Land and air insurance	52,259	(12,425)	(6,938)	(25,040)	(4,287)	3,569
Liability insurance	8,360	(122)	(1,302)	(3,372)	(3,077)	487
Bonding insurance	750	(219)	(28)	(41)	467	929
Other property insurance	11,866	(39)	(1,840)	(4,635)	(458)	4,894
Accident insurance	20,887	(1,227)	(2,852)	(6,515)	4,876	15,169
Health insurance	1,179	(45)	(184)	(1,415)	537	72
Compulsory automobile liability insurance	26,893	(2,540)	(3,837)	(15,738)	(1,969)	2,809
Total	\$144,636	\$(6,950)	\$(19,124)	\$(74,281)	\$7,188	\$51,469

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(B) Recognized gain (loss) for reinsurance contract purchased

2014.1.1 ~ 2014.3.31 (NT\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$22,912	\$4,117	\$(1,147)	\$(260)	\$(3,003)	\$22,619
Marine insurance	3,949	1,856	(366)	(102,808)	(12,935)	(110,304)
Land and air insurance	341	3,404	(118)	(3,305)	5,753	6,075
Liability insurance	88	137	(25)	(5)	(41)	154
Bonding insurance	525	78	(1)	(107)	-	495
Other property insurance	6,263	2,795	(990)	(4,461)	1,631	5,238
Accident insurance	1,597	(50)	-	(42)	(89)	1,416
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	73,171	(2,257)	-	(79,987)	(152,605)	(161,678)
Total	\$108,846	\$10,080	\$(2,647)	\$(190,975)	\$(161,289)	\$(235,985)

2014.1.1 ~ 2014.3.31 (US\$)						
Item	Reinsurance premium income	Net change for unearned premiums reserve	Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
Fire insurance	\$753	\$135	\$(38)	\$(8)	\$(99)	\$743
Marine insurance	130	61	(12)	(3,376)	(425)	(3,622)
Land and air insurance	11	112	(4)	(109)	189	199
Liability insurance	3	4	(1)	-	(1)	5
Bonding insurance	17	3	-	(4)	-	16
Other property insurance	206	92	(32)	(147)	54	173
Accident insurance	52	(2)	-	(1)	(3)	46
Health insurance	-	-	-	-	-	-
Compulsory automobile liability insurance	2,403	(74)	-	(2,627)	(5,012)	(5,310)
Total	\$3,575	\$331	\$(87)	\$(6,272)	\$(5,297)	\$(7,750)

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2013.1.1 ~ 2013.3.31 (NT\$)

Item	Reinsurance premium income	Net change		Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
		for unearned premiums reserve					
Fire insurance	\$23,412	\$(4,416)		\$(151)	\$(113)	\$(152)	\$18,580
Marine insurance	12,879	(3,133)		(1,018)	(45,218)	11,359	(25,131)
Land and air insurance	928	3,335		(358)	(3,175)	(3,238)	(2,508)
Liability insurance	1	90		(28)	(14)	(29)	20
Bonding insurance	479	12		-	(11)	20	500
Other property insurance	8,674	3,166		(1,918)	(2,986)	(22)	6,914
Accident insurance	1,609	183		(6)	(6)	1,570	3,350
Health insurance	-	-		-	-	-	-
Compulsory automobile liability insurance	68,029	(1,116)		-	(80,400)	(4,039)	(17,526)
Total	\$116,011	\$(1,879)		\$(3,479)	\$(131,923)	\$5,469	\$(15,801)

2013.1.1 ~ 2013.3.31 (US\$)

Item	Reinsurance premium income	Net change		Reinsurance commission expense	Reinsurance claims paid	Net change for claims reserve	Net (loss) gain for assumed reinsurance business
		for unearned premiums reserve					
Fire insurance	\$786	\$(148)		\$(5)	\$(4)	\$(5)	\$624
Marine insurance	432	(105)		(34)	(1,517)	381	(843)
Land and air insurance	31	112		(12)	(107)	(109)	(85)
Liability insurance	-	3		(1)	(1)	(1)	-
Bonding insurance	16	-		-	-	1	17
Other property insurance	291	106		(65)	(100)	(1)	231
Accident insurance	54	6		-	-	53	113
Health insurance	-	-		-	-	-	-
Compulsory automobile liability insurance	2,282	(37)		-	(2,697)	(135)	(587)
Total	\$3,892	\$(63)		\$(117)	\$(4,426)	\$184	\$(530)

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(C) Recognized gain (loss) for reinsurance contract purchased

Item	2014.1.1 ~ 2014.3.31 (NT\$)					
	Reinsurance	Net change	Reinsurance	Claims	Net change	Net loss
	expense	for unearned premiums reserve ceded	commission earned	recovered from reinsurers	for claims reserve ceded	(gain) for reinsurance ceded
Fire insurance	\$330,678	\$169,618	\$(34,004)	\$(31,403)	\$(28,044)	\$406,845
Marine insurance	125,272	(1,866)	(15,150)	(155,983)	(4,042)	(51,769)
Land and air insurance	68,275	5,568	(22,253)	(40,308)	5,848	17,130
Liability insurance	57,130	6,214	(14,716)	(44,544)	(11,383)	(7,299)
Bonding insurance	24,714	(11,816)	(4,247)	(145)	(1,263)	7,243
Other property insurance	231,060	(103,728)	(61,445)	(26,524)	(24,313)	15,050
Accident insurance	61,083	(15,342)	(11,342)	(15,109)	(5,880)	13,410
Health insurance	295	23	(106)	-	97	309
Compulsory automobile liability insurance	205,858	(1,630)	-	(209,596)	(536,208)	(541,576)
Total	\$1,104,365	\$47,041	\$(163,263)	\$(523,612)	\$(605,188)	\$(140,657)

Item	2014.1.1 ~ 2014.3.31 (US\$)					
	Reinsurance	Net change	Reinsurance	Claims	Net change	Net loss
	expense	for unearned premiums reserve ceded	commission earned	recovered from reinsurers	for claims reserve ceded	(gain) for reinsurance ceded
Fire insurance	\$10,860	\$5,570	\$(1,117)	\$(1,031)	\$(921)	\$13,361
Marine insurance	4,114	(61)	(498)	(5,123)	(133)	(1,701)
Land and air insurance	2,242	183	(731)	(1,324)	192	562
Liability insurance	1,876	204	(483)	(1,463)	(374)	(240)
Bonding insurance	812	(388)	(139)	(5)	(42)	238
Other property insurance	7,588	(3,406)	(2,018)	(871)	(798)	495
Accident insurance	2,006	(504)	(372)	(496)	(193)	441
Health insurance	10	1	(4)	-	3	10
Compulsory automobile liability insurance	6,760	(54)	-	(6,883)	(17,609)	(17,786)
Total	\$36,268	\$1,545	\$(5,362)	\$(17,196)	\$(19,875)	\$(4,620)

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2013.1.1 ~ 2013.3.31 (NT\$)						
Item	Reinsurance expense	Net change	Reinsurance commission earned	Claims	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
		for unearned premiums reserve ceded		recovered from reinsurers		
Fire insurance	\$376,250	\$113,088	\$(46,327)	\$(146,837)	\$219,863	\$516,037
Marine insurance	121,211	22,929	(18,700)	(125,911)	(23,490)	(23,961)
Land and air insurance	58,106	8,187	(17,224)	(22,760)	(13,547)	12,762
Liability insurance	76,425	12,993	(21,200)	(29,579)	(312)	38,327
Bonding insurance	14,519	(7,763)	(2,909)	(153)	4,858	8,552
Other property insurance	70,342	5,369	(10,525)	(17,335)	9,414	57,265
Accident insurance	35,812	5,680	(10,297)	(11,472)	22,691	42,414
Health insurance	301	398	(110)	(160)	1,172	1,601
Compulsory automobile liability insurance	204,931	(11,762)	-	(184,911)	(22,543)	(14,285)
Total	\$957,897	\$149,119	\$(127,292)	\$(539,118)	\$198,106	\$638,712

2013.1.1 ~ 2013.3.31 (US\$)						
Item	Reinsurance expense	Net change	Reinsurance commission earned	Claims	Net change for claims reserve ceded	Net loss (gain) for reinsurance ceded
		for unearned premiums reserve ceded		recovered from reinsurers		
Fire insurance	\$12,622	\$3,794	\$(1,554)	\$(4,926)	\$7,375	\$17,311
Marine insurance	4,066	769	(627)	(4,224)	(788)	(804)
Land and air insurance	1,949	275	(578)	(763)	(455)	428
Liability insurance	2,564	436	(711)	(992)	(10)	1,287
Bonding insurance	487	(260)	(98)	(5)	163	287
Other property insurance	2,360	180	(353)	(582)	316	1,921
Accident insurance	1,201	191	(345)	(385)	761	1,423
Health insurance	10	13	(4)	(5)	39	53
Compulsory automobile liability insurance	6,874	(395)	-	(6,203)	(756)	(480)
Total	\$32,133	\$5,003	\$(4,270)	\$(18,085)	\$6,645	\$21,426

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Sensitivity of insurance risk

A. Cathay Century

Insurance type	Premium income		Expected loss ratio	The impact to profit and loss when the expected loss ratio increases 5%			
				Before reinsurance		After reinsurance	
	NT\$	US\$		NT\$	US\$	NT\$	US\$
Fire insurance	\$394,969	\$12,971	65.61	\$19,748	\$648	\$11,860	\$390
Marine insurance	142,593	4,683	64.52	7,130	234	1,962	64
Land and air insurance	1,607,654	52,797	65.02	80,383	2,640	51,251	1,683
Liability insurance	213,268	7,004	67.95	10,663	350	6,035	198
Bonding insurance	34,453	1,132	67.51	1,723	57	229	8
Other property insurance	163,616	5,373	62.1	8,181	269	3,992	131
Accident insurance	634,318	20,831	74.31	31,716	1,042	22,788	748
Health insurance	35,546	1,167	62.79	1,777	58	1,111	37
Compulsory automobile liability insurance	746,935	24,530	N/A	N/A	N/A	N/A	N/A

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

The chart above shows that with every 5% increase of the expected loss rate of every insurance contract of the company, certain influence will be imposed upon revenue; however, the influence has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

B. Cathay Insurance (China)

Insurance type	Premium income		Expected loss ratio	The impact to profit and loss when the expected loss ratio increases 5%			
				Before reinsurance		After reinsurance	
	NT\$	US\$		NT\$	US\$	NT\$	US\$
Fire insurance	\$78,688	\$2,584	3.33	\$3,935	\$129	\$390	\$13
Marine insurance	7,368	242	3.28	368	12	235	8
Liability insurance	43,034	1,413	3.28	2,152	71	1,865	61
Bonding insurance	759	25	3.28	38	1	31	1
Other property insurance	370,923	12,181	3.28	18,546	609	11,450	376
Compulsory automobile liability insurance	123,704	4,063	3.28	6,185	203	6,185	203

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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 three-month periods ended 31 March 2014, 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 three-month periods ended 31 March 2014, 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 three-month periods ended 31 March 2014, 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 three-month periods ended 31 March 2014, there is no catastrophe has taken place.

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

Since the 3rd stage of liberalization of property insurance fee took into effect, Cathay Century has conducted regular fee reviews on car insurance, fire insurance, and residential fire insurance in accordance with regulation. Fee will be raised when actual loss rate exceeds expected loss rate by a certain percentage to avoid worsening of further losses. In addition, from time to time related departments would observe the change in trend for loss rates of different product categories and adjust pricing and coverage in a timely manner to effectively lower insurance risk.

f. Concentration risks in geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and floods are centralize in the areas of Taipei, Taoyuan, Hsinchu, Chiayi, Tainan, Kaohsiung and Pingtung.

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

Insurance type	2014.1.1 ~ 2014.3.31 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$2,618,886	\$73,623	\$271,710	\$2,420,799
Fire insurance	399,934	20,816	248,827	171,923
Marine insurance	141,730	3,838	122,551	23,017
Engineering insurance	139,930	2,588	77,576	64,942
Health and injury insurance	346,295	1,515	14,059	333,751
Other insurance	325,561	3,078	132,622	196,017
Total	\$3,972,336	\$105,458	\$867,345	\$3,210,449

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Insurance type	2014.1.1~2014.3.31 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$86,006	\$2,418	\$8,923	\$79,501
Fire insurance	13,134	684	8,172	5,646
Marine insurance	4,655	126	4,025	756
Engineering insurance	4,595	85	2,548	2,132
Health and injury insurance	11,373	50	462	10,961
Other insurance	10,692	101	4,355	6,438
Total	\$130,455	\$3,464	\$28,485	\$105,434

- (C) Disclosure the prior management performance in the risk, which had huge effect but relative low occurrence frequency, to help financial statement user to evaluate the uncertainty of this risk related cash flow.

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.

Cathay Century in order to control the occurrence of low frequency, but will affect greatly the risk of an event, the event has special coverage for natural disasters, the subject of risk assessment and loss prevention seminars are held regularly to help customers reduce the incidence of disasters.

B. Cathay Century (China)

- (A) Situations that might cause to the concentration of insurance risk :

- a. The exposure of unanticipated change in trend

Cathay Century (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.

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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 three-month periods ended 31 March 2014.

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

Insurance type	2014.1.1 ~ 2014.3.31 (NT\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$479,476	\$1,070	\$140,290	\$340,256
Fire insurance	85,083	2,231	73,335	13,979
Marine insurance	7,368	-	2,680	4,688
Engineering insurance	5,450	-	2,495	2,955
Health and injury insurance	-	-	-	-
Other insurance	47,099	87	5,949	41,237
Total	\$624,476	\$3,388	\$224,749	\$403,115

Insurance type	2014.1.1~2014.3.31 (US\$)			
	Direct Written premiums income	Reinsurance premium income	Premiums ceded to reinsurers	Net premiums income
Automobile insurance	\$15,746	\$35	\$4,607	\$11,174
Fire insurance	2,794	73	2,408	459
Marine insurance	242	1	88	155
Engineering insurance	179	-	82	97
Health and injury insurance	-	-	-	-
Other insurance	1,547	3	195	1,355
Total	\$20,508	\$112	\$7,380	\$13,240

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Claim development table

A. Cathay Century

Underwriting Year (NT\$)	-2008.3.31	2008.4.1- 2009.3.31	2010.4.1- 2010.3.31	2010.4.1- 2011.3.31	2011.4.1- 2012.3.31	2012.4.1- 2013.3.31	2013.4.1- 2014.3.31	Total
Estimate of cumulative claims incurred:								
At end of underwriting year	\$2,857,559	\$3,309,373	\$3,451,224	\$5,047,820	\$4,157,056	\$5,956,442	\$6,035,485	
One year later	3,594,047	4,395,761	4,362,499	6,226,914	4,979,753	6,008,210		
Two year later	3,503,804	4,390,348	4,509,300	5,907,031	5,156,606			
Three year later	3,492,947	4,463,529	4,548,580	5,949,328				
Four year later	3,511,120	4,526,001	4,526,435					
Five year later	3,518,675	4,540,749						
Six year later	3,505,880							
Estimate of cumulative claims incurred	3,505,880	4,540,749	4,526,435	5,949,328	5,156,606	6,008,210	6,035,485	35,722,693
Cumulative payment to date	3,479,076	4,489,081	4,452,206	5,774,625	4,934,965	5,226,419	3,410,916	31,767,288
Subtotal	26,804	51,668	74,229	174,703	221,641	781,791	2,624,569	3,955,405
Reconciliation	-	-	-	-	-	-	86,659	86,659
Recorded in balance sheet	\$26,804	\$51,668	\$74,229	\$174,703	\$221,641	\$781,791	\$2,711,228	\$4,042,064

Underwriting Year (US\$)	-2008.3.31	2008.4.1- 2009.3.31	2010.4.1- 2010.3.31	2010.4.1- 2011.3.31	2011.4.1- 2012.3.31	2012.4.1- 2013.3.31	2013.4.1- 2014.3.31	Total
Estimate of cumulative claims incurred:								
At end of underwriting year	\$93,844	\$108,682	\$113,341	\$165,774	\$136,521	\$195,614	\$198,210	
One year later	118,031	144,360	143,268	204,496	163,539	197,314		
Two year later	115,067	144,182	148,089	193,991	169,347			
Three year later	114,711	146,586	149,379	195,380				
Four year later	115,307	148,637	148,651					
Five year later	115,556	149,121						
Six year later	115,136							
Estimate of cumulative claims incurred	115,136	149,121	148,651	195,380	169,347	197,314	198,210	\$1,173,159
Cumulative payment to date	114,255	147,425	146,214	189,643	162,068	171,639	112,017	1,043,261
Subtotal	880	1,697	2,438	5,737	7,279	25,675	86,193	129,899
Reconciliation	-	-	-	-	-	-	2,846	2,846
Recorded in balance sheet	\$880	\$1,697	\$2,438	\$5,737	\$7,279	\$25,675	\$89,039	\$132,745

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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\$2,321,130(US\$76,228) thousands and assumed reinsurance from the upper table (except compulsory automobile liability insurance) NT\$282,421 (US\$9,275) thousands.

B. Cathay Insurance (China)

NT\$	For the first quarter of							Total
	-2008.3.31	2008.4.1- 2009.3.31	2009.4.1- 2010.3.31	2010.4.1- 2011.3.31	2011.4.1- 2012.3.31	2012.4.1- 2013.3.31	2013.4.1- 2014.3.31	
Estimated accumulation amount of claim								
As to 2008/12/31	\$2,686							
As to 2009/12/31	2,559	\$155,830						
As to 2010/12/31	2,555	149,752	\$333,249					
As to 2011/12/31	2,583	146,736	330,079	\$358,632				
As to 2012/12/31	1,342	127,377	296,430	321,189	\$997,581			
As to 2013/12/31	1,342	127,378	296,455	338,052	838,016	\$1,458,701		
As to 2014/03/31	1,342	127,378	299,756	336,028	824,206	1,368,517	\$498,752	
Estimated accumulation of claim	1,342	127,378	299,756	336,028	824,206	1,368,517	498,752	\$3,455,979
Accumulated claim paid	1,342	127,243	294,034	320,697	704,358	769,519	100,659	2,317,852
Subtotal	-	135	5,722	15,331	119,848	598,998	398,093	1,138,127
Indirect claim expense, discount and risk margin							54,266	54,266
Recognized amount on balance sheet								\$1,192,393

US\$	For the first quarter of							Total
	-2008.3.31	2008.4.1- 2009.3.31	2009.4.1- 2010.3.31	2010.4.1- 2011.3.31	2011.4.1- 2012.3.31	2012.4.1- 2013.3.31	2013.4.1- 2014.3.31	
Estimated accumulation amount of claim								
As to 2008/12/31	\$88							
As to 2009/12/31	84	\$5,118						
As to 2010/12/31	84	4,918	\$10,944					
As to 2011/12/31	85	4,819	10,840	\$11,778				
As to 2012/12/31	44	4,183	9,735	10,548	\$32,761			
As to 2013/12/31	44	4,183	9,736	11,102	27,521	\$47,905		
As to 2014/03/31	44	4,183	9,844	11,035	27,068	44,943	\$16,379	
Estimated accumulation of claim	44	4,183	9,844	11,035	27,068	44,943	16,379	\$113,496
Accumulated claim paid	44	4,179	9,656	10,532	23,132	25,272	3,306	76,121
Subtotal	-	4	188	503	3,936	19,671	13,073	37,375
Indirect claim expense, discount and risk margin							1,782	1,782
Recognized amount on balance sheet								\$39,157

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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	"
Cathay Securities Investment Trust	"
Cathay Life (China)	"
Cathay Life (Vietnam)	"
Cathay Insurance (Bermuda)	"
Cathay Securities Investment Consulting	"
Lin Yuan	"
Cathay Century (China)	"
Cathay Century (Vietnam)	"
Indovina Bank	"
Seaward Card	"
CUBC Bank	"
Cathay Futures	"
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	"
Tien-Tai Energy Corp.	"
Vietinbank	Other related party
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 Management Co., Ltd.	"
Cathay Hospitality Management Co., Ltd.	"
Others	"

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(2) Significant transactions with related parties:

A. Cash and cash equivalent

(A) Call loans to banks

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$6,982,027	\$229,295	\$6,554,374	\$219,724

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$5,862,632	\$196,667	\$6,376,067	\$219,486

Name	Interest income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$28,198	\$926	\$65,034	\$2,182

(B) Due from commercial banks

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$9,462	\$311	\$16,175	\$542

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$9,300	\$312	\$5,722	\$197

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Name	Interest income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$20,540	\$675	\$-	\$-

(C) Call loans from banks

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$4,061,038	\$133,367	\$3,844,124	\$128,868

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$3,585,918	\$120,292	\$2,797,772	\$96,309

Name	Interest income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$39,748	\$1,305	\$63,740	\$2,138

(D) Due to commercial banks

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$5,741	\$189	\$1,601	\$54

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$8,195	\$275	\$5,722	\$197

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B. Financial assets at fair value through profit or loss

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Dragon Fund etc.	\$3,543,487	\$116,371	\$2,038,855	\$68,349

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Dragon Fund etc.	\$2,324,561	\$77,979	\$2,319,889	\$79,858

C. Receivables

Name	2014.3.31			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiary Cathay Insurance (Bermuda)	\$13,218	\$434	0.01	\$43,145	\$1,446	0.03
Other related party Cathay Dragon Fund etc.	84,924	2,789	0.05	84,454	2,831	0.05
Total	\$98,142	\$3,223		\$127,599	\$4,277	

Name	2013.3.31			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiary Cathay Insurance (Bermuda)	\$8,162	\$274	0.01	\$-	\$-	-
Other related parties Cathay General Hospital	33,730	1,131	0.03	1,093	38	-
Cathay Dragon Fund etc.	88,845	2,980	0.07	76,453	2,632	0.07
Total	\$130,737	\$4,385		\$77,546	\$2,670	

D. Loans

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Associates Taiwan Real-estate Management Corp.	\$60,000	\$1,970	\$60,000	\$2,011
Tien-Tai Energy Corp.	119,141	3,913	120,859	4,052
Other related parties Cathay Real Estate Development Co., Ltd.	630,000	20,690	100,000	3,352
Cathay General Hospital	2,953,248	96,987	3,025,691	101,431
Others	1,928,863	63,345	1,617,682	54,230
Total	\$5,691,252	\$186,905	\$4,924,232	\$165,076

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Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$60,000	\$2,013	\$65,000	\$2,238
Other related parties				
Cathay Real Estate Development Co., Ltd.	970,000	32,539	-	-
Cathay General Hospital	3,243,680	108,812	3,313,519	114,063
Others	1,416,592	47,521	890,843	30,666
Total	<u>\$5,690,272</u>	<u>\$190,885</u>	<u>\$4,269,362</u>	<u>\$146,967</u>

Name	Interest income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Associates				
Taiwan Real-estate Management Corp.	\$284	\$9	\$307	\$10
Tien-Tai Energy Corp.	1,038	34	-	-
Other related parties				
Cathay Real Estate Development Co., Ltd.	522	17	861	29
Cathay General Hospital	16,708	549	20,491	687
Others	8,956	294	5,288	177
Total	<u>\$27,508</u>	<u>\$903</u>	<u>\$26,947</u>	<u>\$903</u>

E. Available-for-sale financial assets

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$245,422	\$8,060	\$290,068	\$9,724
Cathay Healthcare Management Co., Ltd.	65,003	2,135	64,868	2,175
Total	<u>\$310,425</u>	<u>\$10,195</u>	<u>\$354,936</u>	<u>\$11,899</u>

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay Dragon Fund etc.	\$246,864	\$8,281	\$236,464	\$8,140
Cathay Healthcare Management Co., Ltd.	34,763	1,166	34,125	1,175
Total	<u>\$281,627</u>	<u>\$9,447</u>	<u>\$270,589</u>	<u>\$9,315</u>

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F. Deposit

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$89,752	\$2,948	\$142,617	\$4,781
Other related parties				
Cathay Real Estate Development Co., Ltd.	179,731	5,902	226,980	7,609
Cathay Dragon Fund etc.	1,867,386	61,326	1,970,907	66,071
Others	9,313,997	305,878	8,558,652	286,914
Total	\$11,450,866	\$376,054	\$10,899,156	\$365,375

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$166,938 (Note)	\$5,600	\$167,730 (Note)	\$5,774 (Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	428,420	14,372	279,019	9,605
Cathay Dragon Fund etc.	1,824,901	61,218	3,258,081	112,154
Others	8,697,439	291,762	7,234,987	249,053
Total	\$11,117,698	\$372,952	\$10,939,817	\$376,586

Name	Interest expense			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$324	\$11	\$442 (Note)	\$15
Other related parties				
Cathay Real Estate Development Co., Ltd.	22	1	59	2
Cathay Dragon Fund etc.	4,121	135	4,002	134
Others	25,246	829	26,465	888
Total	\$29,713	\$976	\$30,968	\$1,039

Note: Being the subsidiary of the company in the period.

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G. Property transactions

(A) Transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, construction, and lease transactions. The terms of such transactions are based on market surveys and the contracts of both parties.

Name	Item	2014.1.1~2014.3.31	
		NT\$	US\$
Other related parties			
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark, etc.	\$7,848	\$258
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	224,848	7,384
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	21,940	721
Total		<u>\$254,636</u>	<u>\$8,363</u>

Name	Item	2013.1.1~2013.3.31	
		NT\$	US\$
Other related parties			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	286,811	9,621
Lin Yuan Property Management Co., Ltd.	Cathay Cosmos Building, etc.	4,033	135
Total		<u>\$290,844</u>	<u>\$9,756</u>

The total amounts of contracted projects for real estate as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, between Cathay Life and Lin Yuan Property Management Co., Ltd. were NT\$51,285 (US\$1,684) thousands, NT\$95,481 (US\$3,201) thousands, NT\$6,095 (US\$204) thousands and NT\$3,408 (US\$117) thousands, respectively.

The total amounts of contracted projects for real estate as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, between Cathay Life and San Ching Engineering Co., Ltd. were NT\$5,531,912 (US\$181,672) thousands, NT\$5,535,807 (US\$185,579) thousands, NT\$5,474,727 (US\$183,654) thousands and NT\$5,483,615 (US\$188,765) thousands, respectively.

The total amounts of contracted projects for real estate as of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, between Cathay Life and Cathay Real Estate Development Co., Ltd. were NT\$49,306 (US\$1,619) thousands, NT\$49,306 (US\$1,653) thousands, NT\$49,306 (US\$1,654) thousands and NT\$49,306 (US\$1,697) thousands, respectively.

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(B) Real estate rental income from Cathay Life:

Name	Rental income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$6,068	\$199	\$4,074 (Note)	\$137
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,343	143	4,343	146
Cathay General Hospital	10,789	354	43,552	1,461
Cathay Healthcare Management Co., Ltd.	11,416	375	8,603	289
Cathay Hospitality Management Co., Ltd.	3,454	113	869	29
Total	\$36,070	\$1,184	\$61,441	\$2,062

Name	Guarantee deposits received			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$5,922	\$194	\$5,922	\$199
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,028	132	4,028	135
Cathay General Hospital	10,166	334	10,166	341
Cathay Healthcare Management Co., Ltd.	8,012	263	8,012	269
Total	\$28,128	\$923	\$28,128	\$944

Name	Guarantee deposits received			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$4,702 (Note)	\$158	\$3,942 (Note)	\$136 (Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	4,028	135	4,028	139
Cathay General Hospital	10,166	341	10,166	350
Cathay Healthcare Management Co., Ltd.	8,012	269	8,012	276
Total	\$26,908	\$903	\$26,148	\$901

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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			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Real Estate Development Co., Ltd.	\$13,102	\$430	\$17,395	\$584

Name	Guarantee deposits received			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Real Estate Development Co., Ltd.	\$13,932	\$458	\$13,932	\$467

Name	Guarantee deposits received			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Real Estate Development Co., Ltd.	\$13,932	\$467	\$13,932	\$480

H. Guarantee deposits

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Healthcare Management Co., Ltd.	\$3,599	\$118	\$2,446	\$82
Lin Yuan Property Management Co., Ltd.	5,000	164	5,000	168
Total	\$8,599	\$282	\$7,446	\$250

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Healthcare Management Co., Ltd.	\$3,534	\$119	\$-	\$-
Lin Yuan Property Management Co., Ltd.	5,000	168	5,000	172
Total	\$8,534	\$287	\$5,000	\$172

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I. Futures traders' equity

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$159,238	\$5,229	\$153,195	\$5,136

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$166,762	\$5,594	\$166,848	\$5,743

J. Securities sold under agreements to repurchase

Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related parties				
Others	\$60,141	\$2,017	\$60,081	\$2,068

Name	Interest expense	
	2013.1.1~2013.3.31	
	NT\$	US\$
Other related parties		
Other	\$90	\$3

K. Payables

Name	2014.3.31			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiaries						
Cathay Insurance (Bermuda)	\$-	\$-	-	\$14,109	\$473	0.04
Seaward Card	24,641	809	0.05	24,857	833	0.07
Associate						
Symphox Information Co., Ltd.	55,281	1,815	0.11	21,559	723	0.06
Other related parties						
Lin Yuan Property Management Co., Ltd.						
Management Co., Ltd.	41,425	1,360	0.08	1,383	46	-
Vietinbank	122,040	4,008	0.24	119,800	4,016	0.32
Total	\$243,387	\$7,992		\$181,708	\$6,091	

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Name	2013.3.31			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Subsidiaries						
Cathay Insurance (Bermuda)	\$1,835	\$62	-	\$-	\$-	-
Seaward Card	26,207	879	0.04	26,131	900	0.04
Associate						
Symphox Information Co., Ltd.	37,937 (Note)	1,273	0.06	16,368 (Note)	563 (Note)	0.03
Other related parties						
Lin Yuan Property Management Co., Ltd.						
	42,591	1,429	0.06	3,580	123	0.01
Vietinbank	418,250	14,031	0.63	407,904	14,041	0.67
Total	<u>\$526,820</u>	<u>\$17,674</u>		<u>\$453,983</u>	<u>\$15,627</u>	

Note: Being the subsidiary of the company in the period.

L. Net commission and handling fee

(A) Handling fee income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Securities Investment Consulting	<u>\$5,331</u>	<u>\$175</u>	<u>\$5,421</u>	<u>\$182</u>

(B) Reinsurance handling fee paid

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	<u>\$2,578</u>	<u>\$85</u>	<u>\$4,038</u>	<u>\$135</u>

M. Net premiums from insurance business

(A) Insurance income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related parties				
Cathay General Hospital	\$7,376	\$242	\$9,972	\$335
Others	36,140	1,187	34,424	1,155
Total	<u>\$43,516</u>	<u>\$1,429</u>	<u>\$44,396</u>	<u>\$1,490</u>

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(B) Reinsurance income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$39,821	\$1,308	\$40,166	\$1,347

On 1 April 2000, Cathay Insurance (Bermuda) engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance. For the three-month periods ended 2014 and 2013, Cathay Life assumed 90% of the reinsurance business from Cathay Insurance (Bermuda).

(C) Reinsurance claims payment

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Insurance (Bermuda)	\$51,681	\$1,697	\$30,021	\$1,007

N. Net other non-interest income

Management fee income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$252,712	\$8,299	\$256,299	\$8,598

O. Operating expense

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Securities Investment Consulting	\$672	\$22	\$6,339	\$213
Seaward Card	84,632	2,779	99,901	3,351
Associate				
Symphox Information Co., Ltd.	195,791	6,430	173,909	5,834
			(Note)	(Note)
Other related parties				
Cathay Real Estate Development Co., Ltd.	6,009	197	5,352	180
Lin Yuan Property Management Co., Ltd.	185,604	6,095	169,866	5,698
Cathay Healthcare Management Co., Ltd.	5,602	184	1,676	56
Total	\$478,310	\$15,707	\$457,043	\$15,332

Note: Being the subsidiary of the company in the period.

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P. Key management personnel compensation

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Short-term employee benefits	\$198,835	\$6,530	\$158,434	\$5,315
Post-employment pension	2,473	81	3,179	107
Termination benefits	-	-	2,708	91
Total	<u>\$201,308</u>	<u>\$6,611</u>	<u>\$164,321</u>	<u>\$5,513</u>

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

(3) The Company

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

A. Cash in bank

Name	Item	Ending balance			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Cash in bank	<u>\$4,111</u>	<u>\$135</u>	<u>\$3,982</u>	<u>\$133</u>

Name	Item	Ending balance			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$5,110	\$171	\$87,408	\$3,009
	Cash in bank	139,275	4,672	5,981	206
		<u>\$144,385</u>	<u>\$4,843</u>	<u>\$93,389</u>	<u>\$3,215</u>

For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from deposits in Cathay United Bank described above were NT\$3(US\$0.1) thousands and NT\$237 (US\$8) thousands, respectively.

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B. Receivables

Name	Item	2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$3,682,885	\$120,949	\$3,458,995	\$115,957
Cathay United	Receivables due to				
Bank	consolidated income tax	97,983	3,218	-	-
Cathay Century	Receivables due to				
	consolidated income tax and				
	interest	253,806	8,335	212,790	7,133
Cathay Securities	Receivables due to				
Investment Trust	consolidated income tax	80,198	2,634	58,705	1,968
Total		\$4,114,872	\$135,136	\$3,730,490	\$125,058

Name	Item	2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Interest	\$2,774,885	\$93,086	\$2,550,995	\$87,814
Cathay United	Receivables due to				
Bank	consolidated income tax	195,083	6,544	-	-
Cathay Century	Receivables due to				
	consolidated income tax and				
	interest	225,498	7,565	172,887	5,951
Cathay Securities	Receivables due to				
	consolidated income tax	115,343	3,869	111,308	3,832
Cathay Securities	Receivables due to				
Investment Trust	consolidated income tax	38,775	1,301	19,154	659
Total		\$3,349,584	\$112,365	\$2,854,344	\$98,256

C. Guarantee deposits paid

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$8,046	\$264	\$8,505	\$285

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Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$7,115	\$239	\$6,604	\$227

D. Held-to-maturity financial asset

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$985,222	\$30,000,000	\$1,005,699
Cathay Century	1,000,000	32,841	1,000,000	33,523
Total	\$31,000,000	\$1,018,063	\$31,000,000	\$1,039,222

Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$30,000,000	\$1,006,374	\$30,000,000	\$1,032,702
Cathay Century	1,000,000	33,546	1,000,000	34,423
Total	\$31,000,000	\$1,039,920	\$31,000,000	\$1,067,125

E. Payables

Name	Item	2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$8,346,959	\$274,120	\$7,550,281	\$253,110
Cathay United Bank	Payable due to consolidated income tax	-	-	256,312	8,592
Cathay Securities	Payable due to consolidated income tax	5,661	186	6,495	218
Total		\$8,352,620	\$274,306	\$7,813,088	\$261,920

Name	Item	2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay Life	Payable due to consolidated income tax	\$5,996,798	\$201,167	\$5,235,287	\$180,216
Cathay United Bank	Payable due to consolidated income tax	-	-	246,573	8,488
Total		\$5,996,798	\$201,167	\$5,481,860	\$188,704

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F. Interest income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiaries				
Cathay Life	\$223,890	\$7,353	\$223,890	\$7,511
Cathay Century	4,586	151	4,586	154
Total	<u>\$228,476</u>	<u>\$7,504</u>	<u>\$228,476</u>	<u>\$7,665</u>

G. Operating expenses

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	<u>\$8,929</u>	<u>\$293</u>	<u>\$7,696</u>	<u>\$258</u>

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

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

A. Cathay Life and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$7,482	\$246	\$7,482	\$251
	Cash in bank	15,231,867	500,226	24,802,249	831,453
	Check deposits	494,626	16,244	747,053	25,044
	Security deposit	2,354	77	6	-
Indovina Bank	Time deposit	-	-	-	-
	Cash in bank	3,534	116	5,226	175
		<u>\$15,739,863</u>	<u>\$516,909</u>	<u>\$25,562,016</u>	<u>\$856,923</u>

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Name	Item	Ending balance			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$57,069,545	\$1,914,443	\$57,338,698	\$1,973,793
	Cash in bank	14,308,968	480,006	15,791,906	543,611
	Check deposits	673,046	22,578	954,116	32,844
	Security deposit	6	-	6	-
Indovina Bank	Time deposit	409,819	13,748	471	16
	Cash in bank	5,734	192	2,737	94
		<u>\$72,467,118</u>	<u>\$2,430,967</u>	<u>\$74,087,934</u>	<u>\$2,550,358</u>

For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from deposits in Cathay United Bank described above were NT\$4,611 (US\$151) thousands and NT\$128,862 (US\$4,323) thousands, respectively.

For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from deposits in Indovina Bank described above were NT\$60 (US\$2) thousands and NT\$1,474 (US\$49) thousands, respectively.

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, pledged deposits inclusive of deposits in related parties described above were NT\$7,482 (US\$246) thousands, NT\$7,482 (US\$251) thousands, NT\$8,382 (US\$281) thousands and NT\$8,698 (US\$299) thousands, respectively.

b. Debt investments without active market

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$3,000	\$99	\$3,000	\$101
Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$3,000	\$101	\$3,000	\$103

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c. Other receivables

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$8,346,959	\$274,120	\$7,550,281	\$253,110
Subsidiary				
Cathay Century	184,748	6,067	164,984	5,531
Total	<u>\$8,531,707</u>	<u>\$280,187</u>	<u>\$7,715,265</u>	<u>\$258,641</u>

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding (Note)	\$5,996,798	\$201,167	\$5,235,287	\$180,216
Subsidiary				
Cathay Century	178,929	6,002	141,412	4,868
Total	<u>\$6,175,727</u>	<u>\$207,169</u>	<u>\$5,376,699</u>	<u>\$185,084</u>

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

d. Secured loans

Name	2014.1.1~2014.3.31						
	Maximum amount		Interest Income		Rate	Ending balance	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Other related parties							
Cathay General Hospital	\$2,926,691	\$96,115	\$15,988	\$525	2.01%~2.55%	\$2,854,248	\$93,736
Others	794,456	26,091	3,295	108	1.34%~3.78%	777,682	25,540
Total			<u>\$19,283</u>	<u>\$633</u>		<u>\$3,631,930</u>	<u>\$119,276</u>

Name	2013.1.1~2013.3.31						
	Maximum amount		Interest Income		Rate	Ending balance	
	NT\$	US\$	NT\$	US\$		NT\$	US\$
Other related parties							
Cathay General Hospital	\$3,210,519	\$107,699	\$19,742	\$662	2.43%~2.55%	\$3,140,680	\$105,357
Others	528,879	17,742	804	27	1.34%~3.88%	517,507	17,360
Total			<u>\$20,546</u>	<u>\$689</u>		<u>\$3,658,187</u>	<u>\$122,717</u>

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

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Dragon Fund etc.	\$3,487,875	\$114,544	\$2,008,405	\$67,328

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party Cathay Dragon Fund etc.	\$2,324,561	\$77,979	\$2,319,889	\$79,858

f. Guarantee deposits paid

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay Futures	\$743,846	\$24,428	\$711,826	\$23,863

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary Cathay Futures	\$936,007	\$31,399	\$364,739	\$12,556

The guarantee deposits are futures margins of Cathay Futures. For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from guarantee deposits were NT\$303 (US\$10) thousands and NT\$156 (US\$5) thousands, respectively.

g. Other payables

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company Cathay Financial Holding (Note)	\$3,682,885	\$120,949	\$3,458,995	\$115,957

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company Cathay Financial Holding (Note)	\$2,774,885	\$93,086	\$2,550,995	\$87,814

Note: Interest payable accrued from preferred stock liability.

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h. Preferred stock liability

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$985,222</u>	<u>\$30,000,000</u>	<u>\$1,005,699</u>

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$30,000,000</u>	<u>\$1,006,374</u>	<u>\$30,000,000</u>	<u>\$1,032,702</u>

i. Property transactions

Property transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, 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	2014.1.1~2014.3.31	
		NT\$	US\$
Other related party			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	<u>\$224,848</u>	<u>\$7,384</u>

Name	Item	2013.1.1~2013.3.31	
		NT\$	US\$
Other related party			
San Ching Engineering Co., Ltd.	Cathay Land Mark, etc.	<u>\$286,811</u>	<u>\$9,621</u>

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the prices of construction contracts between Cathay Life and San Ching Engineering Co., Ltd. are in the amount of NT\$5,531,912 (US\$181,672) thousands, NT\$5,535,807 (US\$185,579) thousands, NT\$5,474,727 (US\$183,654) thousands and NT\$5,483,615 (US\$188,765) thousands, respectively.

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j. Insurance income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$11,876	\$390	\$170,640	\$5,724

k. Miscellaneous income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Century	\$339,072	\$11,135	\$321,171	\$10,774

Miscellaneous income is mainly generated from Cathay Life's integrated marketing activities.

l. Operating expense

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	\$871,848	\$28,632	\$543,557	\$18,234
Other related party				
Lin Yuan Property Management Co., Ltd.	184,158	6,048	168,198	5,642
Total	\$1,056,006	\$34,680	\$711,755	\$23,876

m. Non-operating expenses and losses

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$223,890	\$7,353	\$223,890	\$7,511

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

n. Other disclosures

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

Item	2014.3.31	2013.12.31	2013.3.31	2013.1.1
CS contracts	USD 1,085,000	USD 1,045,000	USD 1,235,000	USD 985,000

Cathay Life had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$307,050 (US\$10,084) thousands during the three-month periods ended 31 March 2014.

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B. Cathay United Bank and its subsidiaries

a. Loans and deposits

Account/Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associate				
Tien-Tai Energy Corp.	\$119,141	\$3,913	\$120,859	\$4,052
Other related parties				
Cathay Real Estate Development Co., Ltd.	630,000	20,690	100,000	3,352
Cathay General Hospital	99,000	3,251	99,000	3,319
Others	1,113,598	36,571	890,965	29,868
Total	\$1,961,739	\$64,425	\$1,210,824	\$40,591

Account/Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Other related parties				
Cathay Real Estate Development Co., Ltd.	\$970,000	\$32,539	\$-	\$-
Cathay General Hospital	103,000	3,455	103,000	3,546
Others	862,333	28,928	385,830	13,282
Total	\$1,935,333	\$64,922	\$488,830	\$16,828

Account/Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Deposits</u>				
The Company	\$4,111	\$135	\$3,982	\$133
Cathay Financial Holding				
Subsidiaries				
Cathay Life	15,739,329	516,891	25,559,790	856,848
Cathay Century	1,295,849	42,557	1,470,311	49,290
Cathay Securities	1,153,106	37,869	1,300,263	43,589
Cathay Futures	1,946,342	63,919	1,920,210	64,372
Cathay Securities Investment Trust	434,629	14,274	344,818	11,559
Cathay Venture	194,701	6,394	44,992	1,508
Cathay Life (Vietnam)	3,534	116	5,226	175
Cathay Century (Vietnam)	234,754	7,709	179,870	6,030
Associate				
Symphox Information Co., Ltd.	89,752	2,948	142,617	4,781
Other related parties				
Cathay Real Estate Development Co., Ltd.	179,731	5,902	226,980	7,609
Cathay Dragon Fund etc.	1,867,386	61,326	1,970,907	66,071
Others	9,313,997	305,878	8,558,652	286,914
Total	\$32,457,221	\$1,065,918	\$41,728,618	\$1,398,879

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Account/Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Deposits</u>				
The Company				
Cathay Financial Holding	\$144,385	\$4,844	\$93,389	\$3,215
Subsidiaries				
Cathay Life	71,686,465	2,404,779	73,919,996	2,544,578
Cathay Century	1,268,780	42,562	1,285,715	44,259
Cathay Securities	1,397,879	46,893	1,797,618	61,880
Cathay Futures	2,582,526	86,633	1,978,796	68,117
Cathay Securities Investment Trust	1,670,277	56,031	1,745,795	60,096
Cathay Venture	59,900	2,009	65,757	2,264
Cathay Life (Vietnam)	616,715	20,688	1,595	55
Cathay Century (Vietnam)	356,687	11,965	326,295	11,232
Associate				
Symphox Information Co., Ltd.	166,938	5,600	167,730	5,774
Other related parties				
Cathay Real Estate Development Co., Ltd.	428,420	14,372	279,019	9,605
Cathay Dragon Fund etc.	1,824,901	61,218	3,258,081	112,154
Others	8,697,439	291,762	7,234,987	249,053
Total	<u>\$90,901,312</u>	<u>\$3,049,356</u>	<u>\$92,154,773</u>	<u>\$3,172,282</u>

Name	Interest income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
<u>Loans</u>				
Associate				
Tien-Tai Energy Corp.	\$1,038	\$34	\$-	\$-
Other related parties				
Cathay Real Estate Development Co., Ltd.	522	17	861	29
Cathay General Hospital	720	24	749	25
Others	5,485	180	4,300	144
Total	<u>\$7,765</u>	<u>\$255</u>	<u>\$5,910</u>	<u>\$198</u>

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Name	Interest expense			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
<u>Deposits</u>				
The Company				
Cathay Financial Holding	\$3	\$-	\$237	\$8
Subsidiaries				
Cathay Life	4,611	151	127,954	4,292
Cathay Century	2,754	90	2,334	78
Cathay Securities	1,295	43	2,394	80
Cathay Futures	6,016	198	6,431	216
Cathay Venture	101	3	163	5
Cathay Securities Investment Trust	582	19	2,433	82
Cathay Life (Vietnam)	60	2	1,474	49
Cathay Century (Vietnam)	3,009	99	8,953	300
Associate				
Symphox Information Co., Ltd.	324	11	442	15
Other related parties				
Cathay Real Estate Development Co., Ltd.	22	1	59	2
Cathay Dragon Fund etc.	4,121	135	4,002	134
Others	25,246	829	26,465	888
Total	\$48,144	\$1,581	\$183,341	\$6,149

Account/Name	Ending balance			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related party				
Vietinbank	\$6,982,027	\$229,295	\$6,554,374	\$219,724
<u>Call loans from banks</u>				
Other related party				
Vietinbank	4,061,038	133,367	3,844,124	128,868

Account/Name	Ending balance			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related party				
Vietinbank	\$5,862,632	\$196,667	\$6,376,067	\$219,486
<u>Call loans from banks</u>				
Other related party				
Vietinbank	3,585,918	120,292	2,797,772	96,309

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Account/Name	Interest income			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
<u>Call loans to banks</u>				
Other related party				
Vietinbank	\$28,198	\$926	\$65,034	\$2,182

Account/Name	Interest expense			
	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
<u>Call loans from banks</u>				
Other related party				
Vietinbank	\$39,748	\$1,305	\$63,740	\$2,138

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

b. Receivables due to consolidated income tax

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$-	\$-	\$256,312	\$8,592

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$-	\$-	\$246,573	\$8,488

c. Payables due to consolidated income tax

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay financial Holding	\$97,983	\$3,218	\$-	\$-

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay financial Holding	\$195,083	\$6,544	\$-	\$-

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d. Preferred stock liability

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$122,040	\$4,008	\$119,800	\$4,016

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Other related party				
Vietinbank	\$418,250	\$14,031	\$407,904	\$14,041

e. Handling fees income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$871,848	\$28,632	\$543,557	\$18,234

f. Accrued insurance expense

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$11,876	\$390	\$170,640	\$5,724

g. General expense

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Associate				
Symphox Information Co., Ltd.	\$119,522	\$3,925	\$106,807	\$3,583

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C. Cathay Century and its subsidiaries

a. Cash in banks

Name	Item	Ending balance			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiaries					
Cathay United Bank	Time deposit	\$693,384	\$22,771	\$693,131	\$23,236
	Cash in bank	482,709	15,853	619,878	20,780
	Check deposit	119,756	3,933	157,302	5,273
Indovina Bank	Time deposit	229,092	7,524	175,808	5,894
	Cash in bank	5,662	186	4,062	136
	Total	\$1,530,603	\$50,267	\$1,650,181	\$55,319

Name	Item	Ending balance			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$670,500	\$22,492	\$695,800	\$23,952
	Cash in bank	437,549	14,678	416,944	14,353
	Check deposit	160,731	5,392	172,971	5,954
Indovina Bank	Time deposit	352,620	11,829	322,229	11,092
	Cash in bank	4,067	136	4,066	140
	Total	\$1,625,467	\$54,527	\$1,612,010	\$55,491

For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from deposits in Cathay United Bank described above were NT\$5,763 (US\$189) thousands and NT\$11,287 (US\$379) thousands, respectively.

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, pledged deposits inclusive of deposits in related parties described above were NT\$25,000(US\$821) thousands, NT\$25,000 (US\$838) thousands, NT\$25,000 (US\$839) and NT\$25,000 (US\$861) thousands, respectively.

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b. Available-for-sale financial assets

Name	Item	2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Cathay Dragon Fund etc.	Beneficiary certificates	\$111,003	\$3,645	\$146,836	\$4,922

Name	Item	2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Cathay Dragon Fund etc.	Beneficiary certificates	\$58,076	\$1,948	\$67,557	\$2,326

c. Other payables

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$253,806	\$8,335	\$212,790	\$7,133
Subsidiary				
Cathay Life	184,748	6,067	164,984	5,531
Total	\$438,554	\$14,402	\$377,774	\$12,664

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$225,498	\$7,565	\$172,887	\$5,951
Subsidiary				
Cathay Life	178,929	6,002	141,412	4,868
Total	\$404,427	\$13,567	\$314,299	\$10,819

d. Preferred stock liability

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$1,000,000	\$32,841	\$1,000,000	\$33,523

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Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	\$1,000,000	\$33,546	\$1,000,000	\$34,423

e. Operating expense

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Subsidiary Associate				
Symphox Information Co., Ltd.	\$339,072	\$11,135	\$321,171	\$10,774

f. Other disclosure

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
CS contracts	USD	43,950	USD	57,450	USD	88,250	USD	75,250
IRS	NTD	400,000	NTD	400,000	NTD	400,000	NTD	400,000

D. Cathay Securities and its subsidiaries

a. Cash in bank

Name	Item	Ending balance			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$990,000	\$32,512	\$1,000,000	\$33,523
	Cash in bank	499,785	16,413	623,394	20,898
	Total	\$1,489,785	\$48,925	\$1,623,394	\$54,421

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Name	Item	Ending balance			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit	\$1,000,000	\$33,546	\$1,000,000	\$34,423
	Cash in bank	765,825	25,690	1,690,322	58,187
	Total	<u>\$1,765,825</u>	<u>\$59,236</u>	<u>\$2,690,322</u>	<u>\$92,610</u>

For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from deposits in Cathay United Bank described above were NT\$7,311 (US\$240) thousands and NT\$8,825 (US\$296) thousands, respectively.

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, pledged deposits inclusive of deposits in related parties described above were NT\$900,000 (US\$29,557) thousands, NT\$1,000,000 (US\$33,523) thousands, NT\$1,000,000 (US\$33,546) thousands and NT\$1,000,000 (US\$34,423) thousands, respectively.

b. Customer's margin accounts

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	<u>\$1,609,663</u>	<u>\$52,862</u>	<u>\$1,597,079</u>	<u>\$53,539</u>

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay United Bank	<u>\$2,214,580</u>	<u>\$74,290</u>	<u>\$1,086,092</u>	<u>\$37,387</u>

c. Other payables

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
The Company				
Cathay Financial Holding	<u>\$115,343</u>	<u>\$3,869</u>	<u>\$111,308</u>	<u>\$3,832</u>

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d. Futures trader's equity

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$743,846	\$24,428	\$711,826	\$23,863
Other related party				
Cathay Dragon Fund etc.	159,238	5,229	153,195	5,136
Total	\$903,084	\$29,657	\$865,021	\$28,999

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Life	\$936,007	\$31,399	\$364,739	\$12,556
Other related party				
Cathay Dragon Fund etc.	166,762	5,594	166,848	5,743
Total	\$1,102,769	\$36,993	\$531,587	\$18,299

E. Cathay Securities Investment Trust

a. Cash in bank, Operating deposit and Guarantee deposit

Name	Item	Ending balance			
		2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit				
	(Note)	\$400,901	\$13,166	\$323,850	\$10,857
	Cash in bank	189	6	75	3
	Check deposits	33,539	1,101	20,893	700
	Total	\$434,629	\$14,273	\$344,818	\$11,560

Name	Item	Ending balance			
		2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Subsidiary					
Cathay United Bank	Time deposit				
	(Note)	\$1,633,050	\$54,782	\$1,720,550	\$59,227
	Cash in bank	28	1	28	1
	Check deposits	37,199	1,248	25,217	868
	Total	\$1,670,277	\$56,031	\$1,745,795	\$60,096

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Note: As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013, 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\$1,642) thousands, NT\$50,000 (US\$1,676) thousands, NT\$50,000 (US\$1,677) thousands and NT\$50,000 (US\$1,721) thousands respectively of its time deposits in Cathay United Bank as operating deposit.

In addition, Cathay Securities Investment Trust reserved NT\$146,600 (US\$4,814) thousands, NT\$160,100 (US\$5,367) thousands, NT\$137,500 (US\$4,613) thousands and NT\$145,000 (US\$4,991) thousands, respectively, as performance bond according to Discretionary Investment Services Contract.

For the three-month periods ended 31 March 2014 and 2013, interest revenue earned from deposits in Cathay United Bank described above were NT\$582 (US\$19) thousands and NT\$2,433 (US\$82) thousands, respectively.

b. Available-for-sale financial assets

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Dragon Fund etc.	\$134,419	\$4,414	\$143,232	\$4,802

Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Subsidiary				
Cathay Dragon Fund etc.	\$147,852	\$4,960	\$128,032	\$4,407

c. Management fee income

Name	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Other related party				
Cathay Dragon Fund etc.	\$252,712	\$8,299	\$256,299	\$8,598

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36. Pledged assets

As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, the Company and its subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount	
		2014.3.31	
		NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	\$2,714,987	\$89,162
Guarantee deposits paid	Government bonds and court guarantees	10,516,068	345,355
Available-for-sale financial assets	Business reserves and guarantees	1,500,846	49,289
Held-to-maturity financial assets	Business reserves and guarantees	952,845	31,292
Investments in debt securities with no active market	Business reserves and guarantees	62,000,000	2,036,125
Total		<u>\$77,684,746</u>	<u>\$2,551,223</u>

Item	Guarantee purpose	Carrying amount	
		2013.12.31	
		NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	\$2,830,092	\$94,874
Guarantee deposits paid	Government bonds and court guarantees	10,553,803	353,798
Available-for-sale financial assets	Business reserves and guarantees	1,473,453	49,395
Held-to-maturity financial assets	Business reserves and guarantees	862,710	28,921
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,679,517
Total		<u>\$65,820,058</u>	<u>\$2,206,505</u>

Item	Guarantee purpose	Carrying amount	
		2013.3.31	
		NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	\$2,748,606	\$92,204
Guarantee deposits paid	Government bonds and court guarantees	10,716,570	359,496
Financial assets at fair value through profit or loss	Business reserves and guarantees, the operation of electronic gift certificate and customers' rights	44,150	1,481
Available-for-sale financial assets	Business reserves and guarantees	1,581,798	53,063
Held-to-maturity financial assets	Business reserves and guarantees	805,452	27,020
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,680,644
Other financial assets	Trust accounts	253	8
Total		<u>\$65,996,829</u>	<u>\$2,213,916</u>

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Item	Guarantee purpose	Carrying amount	
		2013.1.1	
		NT\$	US\$
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, loans, business reserves and guarantees	\$2,559,994	\$88,124
Guarantee deposits paid	Government bonds and court guarantees	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 customers' rights	45,103	1,552
Available-for-sale financial assets	Business reserves and guarantees	1,603,158	55,186
Held-to-maturity financial assets	Business reserves and guarantees	610,570	21,018
Investments in debt securities with no active market	Business reserves and guarantees	50,100,000	1,724,613
Other financial assets	Trust accounts	10	-
Total		<u>\$65,196,285</u>	<u>\$2,244,278</u>

37.Commitment and contingent liabilities

(1) Cathay United Bank

Lee and Li Attorneys-at-Law and SanDisk Corporation filed lawsuits in the Taiwan Taipei District Court and alleged that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by Eddie Liu, a former employee of Lee and Li Attorneys-at-Law on October 2003. Both plaintiffs claimed indemnities amounted to NT\$0.99 billion (US\$33 million) and NT\$3.09 billion (US\$101 million). The case brought by Lee and Li was in litigation process in July 2007 and is still pending in Taipei District Court. Cathay United Bank is in mediation procedure with SanDisk Corporation. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will be resolved in the bank's favor and accordingly no provision for such claims has been made in these financial statements.

(2) Cathay Securities and its Subsidiaries

As of 31 March 2014, Cathay Securities requested financial institutions issue letters of guarantees for security borrowing of NT\$710,000 (US\$23,317) thousands.

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- (3) As of 31 March 2014, 31 December 2013, 31 March 2013, and 1 January 2013, Cathay United Bank and its subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

Item	2014.3.31	
	NT\$	US\$
Trust and security held for safekeeping	\$456,356,306	\$14,987,071
Travelers checks for sale	557,662	18,314
Bills for collection	47,847,742	1,571,354
Book-entry for government bonds and depository for short-term marketable securities under management	548,071,500	17,999,064
Entrusted financial management business	3,302,301	108,450
Guarantees on duties and contracts	11,483,686	377,133
Unused commercial letters of credit	6,344,985	208,374
Irrevocable loan commitments	205,056,937	6,734,218
Credit card lines commitments	397,778,791	13,063,343
Financial guarantee contracts	710,018	23,318

Item	2013.12.31	
	NT\$	US\$
Trust and security held for safekeeping	\$438,098,386	\$14,686,503
Travelers checks for sale	559,217	18,747
Bills for collection	44,881,814	1,504,586
Book-entry for government bonds and depository for short-term marketable securities under management	573,257,300	19,217,476
Entrusted financial management business	3,190,719	106,963
Guarantees on duties and contracts	11,270,885	377,837
Unused commercial letters of credit	4,285,167	143,653
Irrevocable loan commitments	165,758,492	5,556,771
Credit card lines commitments	379,995,132	12,738,690
Stamp tax, securities and memorial currency consignments	1,006	34
Financial guarantee contracts	575,284	19,285

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Item	2013.3.31	
	NT\$	US\$
Trust and security held for safekeeping	\$367,756,562	\$12,336,684
Travelers checks for sale	485,254	16,278
Bills for collection	42,528,398	1,426,649
Book-entry for government bonds and depository for short-term marketable securities under management	569,106,000	19,091,110
Entrusted financial management business	4,210,142	141,233
Guarantees on duties and contracts	11,680,203	391,822
Unused commercial letters of credit	6,034,999	202,449
Irrevocable loan commitments	63,886,841	2,143,135
Credit card lines commitments	300,898,360	10,093,873
Stamp tax, securities and memorial currency consignments	1,006	34
Financial guarantee contracts	793,131	26,606

Item	2013.1.1	
	NT\$	US\$
Trust and security held for safekeeping	\$337,334,621	\$11,612,207
Travelers checks for sale	462,167	15,909
Bills for collection	39,523,311	1,360,527
Book-entry for government bonds and depository for short-term marketable securities under management	564,494,500	19,431,824
Entrusted financial management business	2,385,838	82,129
Guarantees on duties and contracts	12,081,454	415,885
Unused commercial letters of credit	4,953,767	170,526
Irrevocable loan commitments	34,515,262	1,188,133
Credit card lines commitments	295,994,089	10,189,125
Stamp tax, securities and memorial currency consignments	1,006	35
Financial guarantee contracts	913,279	31,438

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

Name	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$1,022,126	\$33,567	\$966,282	\$32,393
1 to 5 years	1,675,501	55,025	1,552,038	52,030
Over 5 year	105,887	3,477	71,450	2,395
	<u>\$2,803,514</u>	<u>\$92,069</u>	<u>\$2,589,770</u>	<u>\$86,818</u>

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Name	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Within 1 year	\$842,782	\$28,272	\$884,866	\$30,460
1 to 5 years	1,212,680	40,680	1,214,969	41,823
Over 5 year	142,583	4,783	118,602	4,083
	<u>\$2,198,045</u>	<u>\$73,735</u>	<u>\$2,218,437</u>	<u>\$76,366</u>

38. Significant disaster losses: None.

39. Subsequent events: None.

40. Other significant matters

(1) Financial instruments related information

The Group

A. Categories of financial instruments

	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$242,154,421	\$7,952,526	\$244,023,246	\$8,180,464
Available-for-sale financial assets -net	1,346,438,280	44,218,006	1,357,106,776	45,494,696
Derivative financial assets for hedging	1,241,132	40,760	1,300,914	43,611
Held-to-maturity financial assets -net	59,421,462	1,951,444	54,970,153	1,842,781
Other financial assets - investments with no active market	1,334,140,960	43,814,153	1,305,675,228	43,770,540
Loans and receivables:				
Cash and cash equivalents (petty cash and cash on hand excluded)	404,815,277	13,294,426	317,204,356	10,633,736
Due from the Central Bank and call loans to banks	136,763,894	4,491,425	151,945,067	5,093,700
Securities purchased under agreements to resell	19,654,926	645,482	12,960,817	434,489
Receivables -net	157,195,422	5,162,411	169,590,966	5,685,248
Loans -net	1,729,891,326	56,810,881	1,667,391,682	55,896,469
Other financial assets	452,789,361	14,869,930	419,122,589	14,050,372
Guarantee deposits paid	95,689,281	3,142,505	83,128,253	2,786,735
Subtotal	<u>2,996,799,487</u>	<u>98,417,060</u>	<u>2,821,343,730</u>	<u>94,580,749</u>
Total	<u>\$5,980,195,742</u>	<u>\$196,393,949</u>	<u>\$5,784,420,047</u>	<u>\$193,912,841</u>

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	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	\$25,329,193	\$831,829	\$28,754,621	\$963,950
Derivative financial liabilities for hedging	-	-	5,148	172
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	68,976,603	2,265,242	56,985,225	1,910,333
Bankers acceptances and funds borrowed	1,525,500	50,099	1,497,500	50,201
Securities sold under agreements to repurchase	64,936,638	2,132,566	60,931,600	2,042,628
Commercial paper payable -net	10,990,000	360,920	10,050,000	336,909
Payables	51,241,386	1,682,804	37,548,440	1,258,747
Deposits	1,608,618,909	52,828,207	1,585,031,001	53,135,468
Bonds payable	92,513,375	3,038,206	92,417,213	3,098,130
Other financial liabilities	459,714,320	15,097,351	413,414,217	13,859,008
Guarantee deposits received	3,573,979	117,371	3,167,092	106,172
Subtotal	2,362,090,710	77,572,766	2,261,042,288	75,797,596
Total	\$2,387,419,903	78,404,595	\$2,289,802,057	\$76,761,718
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$174,615,322	\$5,857,609	\$146,746,672	\$5,051,520
Available-for-sale financial assets -net	1,390,493,788	46,645,213	1,302,743,262	44,844,863
Derivative financial assets for hedging	2,196,659	73,689	2,362,366	81,321
Held-to-maturity financial assets -net	51,691,033	1,734,016	24,380,985	839,277
Other financial assets - investments with no active market	1,274,525,065	42,754,950	1,242,279,799	42,763,504
Loans and receivables:				
Cash and cash equivalents (exclude petty cash and cash on hand)	259,895,876	8,718,412	300,170,090	10,332,878
Due from the Central Bank and call loans to banks	73,873,985	2,478,161	109,003,762	3,752,281
Securities purchased under agreements to resell	10,083,177	338,248	15,749,244	542,143
Receivables -net	133,191,064	4,467,999	109,911,278	3,783,521
Loans -net	1,548,695,642	51,952,219	1,521,712,124	52,382,517
Other financial assets	389,723,045	13,073,568	363,020,410	12,496,400
Guarantee deposits paid	66,140,833	2,218,747	66,270,817	2,281,266
Subtotal	2,481,603,622	83,247,354	2,485,837,725	85,571,006
Total	\$5,375,125,489	\$180,312,831	\$5,204,350,809	\$179,151,491

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	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Financial liabilities				
Financial liabilities at fair value through profit or loss	\$24,377,181	\$817,752	\$9,086,346	\$312,783
Derivative financial liabilities for hedging	-	-	-	-
Financial liabilities at amortized cost:				
Due to the Central Bank and call loans from banks	73,996,201	2,482,261	56,934,246	1,959,871
Bankers acceptances and funds borrowed	1,493,750	50,109	1,456,800	50,148
Securities sold under agreements to repurchase	36,380,124	1,220,400	22,046,517	758,916
Commercial paper payable -net	3,360,000	112,714	5,540,000	190,706
Payables	65,935,564	2,211,861	63,513,838	2,186,363
Deposits	1,466,687,366	49,201,186	1,458,392,976	50,202,856
Bonds payable	90,196,451	3,025,711	89,831,007	3,092,289
Other financial liabilities	378,882,142	12,709,901	348,229,937	11,987,261
Guarantee deposits received	3,121,248	104,704	3,139,941	108,088
Subtotal	2,120,052,846	71,118,847	2,049,085,262	70,536,498
Total	\$2,144,430,027	\$71,936,599	\$2,058,171,608	\$70,849,281

B. Fair value of financial instruments at amortized cost:

Other than those listed in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

	Book value			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
	NT\$	NT\$	NT\$	NT\$
Financial assets				
Held-to-maturity financial assets –net	\$59,421,462	\$54,970,153	\$51,691,033	\$24,380,985
Investments with no active market	1,334,140,960	1,305,675,228	1,274,525,065	1,242,279,799
Total	\$1,393,562,422	\$1,360,645,381	\$1,326,216,098	\$1,266,660,784

	Book value			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
	US\$	US\$	US\$	US\$
Financial assets				
Held-to-maturity financial assets –net	\$1,951,444	\$1,842,781	\$1,734,017	\$839,277
Investments with no active market	43,814,153	43,770,541	42,754,950	42,763,504
Total	\$45,765,597	\$45,613,322	44,488,967	\$43,602,781

	Fair value			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
	NT\$	NT\$	NT\$	NT\$
Financial assets				
Held-to-maturity financial assets –net	\$60,769,201	\$55,977,454	\$54,270,604	\$27,346,777
Investments with no active market	1,331,090,339	1,277,291,234	1,307,172,077	1,292,295,864
Total	\$1,391,859,540	\$1,333,268,688	\$1,361,442,681	\$1,319,642,641

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	Fair value			
	2014.3.31	2013.12.31	2013.3.31	2013.1.1
	US\$	US\$	US\$	US\$
Financial assets				
Held-to-maturity financial assets –net	\$1,995,705	\$1,876,549	\$1,820,550	\$941,369
Investments with no active market	43,713,968	42,819,015	43,850,120	44,485,228
Total	<u>\$45,709,673</u>	<u>\$44,695,564</u>	<u>\$45,670,670</u>	<u>\$45,426,597</u>

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

- a. For short-term financial instruments, their book value shown on consolidated balance statement was used to estimate the fair value. Due to the upcoming expiration, the fair values of short-term financial instruments are reasonable to be estimated based on book values. Such method mentioned above is applicable to Cash and cash equivalents, Receivables, Securities sold under agreements to repurchase (resell), Payables, Deposits, Remittances and Call loans to or from Banks.
- b. If there are active markets for financial assets or liabilities at fair value through profit and loss, available- for-sale financial assets, held-to-maturity financial assets, bonds investments without active market and derivative financial assets for hedging, such offer prices are regarded as fair value. If offer prices in active market are not available, valuation method is adopted alternatively. The basis of parameter used in valuation method are derived from available data in market, such as yield curve, exchange rate and reference to the condition and character of financial instruments, including credit rating, duration of bonds, currency and other condition and character similar to current fair value of financial instruments which results in consistency between valuation method and hypothesis of financial instruments valuation with market involvement.
- c. Discounts, loans and deposits are interest bearing financial instruments, resulting in the approximation between book value and current fair value. The book value of overdue receivables is derived from expected collectible amount less allowance of bad debts. As result, the book value is regarded as fair value.
- d. The fair value of bonds payables are calculated from the discounted value of expected cash flows, equaling its book value.

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- e. The book values of guarantee deposits paid and guarantee deposits received are regarded as their fair value due to insignificant difference between amount received and paid in the future.

D. Financial instruments related information

To provide information of disclosure, the Group adopted the fair value levels reflecting the importance of inputs during measurement and classified the measurements of fair values into the following levels:

1st level: The offer prices in active market (without adjustments) were the basis of fair value measurement.

2nd level: The fair value measurement was derived from direct use of price or observable inputs concluded from price indirectly.

3rd level: Unobservable inputs were the basis of fair value measurement and observable inputs that require significant adjustments based on unobservable parameters.

- a. The fair values of financial assets or liabilities determined by quoted market price are classified as level 1 or pricing models are classified as level 2 and 3 are summarized as following:

Financial instruments measured at fair value item	2014.3.31							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$12,375,571	\$406,422	\$12,375,571	\$406,422	\$-	\$-	\$-	\$-
Bonds	25,602,465	840,804	9,838,357	323,099	15,764,108	517,705	-	-
Others	186,084,101	6,111,136	51,155,648	1,679,988	134,928,453	4,431,148	-	-
Available-for-sale financial assets:								
Stocks	436,044,159	14,320,005	421,298,991	13,835,763	14,745,168	484,242	-	-
Bonds	774,749,195	25,443,324	36,616,143	1,202,501	738,133,052	24,240,823	-	-
Others	135,644,926	4,454,677	98,802,813	3,244,756	21,720,573	713,319	15,121,540	496,602
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	2,316,819	76,086	2,316,819	76,086	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	\$18,092,284	\$594,164	\$520,633	\$17,098	\$17,571,651	\$577,066	\$-	\$-
Other financial assets:								
Derivatives financial assets for hedging	1,241,132	40,760	-	-	1,241,132	40,760	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	23,012,374	755,743	801,249	26,314	22,211,125	729,429	-	-
Other financial liabilities:								
Derivatives financial liabilities for hedging	-	-	-	-	-	-	-	-

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Financial instruments measured at fair value item	2013.12.31							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$15,213,250	\$509,998	\$15,213,250	\$509,998	\$-	\$-	\$-	\$-
Bonds	16,042,556	537,799	10,011,547	335,620	6,031,009	202,179	-	-
Others	198,454,918	6,652,864	42,353,577	1,419,832	156,101,341	5,233,032	-	-
Available-for-sale financial assets:								
Stocks	437,387,787	14,662,682	424,158,056	14,219,178	13,229,731	443,504	-	-
Bonds	783,310,158	26,259,140	26,135,059	876,133	757,175,099	25,383,007	-	-
Others	136,408,831	4,572,874	100,186,287	3,358,575	23,119,841	775,053	13,102,703	439,246
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	1,463,948	49,076	966,947	32,415	497,001	16,661	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	14,312,522	479,803	418,957	14,045	13,893,565	465,758	-	-
Other financial assets:								
Derivatives financial assets for hedging	1,300,914	43,611	10,022	336	1,290,892	43,275	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	27,290,673	914,874	368,464	12,353	26,922,209	902,521	-	-
Other financial liabilities:								
Derivatives financial liabilities for hedging	5,148	173	-	-	5,148	173	-	-
2013.3.31								
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\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$17,619,063	\$591,045	\$17,619,063	\$591,045	\$-	\$-	\$-	\$-
Bonds	13,718,547	460,200	12,087,609	405,489	1,630,938	54,711	-	-
Others	133,143,450	4,466,402	24,195,148	811,645	108,948,302	3,654,757	-	-
Available-for-sale financial assets:								
Stocks	343,337,456	11,517,526	332,737,574	11,161,945	10,599,882	355,581	-	-
Bonds	887,892,659	29,785,061	72,519,104	2,432,711	815,373,555	27,352,350	-	-
Others	159,263,673	5,342,626	128,285,800	4,303,449	22,826,415	765,730	8,151,458	273,447
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	862,815	28,944	862,815	28,944	-	-	-	-
<u>Derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss	10,134,262	339,962	554,403	18,598	9,579,859	321,364	-	-
Other financial assets:								
Derivatives financial assets for hedging	2,196,659	73,689	16,284	546	2,180,375	73,143	-	-
<u>Liabilities</u>								
Financial liabilities at fair value through profit or loss	23,514,366	788,808	250,790	8,413	23,263,576	780,395	-	-

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Financial instruments measured at fair value item	2013.1.1							
	Total		1 st Level		2 nd Level		3 rd Level	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss:								
Stocks	\$14,896,788	\$512,798	\$14,896,788	\$512,798	\$-	\$-	\$-	\$-
Bonds	7,721,892	265,814	2,866,200	98,664	4,855,692	167,150	-	-
Others	114,073,343	3,926,793	36,619,578	1,260,570	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	346,115	648,848	22,335	9,405,801	323,780	-	-
Other financial assets:								
Derivatives financial assets for hedging	2,362,366	81,321	17,134	590	2,345,232	80,731	-	-
<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	-	-

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.

2014.1.1~2014.3.31(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 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$13,102,703	\$120,158	\$250,218	\$6,156,635	\$-	\$(4,508,174)	\$-	\$15,121,540

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2014.1.1~2014.3.31(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 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$430,302	\$3,946	\$8,217	\$202,188	\$-	\$(148,051)	\$-	\$496,602

2013.1.1~2013.3.31(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 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$7,640,615	\$38,782	\$39,974	\$1,069,041	\$-	\$(636,954)	\$-	\$8,151,458

2013.1.1~2013.3.31(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 3 rd level	Disposal or settlements	Transfer out of 3 rd level	
Available-for-sale financial assets	\$256,310	\$1,301	\$1,341	\$35,862	\$-	\$(21,367)	\$-	\$273,447

(B) The transition between 1st level and 2nd level:

During current year, the transition of financial assets and liabilities between 1st level and 2nd level did not occur in the Group.

(2) Management on financial risks

Cathay Life and its subsidiaries

A. Credit risk analysis

a. Sources of credit risk

Credit risks from financial transactions include issuer credit risk, counterparty risk and underlying assets credit risk:

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- (A) Issuer credit risk represents a risk that the 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 the Cathay Life holds.
- (B) 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 the Cathay Life is exposed to the risk of financial losses.
- (C) Underlying asset credit risk represents the risk that the Cathay Life may encounter the losses from the fact that the credit quality turns weak and credit risk premium increases, credit rating is 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 the Cathay Life :

31 March 2014

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$120,626,770	\$1,037,340	\$1,221,810	\$54,215,042	\$144,796,152	\$321,897,114
Financial assets at fair value through profit or loss	17,669,508	1,525,657	1,522,868	1,639,295	456,308	22,813,636
Available-for-sale financial assets	418,531,834	22,323,661	87,233,630	162,750,503	29,059,389	719,899,017
Derivative financial assets for hedging	124,079	-	177,335	73,919	-	375,333
Bond investments for which no active market exists	39,340,100	72,002,161	249,849,970	417,077,901	271,454,537	1,049,724,669
Held-to-maturity financial assets	4,355,496	-	-	-	-	4,355,496
Other financial assets	33,900,000	-	3,500,000	-	-	37,400,000
Total	\$634,547,787	\$96,888,819	\$343,505,613	\$635,756,660	\$445,766,386	\$2,156,465,265
Proportion	29.4%	4.5%	15.9%	29.5%	20.7%	100.0%

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US\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$3,961,471	\$34,067	\$40,125	\$1,780,461	\$4,755,210	\$10,571,334
Financial assets at fair value through profit or loss	580,279	50,104	50,012	53,836	14,985	749,216
Available-for-sale financial assets	13,744,888	733,125	2,864,815	5,344,844	954,332	23,642,004
Derivative financial assets for hedging	4,075	-	5,824	2,427	-	12,326
Bond investments for which no active market exists	1,291,957	2,364,603	8,205,253	13,697,140	8,914,763	34,473,716
Held-to-maturity financial assets	143,038	-	-	-	-	143,038
Other financial assets	1,113,300	-	114,943	-	-	1,228,243
Total	\$20,839,008	\$3,181,899	\$11,280,972	\$20,878,708	\$14,639,290	\$70,819,877
Proportion	29.4%	4.5%	15.9%	29.5%	20.7%	100.0%

31 December 2013

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$134,624,532	\$4,943,631	\$-	\$23,319,137	\$117,149,519	\$280,036,819
Financial assets at fair value through profit or loss	16,908,980	410,534	1,501,611	1,506,966	-	20,328,091
Available-for-sale financial assets	440,630,404	16,945,885	68,005,787	171,005,291	30,862,036	727,449,403
Derivative financial assets for hedging	158,096	-	233,862	61,755	-	453,713
Bond investments for which no active market exists	42,484,287	65,885,399	245,015,385	407,120,305	259,636,340	1,020,141,716
Other financial assets	37,400,000	-	3,500,000	-	-	40,900,000
Total	\$672,206,299	\$88,185,449	\$318,256,645	\$603,013,454	\$407,647,895	\$2,089,309,742
Proportion	32.2%	4.2%	15.2%	28.9%	19.5%	100.0%

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Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$4,513,059	\$165,727	\$-	\$781,734	\$3,927,238	\$9,387,758
Financial assets at fair value through profit or loss	566,845	13,762	50,339	50,519	-	681,465
Available-for-sale financial assets	14,771,385	568,082	2,279,778	5,732,661	1,034,598	24,386,504
Derivative financial assets for hedging	5,300	-	7,840	2,070	-	15,210
Bond investments for which no active market exists	1,424,213	2,208,696	8,213,724	13,648,016	8,703,866	34,198,515
Other financial assets	1,253,771	-	117,332	-	-	1,371,103
Total	\$22,534,573	\$2,956,267	\$10,669,013	\$20,215,000	\$13,665,702	\$70,040,555
Proportion	32.2%	4.2%	15.2%	28.9%	19.5%	100.0%

31 March 2013

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$187,991,468	\$600,044	\$-	\$59,357,559	\$54,899,181	\$302,848,252
Financial assets at fair value through profit or loss	25,512,283	154,698	1,903,699	581,853	-	28,152,533
Available-for-sale financial assets	459,899,951	17,971,067	89,366,280	217,614,973	32,610,500	817,462,771
Derivative financial assets for hedging	246,639	28,543	545,250	126,827	-	947,259
Bond investments for which no active market exists	39,984,287	48,200,893	208,956,655	312,868,426	260,451,706	870,461,967
Other financial assets	22,400,000	-	3,500,000	-	-	25,900,000
Total	\$736,034,628	\$66,955,245	\$304,271,884	\$590,549,638	\$347,961,387	\$2,045,772,782
Proportion	36.0%	3.3%	14.9%	28.8%	17.0%	100%

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Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$6,306,322	\$20,129	\$-	\$1,991,196	\$1,841,637	\$10,159,284
Financial assets at fair value through profit or loss	855,830	5,189	63,861	19,519	-	944,399
Available-for-sale financial assets	15,427,707	602,854	2,997,862	7,300,066	1,093,945	27,422,434
Derivative financial assets for hedging	8,274	957	18,291	4,255	-	31,777
Bond investments for which no active market exists	1,341,304	1,616,937	7,009,616	10,495,419	8,737,058	29,200,334
Other financial assets	751,426	-	117,410	-	-	868,836
Total	\$24,690,863	\$2,246,066	\$10,207,040	\$19,810,455	\$11,672,640	\$68,627,064
Proportion	36.0%	3.3%	14.9%	28.8%	17.0%	100%

1 January 2013

NT\$

Financial assets	Taiwan	Asia	Europe	Americas	Emerging markets and others	Total
Cash and cash equivalents	\$258,608,542	\$584,173	\$-	\$58,326,827	\$45,054,311	\$362,573,853
Financial assets at fair value through profit or loss	21,526,712	539,836	2,428,269	1,266,554	-	25,761,371
Available-for-sale financial assets	459,194,110	17,971,724	101,366,905	224,125,202	37,659,604	840,317,545
Derivative financial assets for hedging	292,518	33,903	661,251	154,422	-	1,142,094
Bond investments for which no active market exists	46,944,287	45,480,295	198,308,459	288,690,084	235,030,705	814,453,830
Other financial assets	19,000,000	-	4,500,000	-	-	23,500,000
Total	\$805,566,169	\$64,609,931	\$307,264,884	\$572,563,089	\$317,744,620	\$2,067,748,693
Proportion	39.0%	3.1%	14.8%	27.7%	15.4%	100.0%

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US\$

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

c. Credit Quality

Classification of credit quality for financial assets of the Cathay Life :

31 March 2014

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$321,897,114	\$-	\$-	\$-	\$-	\$321,897,114
Financial assets at fair value through profit or loss	20,969,042	1,844,594	-	-	-	22,813,636
Available-for-sale financial assets	713,996,222	5,871,737	-	766,058	(735,000)	719,899,017
Derivative financial assets for hedging	375,333	-	-	-	-	375,333
Bond investments for which no active market exists	1,046,357,946	3,366,723	-	396,630	(396,630)	1,049,724,669
Held-to-maturity financial assets	4,355,496	-	-	-	-	4,355,496
Other financial assets	37,400,000	-	-	-	-	37,400,000
Total	\$2,145,351,153	\$11,083,054	\$-	\$1,162,688	\$(1,131,630)	\$2,156,465,265
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

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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	\$10,571,334	\$-	\$-	\$-	\$-	\$10,571,334
Financial assets at fair value through profit or loss	688,638	60,578	-	-	-	749,216
Available-for-sale financial assets	23,448,152	192,832	-	25,158	(24,138)	23,642,004
Derivative financial assets for hedging	12,326	-	-	-	-	12,326
Bond investments for which no active market exists	34,363,151	110,565	-	13,026	(13,026)	34,473,716
Held-to-maturity financial assets	143,038	-	-	-	-	143,038
Other financial assets	1,228,243	-	-	-	-	1,228,243
Total	\$70,454,882	\$363,975	\$-	\$38,184	\$(37,164)	\$70,819,877
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

31 December 2013

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$280,036,819	\$-	\$-	\$-	\$-	\$280,036,819
Financial assets at fair value through profit or loss	18,737,079	1,591,012	-	-	-	20,328,091
Available-for-sale financial assets	720,271,652	7,146,940	-	765,811	(735,000)	727,449,403
Derivative financial assets for hedging	453,713	-	-	-	-	453,713
Bond investments for which no active market exists	1,018,771,685	1,370,031	-	389,350	(389,350)	1,020,141,716
Other financial assets	40,900,000	-	-	-	-	40,900,000
Total	\$2,079,170,948	\$10,107,983	\$-	\$1,155,161	\$(1,124,350)	\$2,089,309,742
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

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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	\$9,387,758	\$-	\$-	\$-	\$-	\$9,387,758
Financial assets at fair value through profit or loss	628,129	53,336	-	-	-	681,465
Available-for-sale financial assets	24,145,882	239,589	-	25,673	(24,640)	24,386,504
Derivative financial assets for hedging	15,210	-	-	-	-	15,210
Bond investments for which no active market exists	34,152,587	45,928	-	13,052	(13,052)	34,198,515
Other financial assets	1,371,103	-	-	-	-	1,371,103
Total	\$69,700,669	\$338,853	\$-	\$38,725	\$(37,692)	\$70,040,555
Proportion	99.5%	0.5%	-	0.1%	(0.1)%	100.0%

31 March 2013

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$302,846,183	\$2,069	\$-	\$-	\$-	\$302,848,252
Financial assets at fair value through profit or loss	27,643,443	509,090	-	-	-	28,152,533
Available-for-sale financial assets	806,941,001	10,415,211	-	841,559	(735,000)	817,462,771
Derivative financial assets for hedging	947,259	-	-	-	-	947,259
Bond investments for which no active market exists	863,701,741	6,760,226	-	388,375	(388,375)	870,461,967
Other financial assets	25,900,000	-	-	-	-	25,900,000
Total	\$2,027,979,627	\$17,686,596	\$-	\$1,229,934	\$(1,123,375)	\$2,045,772,782
Proportion	99.1%	0.9%	-	0.1%	(0.1)%	100%

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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	\$10,159,214	\$70	\$-	\$-	\$-	\$10,159,284
Financial assets at fair value through profit or loss	927,321	17,078	-	-	-	944,399
Available-for-sale financial assets	27,069,473	349,386	-	28,231	(24,656)	27,422,434
Derivative financial assets for hedging	31,777	-	-	-	-	31,777
Bond investments for which no active market exists	28,973,557	226,777	-	13,028	(13,028)	29,200,334
Other financial assets	868,836	-	-	-	-	868,836
Total	\$68,030,178	\$593,311	\$-	\$41,259	\$(37,684)	\$68,627,064
Proportion	99.1%	0.9%	-	0.1%	(0.1)%	100.0%

1 January 2013

NT\$

Financial assets	Normal assets		Past due but not impaired	Impaired	Provision for impairment	Total
	Investment grade	Non-investment grade and unrated				
Cash and cash equivalents	\$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%

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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	\$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%

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

d. Regional distribution of credit risk exposure for secured loans and overdue receivables:

31 March 2014				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$328,853,341	\$55,088,917	\$89,616,997	\$473,559,255
Overdue receivables	34,908	121,678	32,777	189,363
Total	\$328,888,249	\$55,210,595	\$89,649,774	\$473,748,618
Proportion	69%	12%	19%	100%

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31 March 2014				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$10,799,781	\$1,809,160	\$2,943,087	\$15,552,028
Overdue receivables	1,147	3,996	1,076	6,219
Total	\$10,800,928	\$1,813,156	\$2,944,163	\$15,558,247
Proportion	69%	12%	19%	100%

31 December 2013				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$318,886,288	\$53,103,848	\$88,704,401	\$460,694,537
Overdue receivables	35,422	402,651	28,555	466,628
Total	\$318,921,710	\$53,506,499	\$88,732,956	\$461,161,165
Proportion	69%	12%	19%	100%

31 December 2013				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$10,690,121	\$1,780,216	\$2,973,664	\$15,444,001
Overdue receivables	1,187	13,498	957	15,642
Total	\$10,691,308	\$1,793,714	\$2,974,621	\$15,459,643
Proportion	69%	12%	19%	100%

31 March 2013				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$244,551,001	\$43,908,642	\$81,166,854	\$369,626,497
Overdue receivables	48,164	417,661	64,369	530,194
Total	\$244,599,165	\$44,326,303	\$81,231,233	\$370,156,691
Proportion	66%	12%	22%	100%

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31 March 2013				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$8,203,657	\$1,472,950	\$2,722,806	\$12,399,413
Overdue receivables	1,616	14,011	2,159	17,786
Total	\$8,205,273	\$1,486,961	\$2,724,965	\$12,417,199
Proportion	66%	12%	22%	100%

1 January 2013				
NT\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$213,209,485	\$42,689,731	\$80,842,510	\$336,741,726
Overdue receivables	60,188	425,950	72,737	558,875
Total	\$213,269,673	\$43,115,681	\$80,915,247	\$337,300,601
Proportion	63%	13%	24%	100%

1 January 2013				
US\$				
Location	Northern and eastern areas	Central area	Southern area	Total
Secured loans	\$7,339,397	\$1,469,526	\$2,782,875	\$11,591,798
Overdue receivables	2,072	14,662	2,504	19,238
Total	\$7,341,469	\$1,484,188	\$2,785,379	\$11,611,036
Proportion	63%	13%	24%	100%

e. Secured loans and overdue receivables

31 March 2014

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$219,973,282	\$153,024,892	\$42,830,337	\$94,710	\$4,496,107	\$420,419,328	\$2,236,257	\$418,183,071
Corporate finance	42,659,492	4,128,070	1,376,576	-	5,165,152	53,329,290	1,476,736	51,852,554
Total	\$262,632,774	\$157,152,962	\$44,206,913	\$94,710	\$9,661,259	\$473,748,618	\$3,712,993	\$470,035,625

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31 March 2014

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$7,224,081	\$5,025,448	\$1,406,579	\$3,110	\$147,656	\$13,806,874	\$73,440	\$13,733,434
Corporate finance	1,400,969	135,569	45,208	-	169,627	1,751,373	48,497	1,702,876
Total	\$8,625,050	\$5,161,017	\$1,451,787	\$3,110	\$317,283	\$15,558,247	\$121,937	\$15,436,310

31 December 2013

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$213,530,264	\$148,542,793	\$41,575,836	\$123,468	\$4,465,378	\$408,237,739	\$2,084,777	\$406,152,962
Corporate finance	41,397,033	3,346,512	2,264,486	-	5,915,395	52,923,426	1,753,713	51,169,713
Total	\$254,927,297	\$151,889,305	\$43,840,322	\$123,468	\$10,380,773	\$461,161,165	\$3,838,490	\$457,322,675

31 December 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	\$7,158,239	\$4,979,644	\$1,393,759	\$4,139	\$149,694	\$13,685,475	\$69,888	\$13,615,587
Corporate finance	1,387,765	112,186	75,913	-	198,304	1,774,168	58,790	1,715,378
Total	\$8,546,004	\$5,091,830	\$1,469,672	\$4,139	\$347,998	\$15,459,643	\$128,678	\$15,330,965

31 March 2013

NT\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$167,769,287	\$116,709,069	\$32,665,854	\$145,047	\$4,457,735	\$321,746,992	\$1,405,439	\$320,341,553
Corporate finance	32,337,152	7,055,528	2,009,216	-	7,007,803	48,409,699	1,555,059	46,854,640
Total	\$200,106,439	\$123,764,597	\$34,675,070	\$145,047	\$11,465,538	\$370,156,691	\$2,960,498	\$367,196,193

31 March 2013

US\$

Secured loans and Overdue receivables	Neither past due nor impaired			Past due but not impaired	Impaired	Total (EIR Principal)	Provision for impairment	Net
	Excellent	Good	Normal					
Consumer finance	\$5,627,953	\$3,915,098	\$1,095,802	\$4,865	\$149,538	\$10,793,256	\$47,146	\$10,746,110
Corporate finance	1,084,775	236,683	67,401	-	235,083	1,623,942	52,166	1,571,776
Total	\$6,712,728	\$4,151,781	\$1,163,203	\$4,865	\$384,621	\$12,417,198	\$99,312	\$12,317,886

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1 January 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	\$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

1 January 2013

US\$

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

f. Ageing analysis of past due but not impaired secured loans and overdue receivables:

Based on the historical default rate, the 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
31 March 2014	\$86,057	\$8,653	\$94,710
31 December 2013	109,251	14,217	123,468
31 March 2013	138,446	6,601	145,047
1 January 2013	157,700	26,242	183,942

Past due but not impaired

US\$

	Due in 1~2 months	Due in 2~3 months	Total
31 March 2014	\$2,826	\$284	\$3,110
31 December 2013	3,662	477	4,139
31 March 2013	4,644	221	4,865
1 January 2013	5,429	903	6,332

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B. Liquidity risk analysis

a. Sources of liquidity risk

Liquidity risks of the financial instruments are classified to “funding liquidity risk” and “market liquidity risk.” “Funding liquidity risk” represents that the Cathay Life is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. “Market liquidity risk” represents the risk that the Cathay Life sells at loss to meet the demand for cash.

b. Liquidity risk management

The Cathay Life assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Cathay Life manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric.

The Cathay Life uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situation. Also, for abnormal and urgent financing needs, the Cathay Life makes an emergency management operating procedure to deal with significant liquidity risks.

c. Maturity Analysis of non-derivative financial liabilities:

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

31 March 2014	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$14,720	\$483	\$-	\$-	\$-	\$-
Payables	23,395,831	768,336	-	-	3,683,022	120,953
Preferred stock liability	-	-	-	-	684,110	22,467

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31 March 2014	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$14,720	\$483
Payables	-	-	-	-	27,078,853	889,289
Preferred stock liability	31,441,259	1,032,553	-	-	32,125,369	1,055,020

31 December 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Payables	\$15,566,483	\$521,840	\$3,458,995	\$115,957	\$198	\$6
Preferred stock liability	-	-	-	-	908,000	30,439

31 December 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Payables	\$-	\$-	\$-	\$-	\$19,025,676	\$637,803
Preferred stock liability	31,441,259	1,054,015	-	-	32,349,259	1,084,454

31 March 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$125,063	\$4,195	\$-	\$-	\$-	\$-
Payables	40,066,869	1,344,075	-	-	2,774,885	93,086
Preferred stock liability	-	-	-	-	684,110	22,949

31 March 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Short-term debts	\$-	\$-	\$-	\$-	\$125,063	\$4,195
Payables	-	-	-	-	42,841,754	1,437,161
Preferred stock liability	27,176,254	911,649	5,173,005	173,532	33,033,369	1,108,130

1 January 2013	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

1 January 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

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d. Maturity analysis of derivative financial liability:

31 March 2014	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$23,656	\$777	\$7,322	\$241	\$4,520	\$148
Forward	1,792,788	58,876	-	-	-	-
CS	6,193,943	203,414	2,901,131	95,275	-	-

31 March 2014	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$189	\$6	\$-	\$-	\$35,687	\$1,172
Forward	-	-	-	-	1,792,788	58,876
CS	-	-	-	-	9,095,074	298,689

31 December 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$21,501	\$721	\$9,505	\$318	\$(10,901)	\$(365)
Forward	5,002,896	167,714	78,514	2,632	-	-
CS	10,599,472	355,329	1,026,096	34,398	853,795	28,622

31 December 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$34,514	\$1,157	\$-	\$-	\$54,619	\$1,831
Forward	-	-	-	-	5,081,410	170,346
CS	-	-	-	-	12,479,363	418,349

31 March 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$27,140	\$910	\$27,530	\$924	\$31,290	\$1,050
Forward	802,250	26,912	4,138,625	138,833	-	-
CS	6,944,518	232,959	5,846,888	196,138	2,184,671	73,287

31 March 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$5,310	\$178	\$-	\$-	\$91,270	\$3,062
Forward	-	-	-	-	4,940,875	165,745
CS	-	-	-	-	14,976,077	502,384

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1 January 2013	Less than six months		Due in 6~12 months		Due in 1~2 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$29,350	\$1,010	\$24,891	\$857	\$42,985	\$1,480
Forward	1,844,950	63,509	-	-	-	-
CS	4,047,504	139,329	2,333,184	80,316	370,735	12,762

1 January 2013	Due in 2~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
IRS	\$9,010	\$310	\$-	\$-	\$106,236	\$3,657
Forward	-	-	-	-	1,844,950	63,509
CS	-	-	-	-	6,751,423	232,407

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

(A) Value at Risk

Value-at-Risk (“VaR”) is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. The Cathay Life uses one-week 95% and 99% VaR to measure market risk.

(B) Stress testing

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

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

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i. Simple Sensitivity

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

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:

j Historical scenario

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

k Hypothetical scenario

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

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

For the three-month period ended 31 March 2014

Table of Stress Testing

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(44,961,996)	\$(1,476,584)
Interest rate risk (Yield curve)	+20bps	(9,124,586)	(299,658)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by \$1	(17,556,534)	(576,569)
Commodity risk (Price)	-10%	-	-

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For the three-month period ended 31 March 2013

Table of Stress Testing

Risk Factors	Changes (+/-)	Gain(loss) NT\$	Gain(loss) US\$
Equity risk (Stock index)	-10%	\$(37,193,763)	\$(1,247,694)
Interest rate risk (Yield curve)	+20bps	(9,569,779)	(321,026)
Exchange risk (Foreign exchange rate)	USD weakens against NTD by \$1	(12,672,590)	(425,112)
Commodity risk (Price)	-10%	-	-

Note: Impacts of credit charges are not included.

(C) Sensitivity Analysis

For the three-month period ended 31 March 2014

Summarization of Sensitivity Analysis

NT\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$2,992,556	\$2,363,943
	CNY appreciates 1%	2,167,093	138,631
	HKD appreciates 1%	14,044	425,414
	EUR appreciates 1%	401,590	150,131
	GBP appreciates 1%	214,100	38,158
Interest rate risk	Yield curve (USD) shifts up 1 bp	(466)	(150,422)
	Yield curve (AUD) shifts up 1 bp	(482)	(4,821)
	Yield curve (EUR) shifts up 1 bp	-	(14,746)
	Yield curve (NTD) shifts up 1 bp	(219)	(277,937)
Equity price risk	Equity price increases 1%	154,986	4,341,213

For the three-month period ended 31 March 2014

Summarization of Sensitivity Analysis

US\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$98,278	\$77,634
	CNY appreciates 1%	71,169	4,553
	HKD appreciates 1%	461	13,971
	EUR appreciates 1%	13,189	4,930
	GBP appreciates 1%	7,031	1,253
Interest rate risk	Yield curve (USD) shifts up 1 bp	(15)	(4,940)
	Yield curve (AUD) shifts up 1 bp	(16)	(158)
	Yield curve (EUR) shifts up 1 bp	-	(484)
	Yield curve (NTD) shifts up 1 bp	(7)	(9,128)
Equity price risk	Equity price increases 1%	5,090	142,569

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For the three-month period 31 March 2013

Summarization of Sensitivity analysis

NT\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$1,542,106	\$2,243,830
	CNY appreciates 1%	1,109,091	68,919
	HKD appreciates 1%	(1,277)	446,085
	EUR appreciates 1%	291,660	24,612
	GBP appreciates 1%	267,274	44,312
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(192,735)
	Yield curve (AUD) shifts up 1 bp	-	(1,257)
	Yield curve (EUR) shifts up 1 bp	-	(1,900)
	Yield curve (NTD) shifts up 1 bp	(360)	(281,016)
Equity price risk	Equity price increases 1%	145,694	3,573,682

For the three-month period ended 31 March 2013

Summarization of Sensitivity analysis

US\$

Risk Factors	Variables (+/-)	Change in Income	Change in Equity
Foreign currency risk	USD appreciates 1%	\$51,731	\$75,271
	CNY appreciates 1%	37,205	2,312
	HKD appreciates 1%	(43)	14,964
	EUR appreciates 1%	9,784	826
	GBP appreciates 1%	8,966	1,486
Interest rate risk	Yield curve (USD) shifts up 1 bp	-	(6,465)
	Yield curve (AUD) shifts up 1 bp	-	(42)
	Yield curve (EUR) shifts up 1 bp	-	(64)
	Yield curve (NTD) shifts up 1 bp	(12)	(9,427)
Equity price risk	Equity price increases 1%	4,887	119,882

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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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.

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.

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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.

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.

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b. Policy and procedure

Cathay United Bank sets 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

(A) The assumption and calculation of VaR: see VaR section.

(B) 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.

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.

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c. Method of measurement

- a. The assumption and calculation of VaR: see VaR section.
- b. 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 Cathay United 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.

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.

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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.

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.

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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.

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.

2014.3.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$539,735	\$17,725	\$772,357	\$25,365	\$311,553	\$10,232
Foreign exchange	142,908	4,693	150,465	4,941	119,725	3,932
Equity Securities price	246,894	8,108	352,855	11,588	150,959	4,958

2013.12.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$555,070	\$18,608	\$772,357	\$25,892	\$311,553	\$10,444
Foreign exchange	148,142	4,966	154,844	5,191	144,266	4,836
Equity Securities price	231,969	7,776	352,855	11,829	133,386	4,472

2013.3.31						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$603,777	\$20,254	\$876,417	\$29,400	\$457,036	\$15,332
Foreign exchange	152,819	5,126	162,367	5,447	146,608	4,918
Equity Securities price	148,642	4,986	196,839	6,603	97,710	3,278

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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

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	2014.3.31		2013.12.31	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges + 15%	\$1,149,509	\$37,751	\$1,211,069	\$40,599
	Major Stock Exchanges - 15%	(1,149,509)	(37,751)	(1,211,069)	(40,599)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,412,839)	(144,921)	(4,564,436)	(153,015)
	Major Interest Rate - 100bp	4,642,152	152,452	4,796,889	160,808
Foreign Exchange Market	Major Currencies + 3%	1,817,784	59,697	1,703,503	57,107
	Major Currencies - 3%	(1,817,468)	(59,687)	(1,703,201)	(57,097)
Composite	Major Stock Exchanges -15%	(3,744,564)	(122,974)	(4,702,002)	(157,627)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

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Stress Test					
Market/ Product	Scenarios	2013.3.31		2013.1.1	
		NT\$	US\$	NT\$	US\$
Stock Market	Major Stock Exchanges +15%	\$1,144,942	\$38,408	\$1,025,960	\$35,317
	Major Stock Exchanges -15%	(1,144,942)	(38,408)	(1,025,960)	(35,317)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(4,612,589)	(154,733)	(2,821,676)	(97,132)
	Major Interest Rate - 100bp	3,740,131	125,466	2,496,083	85,924
Foreign Exchange Market	Major Currencies +3%	2,663,693	89,356	1,450,437	49,929
	Major Currencies -3%	(2,508,526)	(84,150)	(1,365,947)	(47,021)
Composite	Major Stock Exchanges -15%	(3,093,838)	(103,785)	(2,397,199)	(82,520)
	Major Interest Rate + 100bp				
	Major Currencies +3%				

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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Market risk factor sensitivity of Cathay United Bank

	2014.3.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$566,031	\$18,589	\$-	\$-
HKD+1%	4,779	157	-	-
JPY+1%	-	-	2,229	73
AUD+1%	22,918	753	-	-
CNY+1%	28,974	952	-	-
NTD+1%	(628,198)	(20,630)	(3,058)	(100)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(185)	(6)	(26,786)	(880)
Yield curves (HKD) parallel shift+1bp	-	-	(22)	(1)
Yield curves (AUD) parallel shift+1bp	-	-	(1,812)	(60)
Yield curves (CNY) parallel shift+1bp	-	-	(568)	(19)
Yield curves (NTD) parallel shift+1bp	(2,628)	(86)	(13,893)	(456)
Equity securities price factor sensitivity (Equity Delta)	-	-	76,634	2,517
	2013.12.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$463,690	\$15,544	\$1,294	\$43
HKD+1%	123,647	4,145	-	-
JPY+1%	-	-	3,736	125
AUD+1%	16,696	560	-	-
CNY+1%	4,261	143	-	-
NTD+1%	(594,806)	(19,940)	(6,258)	(210)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(249)	(8)	(27,121)	(909)
Yield curves (HKD) parallel shift+1bp	-	-	(29)	(1)
Yield curves (AUD) parallel shift+1bp	-	-	(923)	(31)
Yield curves (CNY) parallel shift+1bp	-	-	(637)	(21)
Yield curves (NTD) parallel shift+1bp	(5,171)	(173)	(12,667)	(425)
Equity securities price factor sensitivity (Equity Delta)	-	-	80,738	2,707

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	2013.3.31			
	Sensitivity of profit or loss		Sensitivity of equity	
	NT\$	US\$	NT\$	US\$
Foreign exchange rate factor sensitivity (FX Delta)				
USD+1%	\$471,142	\$15,805	\$3,841	\$129
HKD+1%	22,695	761	98,669	3,310
JPY+1%	-	-	995	33
NTD+1%	(595,272)	(19,969)	(15,582)	(523)
Interest rate factor sensitivity (PVBP)				
Yield curves (USD) parallel shift+1bp	(156)	(5)	(15,109)	(507)
Yield curves (HKD) parallel shift+1bp	-	-	(1)	-
Yield curves (JPY) parallel shift+1bp	-	-	(1)	-
Yield curves (NTD) parallel shift+1bp	(349)	(12)	(1,522)	(51)
Equity securities price factor sensitivity (Equity Delta)	808	27	75,522	2,533

	2013.1.1			
	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

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 and its subsidiaries maintain a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank and its subsidiaries retain the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

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

Credit business (including the loan commitments and guarantees)

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

a. Category of credit risk

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

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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

(A) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collaterals. 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.

(B) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

(C) Net settlement agreement

Cathay United Bank usually settles by the 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			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$204,860,838	\$6,727,778	\$165,615,358	\$5,551,973
Credit card commitments	437,129,539	14,355,649	424,006,617	14,214,100
Unused commercial letters of credit	5,322,742	174,803	3,202,955	107,374
Guarantees on duties and contracts	11,483,686	377,133	11,270,885	377,837
Total	\$658,796,805	\$21,635,363	\$604,095,815	\$20,251,284

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Irrevocable loan commitments	\$63,763,068	\$2,138,982	\$34,415,264	\$1,184,691
Credit card commitments	331,652,393	11,125,542	328,719,949	11,315,661
Unused commercial letters of credit	4,821,034	161,725	4,281,218	147,374
Guarantees on duties and contracts	11,680,203	391,822	12,081,454	415,885
Total	\$411,916,698	\$13,818,071	\$379,497,885	\$13,063,611

(B) Indovina Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$672,668	\$22,090	\$535,478	\$17,951
Unused commercial letters of credit	1,016,357	33,378	1,080,247	36,213
Total	\$1,689,025	\$55,468	\$1,615,725	\$54,164

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Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$743,763	\$24,950	\$852,596	\$29,349
Unused commercial letters of credit	1,202,542	40,340	652,199	22,451
Total	\$1,946,305	\$65,290	\$1,504,795	\$51,800

(C) CUBC Bank

Off balance sheet items	Maximum exposure to credit risk			
	2014.3.31		2013.12.31	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$37,350	\$1,226	\$39,806	\$1,335
Irrevocable loan commitments	196,099	6,440	143,134	4,798
Credit card commitments	387,715	12,733	201,715	6,762
Unused commercial letters of credit	5,886	193	1,965	66
Total	\$627,050	\$20,592	\$386,620	\$12,961

Off balance sheet items	Maximum exposure to credit risk			
	2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$
Finance guarantee contracts	\$49,368	\$1,656	\$60,683	\$2,089
Irrevocable loan commitments	123,773	4,152	99,998	3,442
Credit card commitments	344,475	11,556	199,925	6,882
Unused commercial letters of credit	11,423	383	20,350	701
Total	\$529,039	\$17,747	\$380,956	\$13,114

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.

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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's 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:

Item	2014.3.31			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$140,559,243	\$4,616,067	12.64	\$108,789,196	\$3,646,973	10.28
Financial institutions and insurance	38,273,707	1,256,936	3.44	28,292,338	948,452	2.67
Leasing and real estate	90,754,810	2,980,454	8.16	83,652,734	2,804,315	7.91
Individuals	493,391,798	16,203,343	44.37	477,139,793	15,995,300	45.10
Others	349,073,023	11,463,810	31.39	360,081,097	12,071,106	34.04
Total	\$1,112,052,581	\$36,520,610	100.00	\$1,057,955,158	\$35,466,146	100.00

Item	2013.3.31			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Industry type						
Manufacturing	\$136,056,857	\$4,564,135	13.25	\$125,610,955	\$4,323,957	12.20
Financial institutions and insurance	33,071,723	1,109,417	3.22	29,912,516	1,029,691	2.90
Leasing and real estate	86,276,925	2,894,227	8.40	83,834,530	2,885,870	8.14
Individuals	485,598,456	16,289,784	47.31	492,107,196	16,940,007	47.77
Others	285,532,997	9,578,430	27.82	298,671,240	10,281,282	28.99
Total	\$1,026,536,958	\$34,435,993	100.00	\$1,030,136,437	\$35,460,807	100.00

Item	2014.3.31			2013.12.31		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$912,660,368	\$29,972,426	82.07	\$898,556,006	\$30,122,561	84.93
Asia	95,800,637	3,146,162	8.61	68,771,004	2,305,431	6.50
America	26,781,886	879,536	2.41	23,009,706	771,361	2.18
Others	76,809,690	2,522,486	6.91	67,618,442	2,266,793	6.39
Total	\$1,112,052,581	\$36,520,610	100.00	\$1,057,955,158	\$35,466,146	100.00

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Item	2013.3.31			2013.1.1		
	NT\$	US\$	%	NT\$	US\$	%
Geographic Region						
Domestic	\$853,656,597	\$28,636,585	83.16	\$876,857,476	\$30,184,423	85.12
Asia	86,024,332	2,885,754	8.38	69,497,214	2,392,331	6.75
America	23,244,096	779,742	2.26	22,560,687	776,616	2.19
Others	63,611,933	2,133,912	6.20	61,221,060	2,107,437	5.94
Total	\$1,026,536,958	\$34,435,993	100.00	\$1,030,136,437	\$35,460,807	100.00

f. Credit quality analysis of the financial assets

Some of the financial assets held by Cathay United Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit and loss, securities purchased under agreements to resell, refundable deposits, 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

2014.3.31 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$30,815,270	\$7,211,023	\$3,254,915	\$41,281,208	\$129,217	\$137,591	\$41,548,016	\$113,505	\$1,527,273	\$39,907,238
Others	66,031,413	2,041,218	45,512	68,118,143	3,230	47,964	68,169,337	16,389	627,890	67,525,058
Discounts and loans	648,844,928	365,183,563	41,005,577	1,055,034,068	457,011	24,863,993	1,080,355,072	4,854,262	9,768,335	1,065,732,475

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2014.3.31 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$1,011,996	\$236,815	\$106,894	\$1,355,705	\$4,243	\$4,519	\$1,364,467	\$3,728	\$50,157	\$1,310,582
Others	2,168,519	67,035	1,495	2,237,049	106	1,575	2,238,730	538	20,620	2,217,572
Discounts and loans	21,308,536	11,992,892	1,346,653	34,648,081	15,009	816,551	35,479,641	159,417	320,799	34,999,425

2013.12.31 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$30,215,292	\$7,679,461	\$3,204,791	\$41,099,544	\$130,931	\$151,472	\$41,381,947	\$125,544	\$1,609,517	\$39,646,886
Others	80,203,880	447,702	45,872	80,697,454	3,618	51,375	80,752,447	18,918	328,925	80,404,604
Discounts and loans	739,025,064	228,815,151	36,817,565	1,004,657,780	501,519	21,967,737	1,027,127,036	4,267,369	10,119,032	1,012,740,635

2013.12.31 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$1,012,916	\$257,441	\$107,435	\$1,377,792	\$4,389	\$5,078	\$1,387,259	\$4,209	\$53,956	\$1,329,094
Others	2,688,699	15,008	1,538	2,705,245	121	1,722	2,707,088	634	11,027	2,695,427
Discounts and loans	24,774,558	7,670,639	1,234,246	33,679,443	16,812	736,431	34,432,686	143,056	339,223	33,950,407

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2013.3.31 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$26,316,036	\$5,303,907	\$2,755,303	\$34,375,246	\$125,560	\$139,092	\$34,639,898	\$115,649	\$1,653,373	\$32,870,876
Others	35,259,486	2,501,348	29,335	37,790,169	3,343	63,160	37,856,672	11,852	157,493	37,687,327
Discounts and loans	659,000,267	269,563,077	35,867,119	964,430,463	468,821	31,074,794	995,974,078	4,404,817	9,158,968	982,410,293

2013.3.31 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$882,792	\$177,924	\$92,429	\$1,153,145	\$4,212	\$4,666	\$1,162,023	\$3,879	\$55,464	\$1,102,680
Others	1,182,807	83,910	984	1,267,701	112	2,119	1,269,932	398	5,283	1,264,251
Discounts and loans	22,106,685	9,042,706	1,203,191	32,352,582	15,727	1,042,429	33,410,738	147,763	307,245	32,955,730

2013.1.1 (NT\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card										
business	\$26,857,133	\$6,221,934	\$2,874,072	\$35,953,139	\$111,701	\$127,992	\$36,192,832	\$108,337	\$1,798,623	\$34,285,872
Others	15,398,473	1,046,175	47,366	16,492,014	5,871	49,694	16,547,579	7,801	91,694	16,448,084
Discounts and loans	670,693,846	255,821,555	44,369,776	970,885,177	816,751	26,753,925	998,455,853	3,838,785	9,198,147	985,418,921

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2013.1.1 (US\$)	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
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

(B) The credit quality analysis on neither past due nor impaired discounts and loans

2014.3.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$198,819,149	\$6,529,365	\$54,465,324	\$1,788,680	\$11,932,807	\$391,882	\$265,217,280	\$8,709,927
Unsecured								
personal loans	9,824,398	322,640	5,571,242	182,964	1,902,467	62,478	17,298,107	568,082
Other	169,120,164	5,554,028	40,865,630	1,342,057	7,162,954	235,237	217,148,748	7,131,322
Corporate banking								
Secured	71,579,172	2,350,712	116,030,730	3,810,533	18,332,748	602,060	205,942,650	6,763,305
Unsecured	199,502,045	6,551,792	148,250,637	4,868,658	1,674,601	54,995	349,427,283	11,475,445
Total	\$648,844,928	\$21,308,536	\$365,183,563	\$11,992,892	\$41,005,577	\$1,346,653	\$1,055,034,068	\$34,648,081

2013.12.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$195,160,827	\$6,542,435	\$55,381,641	\$1,856,575	\$9,553,020	\$320,249	\$260,095,488	\$8,719,259
Unsecured								
personal loans	8,689,745	291,309	4,770,432	159,921	1,242,249	41,644	14,702,426	492,874
Other	160,151,631	5,368,811	40,060,781	1,342,969	6,522,148	218,644	206,734,560	6,930,424
Corporate banking								
Secured	134,047,160	4,493,703	54,414,909	1,824,168	17,794,173	596,519	206,256,242	6,914,390
Unsecured	240,975,701	8,078,300	74,187,388	2,487,006	1,705,975	57,190	316,869,064	10,622,496
Total	\$739,025,064	\$24,774,558	\$228,815,151	\$7,670,639	\$36,817,565	\$1,234,246	\$1,004,657,780	\$33,679,443

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2013.3.31	Excellent		Good		Average		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Consumer banking								
Residential								
mortgage loans	\$219,733,198	\$7,371,124	\$43,881,144	\$1,472,027	\$7,540,145	\$252,940	\$271,154,487	\$9,096,091
Unsecured								
personal loans	5,853,661	196,366	2,201,066	73,836	922,490	30,946	8,977,217	301,148
Other	138,040,632	4,630,682	30,429,800	1,020,792	5,450,737	182,849	173,921,169	5,834,323
Corporate banking								
Secured	109,816,242	3,683,873	101,209,634	3,395,157	14,825,665	497,339	225,851,541	7,576,369
Unsecured	185,556,534	6,224,640	91,841,433	3,080,894	7,128,082	239,117	284,526,049	9,544,651
Total	\$659,000,267	\$22,106,685	\$269,563,077	\$9,042,706	\$35,867,119	\$1,203,191	\$964,430,463	\$32,352,582

2013.1.1	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

(C) Credit quality analysis on securities investment

2014.3.31 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$48,291,668	\$1,227,429	\$49,519,097	\$-	\$-	\$49,519,097	\$-	\$49,519,097
Stocks	3,191,181	10,347,074	13,538,255	-	163,785	13,702,040	163,785	13,538,255
Others	68,641	445,205	513,846	-	-	513,846	-	513,846
Held-to-maturity financial assets								
Bonds	50,158,051	665,973	50,824,024	-	-	50,824,024	-	50,824,024
Investments in debt securities with no active market								
Bonds	7,206,036	351,489	7,557,525	-	1,317,337	8,874,862	1,317,337	7,557,525
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	270,800,000	-	270,800,000	-	-	270,800,000	-	270,800,000

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2014.3.31 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$1,585,933	\$40,310	\$1,626,243	\$-	\$-	\$1,626,243	\$-	\$1,626,243
Stocks	104,801	339,805	444,606	-	5,379	449,985	5,379	444,606
Others	2,254	14,621	16,875	-	-	16,875	-	16,875
Held-to-maturity financial assets								
Bonds	1,647,226	21,871	1,669,097	-	-	1,669,097	-	1,669,097
Investments in debt securities with no active market								
Bonds	236,652	11,543	248,195	-	43,262	291,457	43,262	248,195
Preferred Stocks	-	18,053	18,053	-	-	18,053	-	18,053
Others	8,893,268	-	8,893,268	-	-	8,893,268	-	8,893,268

2013.12.31 (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	\$49,647,356	\$2,239,679	\$51,887,035	\$-	\$-	\$51,887,035	\$-	\$51,887,035
Stocks	4,545,008	9,663,348	14,208,356	-	163,785	14,372,141	163,785	14,208,356
Others	100,148	851,026	951,174	-	-	951,174	-	951,174
Held-to-maturity financial assets								
Bonds	50,117,106	594,572	50,711,678	-	-	50,711,678	-	50,711,678
Investments in debt securities with no active market								
Bonds	7,060,075	362,208	7,422,283	-	1,294,912	8,717,195	1,294,912	7,422,283
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	272,300,000	-	272,300,000	-	-	272,300,000	-	272,300,000

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2013.12.31 (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	\$1,664,343	\$75,082	\$1,739,425	\$-	\$-	\$1,739,425	\$-	\$1,739,425
Stocks	152,364	323,947	476,311	-	5,491	481,802	5,491	476,311
Others	3,357	28,529	31,886	-	-	31,886	-	31,886
Held-to-maturity financial assets								
Bonds	1,680,091	19,932	1,700,023	-	-	1,700,023	-	1,700,023
Investments in debt securities with no active market								
Bonds	236,677	12,142	248,819	-	43,410	292,229	43,410	248,819
Preferred Stocks	-	18,429	18,429	-	-	18,429	-	18,429
Others	9,128,394	-	9,128,394	-	-	9,128,394	-	9,128,394

2013.3.31 (NT\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$64,095,827	\$2,147,931	\$66,243,758	\$-	\$-	\$66,243,758	\$-	\$66,243,758
Stocks	4,258,719	8,192,790	12,451,509	-	438,941	12,890,450	438,941	12,451,509
Others	-	1,919,728	1,919,728	-	-	1,919,728	-	1,919,728
Held-to-maturity financial assets								
Bonds	47,419,885	592,363	48,012,248	-	-	48,012,248	-	48,012,248
Investments in debt securities with no active market								
Bonds	10,883,711	753,612	11,637,323	-	1,213,681	12,851,004	1,213,591	11,637,413
Preferred Stocks	-	549,730	549,730	-	-	549,730	-	549,730
Others	389,300,000	-	389,300,000	-	-	389,300,000	-	389,300,000

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2013.3.31 (US\$)	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade and non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$2,150,145	\$72,054	\$2,222,199	\$-	\$-	\$2,222,199	\$-	\$2,222,199
Stocks	142,862	274,834	417,696	-	14,724	432,420	14,724	417,696
Others	-	64,399	64,399	-	-	64,399	-	64,399
Held-to-maturity financial assets								
Bonds	1,590,738	19,871	1,610,609	-	-	1,610,609	-	1,610,609
Investments in debt securities with no active market								
Bonds	365,103	25,280	390,383	-	40,714	431,097	40,711	390,386
Preferred Stocks	-	18,441	18,441	-	-	18,441	-	18,441
Others	13,059,376	-	13,059,376	-	-	13,059,376	-	13,059,376

2013.1.1 (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	\$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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2013.1.1 (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	\$1,656,962	\$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

(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.

2014.3.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$78,471	\$2,577	\$50,746	\$1,666	\$129,217	\$4,243
Others	2,010	66	1,220	40	3,230	106
Discounts and loans						
Consumer banking						
Residential mortgage loans	179,039	5,880	61,398	2,016	240,437	7,896
Unsecured personal loans	16,602	545	15,288	502	31,890	1,047
Others	129,374	4,249	47,060	1,546	176,434	5,795
Corporate banking						
Secured	-	-	8,250	271	8,250	271

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2013.12.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$70,578	\$2,366	\$60,353	\$2,023	\$130,931	\$4,389
Others	2,263	76	1,355	45	3,618	121
Discounts and loans						
Consumer banking						
Residential mortgage loans	191,508	6,420	65,998	2,212	257,506	8,632
Unsecured personal loans	19,377	650	9,937	333	29,314	983
Others	142,730	4,784	70,097	2,350	212,827	7,134
Corporate banking						
Secured	-	-	1,872	63	1,872	63
2013.3.31	Less than 30 days		31 - 60 days		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Receivables						
Credit card business	\$71,027	\$2,383	\$54,533	\$1,829	\$125,560	\$4,212
Others	2,298	77	1,045	35	3,343	112
Discounts and loans						
Consumer banking						
Residential mortgage loans	205,834	6,905	49,765	1,669	255,599	8,574
Unsecured personal loans	5,806	195	3,022	101	8,828	296
Others	142,643	4,785	61,751	2,072	204,394	6,857
2013.1.1	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

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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 and its subsidiaries 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.

2014.3.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$32,966,815	\$5,085,226	\$24,963,023	\$18,184	\$63,033,248
Funds borrowed from Central Bank and other banks	1,525,544	-	-	-	1,525,544
Derivative financial liabilities at fair value through profit or loss	580,726	-	-	-	580,726
Securities sold under agreements to repurchase	62,023,563	661,540	-	-	62,685,103
Payables	6,148,121	2,427,300	3,833,280	5,354,954	17,763,655
Deposits and remittances	264,269,176	652,702,566	626,382,590	66,776,842	1,610,131,174
Financial debentures payable	-	-	-	52,469,090	52,469,090
Other capital outflow at maturity	38,609,951	2,918,873	771,667	2,528,767	44,829,258

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2014.3.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$1,082,654	\$167,002	\$819,804	\$597	\$2,070,057
Funds borrowed from Central Bank and other banks	50,100	-	-	-	50,100
Derivative financial liabilities at fair value through profit or loss	-	-	19,071	-	19,071
Securities sold under agreements to repurchase	2,036,899	21,725	-	-	2,058,624
Payables	201,909	79,714	125,888	175,860	583,371
Deposits and remittances	8,678,790	21,435,224	20,570,857	2,193,000	52,877,871
Financial debentures payable	-	-	-	1,723,123	1,723,123
Other capital outflow at maturity	1,267,979	95,858	25,342	83,046	1,472,225

2013.12.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$29,171,990	\$9,424,870	\$7,667,625	\$4,516,515	\$50,781,000
Funds borrowed from Central Bank and other banks	1,497,640	-	-	-	1,497,640
Derivative financial liabilities at fair value through profit or loss	-	-	500,298	-	500,298
Securities sold under agreements to repurchase	56,051,595	2,640,870	2,677	-	58,695,142
Payables	8,272,115	1,057,094	1,030,517	2,061,034	12,420,760
Deposits and remittances	265,034,724	655,147,509	615,056,779	62,792,426	1,598,031,438
Financial debentures payable	-	-	-	52,064,160	52,064,160
Other capital outflow at maturity	16,425,665	13,555,552	4,233,144	2,053,266	36,267,627

2013.12.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$977,941	\$315,953	\$257,044	\$151,409	\$1,702,347
Funds borrowed from Central Bank and other banks	50,206	-	-	-	50,206
Derivative financial liabilities at fair value through profit or loss	-	-	16,772	-	16,772
Securities sold under agreements to repurchase	1,879,034	88,531	90	-	1,967,655
Payables	277,309	35,437	34,546	69,093	416,385
Deposits and remittances	8,884,838	21,962,706	20,618,732	2,105,009	53,571,285
Financial debentures payable	-	-	-	1,745,362	1,745,362
Other capital outflow at maturity	550,642	454,427	141,909	68,832	1,215,810

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2013.3.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$15,644,854	\$11,184,268	\$41,553,612	\$243,130	\$68,625,864
Funds borrowed from Central Bank and other banks	-	1,493,750	-	-	1,493,750
Securities sold under agreements to repurchase	32,636,357	2,063,709	-	-	34,700,066
Payables	14,828,292	1,137,405	2,871,935	2,422,845	21,260,477
Deposits and remittances	323,681,516	612,269,893	533,821,699	56,348,186	1,526,121,294
Financial debentures payable	-	-	-	42,705,232	42,705,232
Other capital outflow at maturity	9,892,458	2,369,758	1,222,791	4,758,667	18,243,674

2013.3.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$524,819	\$375,185	\$1,393,949	\$8,156	\$2,302,109
Funds borrowed from Central Bank and other banks	-	50,109	-	-	50,109
Securities sold under agreements to repurchase	1,094,812	69,229	-	-	1,164,041
Payables	497,427	38,155	96,341	81,276	713,199
Deposits and remittances	10,858,152	20,539,077	17,907,471	1,890,244	51,194,944
Financial debentures payable	-	-	-	1,432,581	1,432,581
Other capital outflow at maturity	331,850	79,496	41,020	159,633	611,999

2013.1.1(NT\$)	0-30 days	31-180 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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2013.1.1(US\$)	0-30 days	31-180 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

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.

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:

2014.3.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$195,408	\$115,648	\$(123,001)	\$(812,548)	\$(624,493)
- Interest rate derivative instruments	5,299	58,054	56,356	4,417,364	4,537,073
Total	\$200,707	\$173,702	\$(66,645)	\$3,604,816	\$3,912,580

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2014.3.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$6,417	\$3,798	\$(4,039)	\$(26,685)	\$(20,509)
- Interest rate derivative instruments	174	1,907	1,850	145,070	149,001
Total	\$6,591	\$5,705	\$(2,189)	\$118,385	\$128,492

2013.12.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$315,261	\$471,071	\$(53,722)	\$2,722	\$735,332
- Interest rate derivative instruments	434	20,450	55,428	3,745,737	3,822,049
Total	\$315,695	\$491,521	\$1,706	\$3,748,459	\$4,557,381

2013.12.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$10,569	\$15,792	\$(1,801)	\$91	\$24,651
- Interest rate derivative instruments	14	685	1,858	125,570	128,127
Total	\$10,583	\$16,477	\$57	\$125,661	\$152,778

2013.3.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$93,218	\$28,849	\$25,112	\$(8,278)	\$138,901
- Interest rate derivative instruments	10,481	35,729	24,426	1,291,229	1,361,865
Total	\$103,699	\$64,578	\$49,538	\$1,282,951	\$1,500,766

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2013.3.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$3,127	\$968	\$842	\$(277)	\$4,660
- Interest rate derivative instruments	352	1,198	820	43,315	45,685
Total	\$3,479	\$2,166	\$1,662	\$43,038	\$50,345

2013.1.1(NT\$)	0-30 days	31-180 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

2013.1.1(US\$)	0-30 days	31-180 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

(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.

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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:

2014.3.31 (NT\$)	0-30 days	31-180 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	\$(1,264,459)	\$(1,430,720)	\$(866,041)	\$610,638	\$(2,950,582)
-Cash inflow	186,707	218,730	318,835	39,263	763,535
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(161,819)	(76,410)	(244,226)	(182,423)	(664,878)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,426,278)	(1,507,130)	(1,110,267)	428,215	(3,615,460)
Cash inflow subtotal	186,707	218,730	318,835	39,263	763,535
Net cash flow	\$(1,239,571)	\$(1,288,400)	\$(791,432)	\$467,478	\$(2,851,925)

2014.3.31 (US\$)	0-30 days	31-180 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	\$(41,526)	\$(46,986)	\$(28,441)	\$20,054	\$(96,899)
-Cash inflow	6,132	7,183	10,471	1,289	25,075
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	(5,314)	(2,509)	(8,021)	(5,991)	(21,835)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(46,840)	(49,495)	(36,462)	14,063	(118,734)
Cash inflow subtotal	6,132	7,183	10,471	1,289	25,075
Net cash flow	\$(40,708)	\$(42,312)	\$(25,991)	\$15,352	\$(93,659)

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2013.12.31 (NT\$)	0-30 days	31-180 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	\$(1,971,525)	\$(1,549,325)	\$(329,735)	\$21,208	\$(3,829,377)
-Cash inflow	72,633	80,445	75,659	13,976	242,713
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	55,641	173,683	68,360	109,897	407,581
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,915,884)	(1,375,642)	(261,375)	131,105	(3,421,796)
Cash inflow subtotal	72,633	80,445	75,659	13,976	242,713
Net cash flow	\$(1,843,251)	\$(1,295,197)	\$(185,716)	\$145,081	\$(3,179,083)

2013.12.31 (US\$)	0-30 days	31-180 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	\$(66,092)	\$(51,938)	\$(11,054)	\$711	\$(128,373)
-Cash inflow	2,435	2,697	2,536	469	8,137
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	1,865	5,822	2,292	3,684	13,663
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(64,227)	(46,116)	(8,762)	4,395	(114,710)
Cash inflow subtotal	2,435	2,697	2,536	469	8,137
Net cash flow	\$(61,792)	\$(43,419)	\$(6,226)	\$4,864	\$(106,573)

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2013.3.31 (NT\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(1,155,100)	\$(1,635,994)	\$(540,442)	\$(164,861)	\$(3,496,397)
-Cash inflow	114,996	148,071	76,940	101,273	441,280
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(13,292)	(179,927)	(203,086)	(396,305)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,155,100)	(1,649,286)	(720,369)	(367,947)	(3,892,702)
Cash inflow subtotal	114,996	148,071	76,940	101,273	441,280
Net cash flow	\$(1,040,104)	\$(1,501,215)	\$(643,429)	\$(266,674)	\$(3,451,422)

2013.3.31 (US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(38,749)	\$(54,881)	\$(18,130)	\$(5,530)	\$(117,290)
-Cash inflow	3,858	4,967	2,581	3,397	14,803
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(446)	(6,035)	(6,813)	(13,294)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(38,749)	(55,327)	(24,165)	(12,343)	(130,584)
Cash inflow subtotal	3,858	4,967	2,581	3,397	14,803
Net cash flow	\$(34,891)	\$(50,360)	\$(21,584)	\$(8,946)	\$(115,781)

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2013.1.1(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	\$(1,029,082)	\$(1,271,583)	\$(273,293)	\$(242,322)	\$(2,816,280)
-Cash inflow	77,581	223,841	180,734	19,235	501,391
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(19,228)	(35,377)	(178,560)	(233,165)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(1,029,082)	(1,290,811)	(308,670)	(420,882)	(3,049,445)
Cash inflow subtotal	77,581	223,841	180,734	19,235	501,391
Net cash flow	\$(951,501)	\$(1,066,970)	\$(127,936)	\$(401,647)	\$(2,548,054)

2013.1.1(US\$)	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(35,425)	\$(43,772)	\$(9,407)	\$(8,342)	\$(96,946)
-Cash inflow	2,671	7,705	6,221	662	17,259
Derivative financial liabilities for hedging					
- Interest rate derivative instruments					
-Cash outflow	-	(662)	(1,218)	(6,146)	(8,026)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(35,425)	(44,434)	(10,625)	(14,488)	(104,972)
Cash inflow subtotal	2,671	7,705	6,221	662	17,259
Net cash flow	\$(32,754)	\$(36,729)	\$(4,404)	\$(13,826)	\$(87,713)

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c. Maturity analysis of off-balance sheet items

(A) Irrevocable commitments include irrevocable loan commitments and credit card commitments.

(B) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.

(C) Leasing commitments: Cathay United Bank acts as a lessor/lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

2014.3.31	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$156,972,651	\$5,155,095	\$215,923,527	\$7,091,084	\$269,094,199	\$8,837,248	\$641,990,377	\$21,083,427
Financial guarantee contracts	16,015,423	525,958	779,891	25,613	11,114	365	16,806,428	551,936
Leasing commitments								
Non-cancellable operating lease payments	649,691	21,337	802,216	26,345	100,506	3,300	1,552,413	50,982
Total	\$173,637,765	\$5,702,390	\$217,505,634	\$7,143,042	\$269,205,819	\$8,840,913	\$660,349,218	\$21,686,345

2013.12.31	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$209,239,328	\$7,014,392	\$125,932,919	\$4,221,687	\$254,449,728	\$8,529,994	\$589,621,975	\$19,766,073
Financial guarantee contracts	13,695,430	459,116	763,290	25,588	15,120	507	14,473,840	485,211
Leasing commitments								
Non-cancellable operating lease payments	597,184	20,020	740,153	24,812	63,081	2,115	1,400,418	46,947
Total	\$223,531,942	\$7,493,528	\$127,436,362	\$4,272,087	\$254,527,929	\$8,532,616	\$605,496,233	\$20,298,231

2013.3.31	Not later than 1 year		1~5 year		Later than 5 year		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Irrevocable commitments	\$58,041,882	\$1,947,061	\$139,844,308	\$4,691,188	\$197,529,271	\$6,626,275	\$395,415,461	\$13,264,524
Financial guarantee contracts	15,773,339	529,129	723,879	24,283	4,019	135	16,501,237	553,547
Leasing commitments								
Non-cancellable operating lease payments	533,081	17,883	506,983	17,007	119,836	4,020	1,159,900	38,910
Total	\$74,348,302	\$2,494,073	\$141,075,170	\$4,732,478	\$197,653,126	\$6,630,430	\$413,076,598	\$13,856,981

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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\$
2013.1.1								
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
Total	\$74,505,244	\$2,564,724	\$137,954,017	\$4,748,848	\$168,145,492	\$5,788,141	\$380,604,753	\$13,101,713

Cathay Century and its subsidiaries

Non-derivative financial instruments the Cathay Century and its subsidiaries held to adjust operating cash flow including cash and equivalents and investments. The Cathay Century and its subsidiaries 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.

In addition, The Cathay Century and its subsidiaries holds derivative financial instruments, including futures options contracts, forward contracts and swaps to avoid share price risk, foreign exchange risk and interest rate risk. The Cathay Century and its subsidiaries does not engage in derivatives transactions for trading purposes.

The Cathay Century and its subsidiaries's financial instruments are mainly exposed to market risk, credit risk and liquidity risk. The risk management policies approved by board of directors are as follows:

A. Market risk

a. Foreign currency risk

The Cathay Century and its subsidiaries is 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, The Company engage in forward foreign exchange contracts for hedging purposes.

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The Cathay Century and its subsidiaries 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. The Cathay Century and its subsidiaries do not engage in hedging in relation to this type of transaction.

The Cathay Century and its subsidiaries's 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. The Company's 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

The 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 the Company are classified under held for trading financial assets or available-for-sale financial assets. The Company manage the equity price risk through diversification and placing limits on individual and total equity instruments.

B. Credit risk

a. Credit risk management policies

The Cathay Century and its subsidiaries trade only with established and creditworthy third parties. The Cathay Century and its subsidiaries's 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, the Cathay Century and its subsidiaries's bad debt is insignificant. On the other hand, in the event counterparty's creditworthiness deteriorates, the Cathay Century and its subsidiaries will suspend the related contracts and resume exercising relevant rights and obligations when transaction status is restored.

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The Cathay Century and its subsidiaries's 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 deteriorates, the Company may exercise under their own discretion the relevant security rights upon presentation, to protect the Company's interests.

The Cathay Century and its subsidiaries's credit risk exposure of financial transaction include: issuer risk, counterparty risk and the credit risk of underlying assets.

(A) Issuer risk is the risk that the issuer of the debt instrument held by the Consolidated Company or banks with which the Cathay Century and its subsidiaries maintains deposits fail to deliver in accordance with the agreement due to default, bankruptcy or settlement, and the Cathay Century and its subsidiaries incurs financial losses as a result.

(B) Counterparty risk is the risk that a counterparty of the Cathay Century and its subsidiaries to deliver as obligated before the settlement date which then cause losses to the Cathay Century and its subsidiaries

(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.

b. Credit concentration risk analysis

(A) The amounts of credit risk exposure of Cathay Century and its subsidiaries's financial assets are as follows:

Financial assets	The amount of credit risk exposure - by area					
	2014.03.31 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$3,625,638	\$11	\$4,456	\$786,747	\$4,532,675	\$8,949,527
Financial assets at fair value through profit or loss	521,931	-	-	-	85,740	607,671
Available-for-sale financial assets	6,782,845	-	-	99,195	1,219,156	8,101,196
Derivative financial assets for hedging	9,136	-	-	-	-	9,136
Bond investments with no active market exists	850,000	-	327,450	305,370	1,058,980	2,541,800
Held-to-maturity investments	-	-	-	1,510,678	292,378	1,803,056
Total	\$11,789,550	\$11	\$331,906	\$2,701,990	\$7,188,929	\$22,012,386
Each area percentage	53.56%	0.00%	1.51%	12.27%	32.66%	100.00%

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Financial assets	The amount of credit risk exposure - by area					
	2014.03.31 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$119,069	\$-	\$146	\$25,837	\$148,856	\$293,908
Financial assets at fair value through profit or loss	17,141	-	-	-	2,815	19,956
Available-for-sale financial assets	222,754	-	-	3,257	40,038	266,049
Derivative financial assets for hedging	300	-	-	-	-	300
Bond investments with no active market exists	27,915	-	10,753	10,029	34,778	83,475
Held-to-maturity investments	-	-	-	49,612	9,602	59,214
Total	\$387,179	\$-	\$10,899	\$88,735	\$236,089	\$722,902
Each area percentage	53.56%	0.00%	1.51%	12.29%	32.64%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2013.12.31 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,415,469	\$10	\$7,946	\$990,830	\$2,771,566	\$8,185,821
Financial assets at fair value through profit or loss	1,172,111	-	-	-	139,914	1,312,025
Available-for-sale financial assets	5,927,566	-	-	25,117	1,282,219	7,234,902
Derivative financial assets for hedging	10,022	-	-	-	-	10,022
Bond investments with no active market exists	850,000	-	321,383	300,039	582,318	2,053,740
Held-to-maturity investments	-	-	-	1,668,787	287,150	1,955,937
Total	\$12,375,168	\$10	\$329,329	\$2,984,773	\$5,063,167	\$20,752,447
Each area percentage	59.63%	0.00%	1.59%	14.38%	24.40%	100.00%

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Financial assets	The amount of credit risk exposure - by area					
	2013.12.31 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$148,021	\$-	\$267	\$33,216	\$92,912	\$274,416
Financial assets at fair value through profit or loss	39,293	-	-	-	4,690	43,983
Available-for-sale financial assets	198,712	-	-	842	42,984	242,538
Derivative financial assets for hedging	336	-	-	-	-	336
Bond investments with no active market exists	28,495	-	10,774	10,058	19,521	68,848
Held-to-maturity investments	-	-	-	55,943	9,626	65,569
Total	\$414,857	\$-	\$11,041	\$100,059	\$169,733	\$695,690
Each area percentage	59.63%	0.00%	1.59%	14.38%	24.40%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2013.03.31 (NT\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$4,697,376	\$114	\$19,074	\$183,795	\$924,065	\$5,824,424
Financial assets at fair value through profit or loss	377,807	-	-	-	111,654	489,461
Available-for-sale financial assets	4,824,014	-	-	266,109	3,504,847	8,594,970
Derivative financial assets for hedging	16,284	-	-	-	-	16,284
Bond investments with no active market exists	900,000	-	320,406	300,111	351,195	1,871,712
Held-to-maturity investments	-	-	-	2,265,404	-	2,265,404
Total	\$10,815,481	\$114	\$339,480	\$3,015,419	\$4,891,761	\$19,062,255
Each area percentage	56.76%	0.00%	1.78%	15.81%	25.65%	100.00%

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Financial assets	The amount of credit risk exposure - by area					
	2013.03.31 (US\$)					
	Taiwan	New Zealand and Australia	Europe	Americas	Emerging market and others	Total
Cash and cash equivalents	\$157,577	\$4	\$640	\$6,166	\$30,998	\$195,385
Financial assets at fair value through profit or loss	12,674	-	-	-	3,745	16,419
Available-for-sale financial assets	161,825	-	-	8,927	117,573	288,325
Derivative financial assets for hedging	546	-	-	-	-	546
Bond investments with no active market exists	30,192	-	10,748	10,067	11,781	62,788
Held-to-maturity investments	-	-	-	75,995	-	75,995
Total	\$362,814	\$4	\$11,388	\$101,155	\$164,097	\$639,458
Each area percentage	56.76%	0.00%	1.78%	15.81%	25.65%	100.00%

Financial assets	The amount of credit risk exposure - by area					
	2013.1.1 (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%

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Financial assets	The amount of credit risk exposure - by area					
	2013.1.1 (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	167,433	-	-	9,781	112,097	289,311
Derivative financial assets for hedging	590	-	-	-	-	590
Bond investments with no active market exists	30,981	-	-	-	14,570	45,551
Held-to-maturity investments	-	-	-	86,472	-	86,472
Total	\$378,986	\$2	\$511	\$100,045	\$152,588	\$632,132
Each area percentage	59.95%	0.00%	0.08%	15.83%	24.14%	100.00%

c. Credit risk quality analysis

(A) Credit quality classifications of the Cathay Century and its subsidiaries's financial assets are as follows:

Financial assets	Credit quality of financial assets				
	2014.03.31 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
Investment level	Non-investment level				
Cash and cash equivalents	\$8,949,527	\$-	\$-	\$-	\$8,949,527
Financial assets at fair value through profit or loss	607,671	-	-	-	607,671
Available-for-sale financial assets	8,101,196	-	-	-	8,101,196
Derivative financial assets for hedging	9,136	-	-	-	9,136
Bond investments with no active market exists	2,541,800	-	-	-	2,541,800
Held-to-maturity investments	1,803,056	-	-	-	1,803,056
Total	\$22,012,386	\$-	\$-	\$-	\$22,012,386

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Financial assets	Credit quality of financial assets				
	2014.03.31 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$293,909	\$-	\$-	\$-	\$293,909
Financial assets at fair value through profit or loss	19,956	-	-	-	19,956
Available-for-sale financial assets	266,049	-	-	-	266,049
Derivative financial assets for hedging	300	-	-	-	300
Bond investments with no active market exists	83,475	-	-	-	83,475
Held-to-maturity investments	59,215	-	-	-	59,215
Total	\$722,904	\$-	\$-	\$-	\$722,904

Financial assets	Credit quality of financial assets				
	2013.12.31 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$8,185,821	\$-	\$-	\$-	\$8,185,821
Financial assets at fair value through profit or loss	1,312,025	-	-	-	1,312,025
Available-for-sale financial assets	7,234,902	-	-	-	7,234,902
Derivative financial assets for hedging	10,022	-	-	-	10,022
Bond investments with no active market exists	2,053,740	-	-	-	2,053,740
Held-to-maturity investments	1,955,937	-	-	-	1,955,937
Total	\$20,752,447	\$-	\$-	\$-	\$20,752,447

Financial assets	Credit quality of financial assets				
	2013.12.31 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$274,416	\$-	\$-	\$-	\$274,416
Financial assets at fair value through profit or loss	43,983	-	-	-	43,983
Available-for-sale financial assets	242,538	-	-	-	242,538
Derivative financial assets for hedging	336	-	-	-	336
Bond investments with no active market exists	68,848	-	-	-	68,848
Held-to-maturity investments	65,570	-	-	-	65,570
Total	\$695,691	\$-	\$-	\$-	\$695,691

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Financial assets	Credit quality of financial assets				
	2013.03.31 (NT\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$5,824,424	\$-	\$-	\$-	\$5,824,424
Financial assets at fair value through profit or loss	489,461	-	-	-	489,461
Available-for-sale financial assets	8,536,072	-	-	58,898	8,594,970
Derivative financial assets for hedging	16,284	-	-	-	16,284
Bond investments with no active market exists	1,871,712	-	-	-	1,871,712
Held-to-maturity investments	2,265,404	-	-	-	2,265,404
Total	\$19,003,357	\$-	\$-	\$58,898	\$19,062,255

Financial assets	Credit quality of financial assets				
	2013.03.31 (US\$)				
	Normal assets		Past due but not impaired	Impaired	Total
	Investment level	Non-investment level			
Cash and cash equivalents	\$195,385	\$-	\$-	\$-	\$195,385
Financial assets at fair value through profit or loss	16,419	-	-	-	16,419
Available-for-sale financial assets	286,349	-	-	1,976	288,325
Derivative financial assets for hedging	546	-	-	-	546
Bond investments with no active market exists	62,788	-	-	-	62,788
Held-to-maturity investments	75,995	-	-	-	75,995
Total	\$637,482	\$-	\$-	\$1,976	\$639,458

Financial assets	Credit quality of financial assets				
	2013.1.1 (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

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Financial assets	Credit quality of financial assets				
	2013.1. 1 (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	45,551	-	-	-	45,551
Held-to-maturity investments	86,472	-	-	-	86,472
Total	\$632,132	\$-	\$-	\$-	\$632,132

Note: Investment level means the credit rating above BBB- and non-investment level means the credit rating less than BBB-.

(B) Secured loans

Secured loans	2014.3.31 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$131,166	\$-	\$-	\$-	\$125,477	\$256,643	\$1,583	\$255,060
Corporate Finance	60,000	-	-	-	186,453	246,453	81,061	165,392
Total	\$191,166	\$-	\$-	\$-	\$311,930	\$503,096	\$82,644	\$420,452

Secured loans	2014.3.31 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,309	\$-	\$-	\$-	\$4,121	\$8,430	\$53	\$8,377
Corporate Finance	1,970	-	-	-	6,123	8,093	2,662	5,431
Total	\$6,279	\$-	\$-	\$-	\$10,244	\$16,523	\$2,715	\$13,808

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Secured loans	2013.12.31 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$124,583	\$-	\$-	\$-	\$127,966	\$252,549	\$1,563	\$250,986
Corporate Finance	60,000	-	-	-	192,596	252,596	81,061	171,535
Total	\$184,583	\$-	\$-	\$-	\$320,562	\$505,145	\$82,624	\$422,521

Secured loans	2013.12.31 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,177	\$-	\$-	\$-	\$4,290	\$8,467	\$53	\$8,414
Corporate Finance	2,011	-	-	-	6,456	8,467	2,717	5,750
Total	\$6,188	\$-	\$-	\$-	\$10,746	\$16,934	\$2,770	\$14,164

Secured loans	2013.3.31 (NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$135,029	\$-	\$-	\$-	\$129,707	\$264,736	\$1,624	\$263,112
Corporate Finance	60,000	-	-	-	271,730	331,730	71,545	260,185
Total	\$195,029	\$-	\$-	\$-	\$401,437	\$596,466	\$73,169	\$523,297

Secured loans	2013.3.31 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,530	\$-	\$-	\$-	\$4,351	\$8,881	\$55	\$8,826
Corporate Finance	2,013	-	-	-	9,115	11,128	2,400	8,728
Total	\$6,543	\$-	\$-	\$-	\$13,466	\$20,009	\$2,455	\$17,554

Secured loans	2013.1.1(NT\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$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

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Secured loans	2013.1.1 (US\$)							
	Neither past due nor impaired			Past due but not impaired	Impaired	Total(EIR principal)	Loss reserve	Net
	Excellent	Great	Normal					
Consumer Finance	\$4,919	\$-	\$-	\$-	\$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

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, the Company and Subsidiary adapt and implement the internal control regulations and sheets. The Company and Subsidiary establish the information systems to accommodate the aforementioned policies.

D. Liquidity risk

a. Definition and resource of liquidity risk

Liquidity risk includes capital liquidity and market liquidity risk. Capital liquidity happens when the Company can not to raise sufficiently capital on reasonable terms and reasonable cost of capital leading to cash flow gap. Market liquidity risk when happens the Company raises the necessary capital but sell assets at below market price leading the Company taking the risk of loss

b. Liquidity risk management

The 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, the Cathay Century and its subsidiaries carefully manage the market liquidity risk. Moreover, the 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, the Cathay Century and its subsidiaries uses models to assess cash flow risk, such as cash flow model or stress testing model.

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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.

In the event of cash flow gap, the will conduct an internal discussion and report the result to supervisors and the funding management department. The risk management department will take necessary measures to prevent further stressful events.

c. The table below summarizes the maturity profile of the Cathay Century and its subsidiaries's financial liabilities based on contractual undiscounted payments.

Liabilities	2014.03.31 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,251,378	\$1,250,928	\$1,219,527	\$22,583	\$7,558	\$1,260	\$-
Financial liabilities at fair value through profit or loss	62,424	62,424	-	62,424	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	2014.03.31 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$73,937	\$41,081	\$40,050	\$742	\$248	\$41	\$-
Financial liabilities at fair value through profit or loss	2,050	2,050	-	2,050	-	-	-
Preferred stock liability	32,841	32,841	-	-	-	-	32,841

Liabilities	2013.12.31 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,622,538	\$1,363,246	\$1,334,100	\$21,223	\$7,181	\$742	\$-
Financial liabilities at fair value through profit or loss	28,352	28,352	-	28,352	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

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Liabilities	2013.12.31 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$87,916	\$45,701	\$44,723	\$712	\$241	\$25	\$-
Financial liabilities at fair value through profit or loss	950	950	-	950	-	-	-
Preferred stock liability	33,523	33,523	-	-	-	-	33,523

Liabilities	2013.3.31 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,133,430	\$1,327,550	\$1,283,549	\$38,059	\$923	\$5,019	\$-
Financial liabilities at fair value through profit or loss	94,825	94,825	-	94,825	-	-	-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	2013.3.31 (US\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$71,567	\$44,534	\$43,058	\$1,277	\$31	\$168	\$-
Financial liabilities at fair value through profit or loss	3,181	3,181	-	3,181	-	-	-
Preferred stock liability	33,546	33,546	-	-	-	-	33,546

Liabilities	2013.1.1 (NT\$)						
	Book value	Contractual cash flow	Less than 6 months	6-12 months	1-2 years	2-5 years	5+ years
Payables	\$2,223,005	\$1,205,101	\$1,182,771	\$16,771	\$3,852	\$1,707	\$-
Preferred stock liability	1,000,000	1,000,000	-	-	-	-	1,000,000

Liabilities	2013.1.1 (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

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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.

The Cathay Century and its subsidiaries continues to use market risk management tools such as value-at-risk and stress testing to completely and effetely 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. The Company estimates 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 the Cathay Century and its subsidiaries's 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, the 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.

The Cathay Century and its subsidiaries conducts stress testing regularly on positions by simple sensitivity analysis and scenario analysis. The stress testing contains changes of various risk factors in all historical scenarios that may cause losses in an investment portfolio.

(A) Simple Sensitivity

Simple sensitivity mainly evaluate changes in value of portfolio caused by specific risk factor

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(B) 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

2014.3.31	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	-10%	\$238,881	\$7,845
Interest rate risk (Yield curve)	20bp	(65,838)	(2,162)
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(121,082)	(3,976)

2014.3.31		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	RMB appreciate 1 %	\$18,691	\$614	\$2,328	\$76
	HKD appreciate 1 %	-	-	160	5
	NTD appreciate 1 %	(13,962)	(459)	(1,866)	(61)
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,562)	(51)	(137)	(4)
	Yield curve (RMB) flat rises 1bp	(63)	(2)	(78)	(3)
	Yield curve (NTD) flat rises 1bp	(150)	(5)	(1,301)	(43)
Equity securities price sensitivity	Increase 1% in equity price	-	-	(23,888)	(784)

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2013.3.31	Stress testing		
Risk factors	Variation (+/-)	Changes in profit and loss	
		NT\$	US\$
Equity price risk (Index)	-10%	\$124,375	\$4,172
Interest rate risk (Yield curve)	20bp	71,771	2,408
Foreign currency risk (Exchange rate)	USD exchange NTD devalue 1 dollar	(218,759)	(7,338)

2013.03.31		Profit and loss		Equity	
		NT\$	US\$	NT\$	US\$
Foreign currency risk sensitivity	RMB appreciate 1 %	\$14,495	\$486	\$-	\$-
	HKD appreciate 1 %	408	14	-	-
	NTD appreciate 1 %	(6,025)	(202)	-	-
Interest rate risk sensitivity	Yield curve (USD) flat rises 1bp	(1,316)	(44)	(100)	(3)
	Yield curve (RMB) flat rises 1bp	-	-	(159)	(5)
	Yield curve (NTD) flat rises 1bp	(123)	(4)	(1,827)	(61)
Equity securities price sensitivity	Increase 1% in equity price	-	-	(12,438)	(417)

c. Cathay Securities and its subsidiaries

(A) Risk management policies

i. Rick management objectives

Adhere to the risk management policies of the parent company, financial holding company, Cathay Securities and its subsidiaries manage the risks efficiently and elastically on operating activities to maximize the profit in conformity with domestic and foreign regulations.

ii. Risk management policies

Cathay Securities and its subsidiaries use “risk management policies” as a guiding principle to establish risk management objectives, coverage, organization duties and operating, management principles and reports etc.

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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, regulation risk and other risks related to operating activities. Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management in accordance with the management policies before operating business.

iii. Risk management organizational structure

- Board of directors

The Board of Directors has the ultimate responsibilities for risk management. The Board has the primary responsibility for the determination of the risk management strategies and for 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 the implementation of risk management policies is effective.

, Risk Management Committee

The Risk Management Committee is responsible for reviewing risk management policies, principles, and directions of trading management, and for determining the appropriate degree of risk exposures and monitoring the implementation of the risk management policies. Risk Management Committee is established by the Board of Directors and the members include General Manager, Auditor General, finance executive, accounting executive, risk management executive, as relevant trading executive. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the Board.

f Risk Management Department

Risk management department is belonging to the Board of Directors. The supervisor and staff of the department are prohibited to hold the 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 the business development. Risk management department also establishes online monitor and prevention system and reaction mechanism.

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„ Business unit

Each business unit participates in the planning of risk management mechanism and executing daily risk management and report to ensure that the risk model services division implements is with the same base of the consistency of credibility and is in accordance with the internal control procedures to conform to the regulations and risk management policies.

... Auditing office

Auditing office participates in the planning of risk management mechanism and executes risk management and internal control procedures periodically. All staff members should be also responsible for monitoring and documenting problems of internal control procedures periodically to ensure that the appropriate actions to improve have been taken in time.

† Finance Department

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.

‡ 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.

^ Legal Affairs Office

Legal Affairs Office executes regulation risk management to ensure that business operations and risk management procedures are all in accordance with regulations.

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iv. Risk Management Workflows

Risk management workflows for Cathay Securities and its subsidiaries include risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

- Market Risk

- (a) Definition

- Market risk is the risk of losses in positions that include stocks, bonds, and derivatives etc. arising from the movement in market prices.

- (b) Controls:

- Cathay Securities and its subsidiaries sets up training directions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line 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 pressure test by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

- , Credit Risk

- (a) 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.

- (b) 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 model. Investment concentration and risk are analyzed and documented periodically. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, Fitch).

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f Operational Risk

(a) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes the legal risk, but excludes strategy risk and credit risk.

(b) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading document are archive 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 authentically. The reporting mechanism for loss events from operational risk and database are established to understand causes of the loss. Besides, Auditing office is established and belong to 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 lower the loss arising from the operation failures.

„ Liquidity Risk

(a) Definition

Liquidity is defined as the capability of Cathay Securities to acquire the sufficient capital and to support assets growth and payout the liabilities.

(b) 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 dates. Capital allocation planning is based on the compiled structure analysis as of balance sheet dates. Meanwhile, acquiring the credit line of short-term financing from other financial institutions and managing receipts and payments properly to sustain appropriate liquidity and ensure the ability to make the payment.

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... Legal Risk

(a) Definition

Legal risk is a risk of loss that results from a counterparty being unable to legally enter into a contract due to the defective contract or the its qualification.

(b) Controls

The procedures of making and reviewing legal documentation are established. All the document related to the contracts is required to be reviewed and approved by the legal office and may be advised by the external lawyer' opinions.

† Capital adequacy management

(a) Definition

Cathay Securities and its subsidiaries implement capital management to sustain appropriate capital adequacy ratio, accelerate the business growth and ensure the perfection of capital structure.

(b) 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.

‡ Reputation risk and strategy risk

(a) Definition

Reputation Risk is a risk of loss resulting from damages to Cathay Securities and its subsidiaries' reputation in lost customers or revenues and Cathay Securities and its subsidiaries might need to undertake a prodigious amount of legal fares or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

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(b) 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 above mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraint for each risk and review the appropriateness of each constraint periodically. Besides, 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.

v. Hedge and Mitigation of Risk Strategy

The hedge and mitigation of risk strategy for Cathay Securities and its subsidiaries are implemented the dynamic hedge through investment products to duplicate the same cash flows when derivatives are matured. The hedge for outstanding stock warrants and structured products are used 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 written and report to the risk management department.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism by each attributes of the product. When the position meets the prevention point, the risk management department will inform the supervisor or position administrator in time and monitor the change of the position. Besides, the business department should operate in accordance with approval limits. If the stop-loss point is met, the investment position should be sold or the business department is required to provides the exception report. The reason and specific responses are also need to be informed.

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(B) Credit risk analysis

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

- i Issuer credit 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 liabilities instruments or bank savings which Cathay Securities and its subsidiaries invest.
- ii Counterparty credit 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
- iii Underlying asset credit risk is a risk that Cathay Securities and its subsidiaries may encounter the losses from the fact that the credit quality turns weak and credit charges increase, credit rating reduces, or the terms of contract are violated from underlying asset which is related to the certain financial instruments.

Financial assets which face the credit risk include bank accounts, debt securities, the trading from Over-the Counter derivatives, repurchase and resell debts, trading from the securities lending, refundable deposits, futures deposit in bank, other refundable deposits and account receivables etc.

(C) Capital Liquidity Risk Analysis:

- i Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire the sufficient capital at the reasonable cost within the 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.

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As of Mar. 31, 2014

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	\$4,830,000	\$-	\$-	\$-	\$4,830,000
Financial liabilities at fair value through profit or loss -current	1,922,320	-	-	-	1,922,320
Liabilities for bonds with repurchase agreements	2,250,000	-	-	-	2,250,000
Deposits for securities borrowed	22,364	44,728	67,092	268,363	402,547
Futures clients' equity	1,903,493	-	-	-	1,903,493
Account payables	3,662,732	-	-	-	3,662,732
Others	-	-	-	15,533	15,533
Total	<u>\$14,590,909</u>	<u>\$44,728</u>	<u>\$67,092</u>	<u>\$283,896</u>	<u>\$14,986,625</u>
% to the total	<u>97.36%</u>	<u>0.30%</u>	<u>0.45%</u>	<u>1.89%</u>	<u>100%</u>

As of Mar. 31, 2014

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	\$158,621	\$-	\$-	\$-	\$158,621
Financial liabilities at fair value through profit or loss -current	63,130	-	-	-	63,130
Liabilities for bonds with repurchase agreements	73,892	-	-	-	73,892
Deposits for securities borrowed	735	1,469	2,203	8,813	13,220
Futures clients' equity	62,512	-	-	-	62,512
Account payables	120,287	-	-	-	120,287
Others	-	-	-	510	510
Total	<u>\$479,177</u>	<u>\$1,469</u>	<u>\$2,203</u>	<u>\$9,323</u>	<u>\$492,172</u>
% to the total	<u>97.36%</u>	<u>0.30%</u>	<u>0.45%</u>	<u>1.89%</u>	<u>100%</u>

Short-term loans, note payables and repurchase bonds are fund procurement instruments and matured within three months.

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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	\$864,814	\$-	\$-	\$-	\$864,814
Financial assets at fair value through profit or loss -current					
Operations Security	6,342,639	-	-	-	6,342,639
Open-end Funds	116,407	-	-	-	116,407
Call option-futures	22,903	-	-	-	22,903
Futures trading margin	495,690	-	-	-	495,690
Available for sale financial assets	687,785	-	-	228,129	915,914
Other current asstes-time deposit	-	-	-	900,000	900,000
Client margin accounts	1,903,877	-	-	-	1,903,877
Account Receivables	4,849,863	9,476	12,777	51,108	4,923,224
Securities financing receivables	137,714	275,428	413,142	1,652,576	2,478,860
Others	-	-	-	689,671	689,671
Subtotal	<u>15,421,692</u>	<u>284,904</u>	<u>425,919</u>	<u>3,521,484</u>	<u>19,653,999</u>
Residual cash	<u>\$830,783</u>	<u>\$240,176</u>	<u>\$358,827</u>	<u>\$3,237,588</u>	<u>\$4,667,374</u>

As of Mar. 31, 2014

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	\$28,401	\$-	\$-	\$-	\$28,401
Financial assets at fair value through profit or loss -current					
Operations Security	208,297	-	-	-	208,297
Open-end Funds	3,823	-	-	-	3,823
Call option-futures	752	-	-	-	752
Futures trading margin	16,279	-	-	-	16,279
Available for sale financial assets	22,587	-	-	7,492	30,079
Other current asstes-time deposit	-	-	-	29,557	29,557
Client margin accounts	62,525	-	-	-	62,525
Account Receivables	159,273	311	419	1,678	161,681
Securities financing receivables	4,523	9,045	13,568	54,272	81,408
Others	-	-	-	22,650	22,650
Subtotal	<u>506,460</u>	<u>9,356</u>	<u>13,987</u>	<u>115,649</u>	<u>645,452</u>
Residual cash	<u>\$27,284</u>	<u>\$7,888</u>	<u>\$11,784</u>	<u>\$106,325</u>	<u>\$153,280</u>

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ii Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing periodically to measure and evaluate the changes of capital liquidity the occurrence of extreme and abnormal events for ensuring that Cathay Securities and its subsidiaries sustain the proper capital liquidity. Stress scenario including 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 are used to measure the capability of acquiring sufficient capital to meet the demand on cash and the changes of cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are used to prevent the occurrence of the stress events:

- Raising money and balance sheet adjustment are made in accordance with the Group “Crisis Management Principles” and “Regulations of Emergency Management”
- , Money Raising: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- f* Balance sheet adjustment: (i) sales of securities (ii) retrieve short-term capital invested in currency market.

(D) Market risk analysis

Cathay Securities and its subsidiaries assesses, monitors, and manages market risks completely and effectively by applying Value at Risk (“VaR”) and stress testing continuously

i Sensitivity Analysis

Sensitivity analysis is to measure the degree of impacts on each products and portfolio from the movement of specific market simple. The monitoring and relevant controls to the businesses Cathay Securities and its subsidiaries operate are established. The degree of risk exposure are monitored and measured by the following sensitivity:

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- Price value of basis point: denoting the change in the value of a position given a basis point change in the yield curve.
- , Delta: measuring the change in the value of a position given 1% price change of a certain underlying asset.
- f* Gamma: measuring the dollar amount of change in Delta of a position given 1% price change of a certain underlying asset.
- „ Vega: denoting the change in the value of a position given 1% price change of a certain underlying asset.

ii 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 simply by measuring portfolio over a specific time frame and at a certain confidence level. Cathay Securities measures VaR for the next day within an investment portfolio over a week and at 99% confidence level. Also, Back Test at VaR is performed each year to ensure the accuracy of this model.

VaR at one single trading day within 99% confidence level

<u>2014.1.1~2014.3.31</u>	<u>NTD (in thousands)</u>	<u>USD (in thousands)</u>
Period Ended	15,941	524
Average	12,453	409
Lowest	8,817	290
Highest	18,351	603

iii 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 find the risk simples which have more significant influence on the asset portfolio. Follow-up and review report will be documented. Customized or extreme scenario which take rapid changes in foreign and domestic financial environment into consideration are also performed irregularly and measured the maximized losses arising from these scenarios for ensuring that Cathay Securities and its subsidiaries manage each potential scenario effectively.

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- Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical event and taking the fluctuation of risk simples into the consideration such as the in-time, significant, and comprehensive impact on financial market from Bankruptcy of Lehman Brothers in 2008 and Great East Japan Earthquake in 2011.

- , Hypothesis Scenario

Cathay Securities and its subsidiaries make hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking the movement of relevant risk simples into consideration including 10% drops on the total values of stock market arising from the global system breakdown.

As of Mar. 31, 2014

Table of Stress Test

Risk Simples	Price Risk	Changes (+/-)	Changes in profit and loss (NT\$)	Changes in profit and loss (US\$)
Equity Risk	Stock index	-10%	-169,095	-5,553
Interest Risk	Yield Curve	+100bps	-100,013	-3,284
Exchange Risk	Exchange Rate	+3%	-12,030	-395
Produce Risk	Price	-10%	0	0

- (3) Exchange rates used to translate material financial assets and liabilities denominated in foreign currencies are disclosed as follows:

	2014.03.31		
	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$48,181,355	30.5100	\$1,470,013,141
RMB	66,992,136	4.9061	328,670,118

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	2014.03.31		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NT\$</u>
<u>Non-Monetary Items</u>			
USD	4,436,348	30.5100	135,352,977
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	7,017,235	30.5100	214,095,840
	2013.12.31		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NT\$</u>
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$46,017,762	29.9500	\$1,378,231,972
RMB	38,940,825	4.9436	192,507,862
<u>Non-Monetary Items</u>			
USD	4,346,951	29.9500	130,191,182
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	7,367,326	29.9500	220,651,414
	2013.03.31		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NT\$</u>
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$47,619,512	29.8750	\$1,422,632,921
RMB	22,183,611	4.8151	106,816,305
<u>Non-Monetary Items</u>			
USD	4,702,475	29.8750	140,486,441
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	6,324,769	29.8750	188,952,474

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	2013.01.01		
	Foreign Currency	Exchange Rate	NT\$
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$45,105,812	29.1360	\$1,314,202,938
RMB	19,422,188	4.6797	90,890,013
<u>Non-Monetary Items</u>			
USD	3,188,552	29.1360	92,901,651
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	6,087,435	29.1360	177,363,506

(4) Discretionary account management for Cathay Life

Item	2014.3.31			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$131,839,323	\$4,329,699	\$131,839,323	\$4,329,699
Overseas stocks	54,333,883	1,784,364	54,333,883	1,784,364
Repurchase bonds and notes	4,193,000	137,701	4,193,000	137,701
Cash in banks	28,342,180	930,778	28,342,180	930,778
Beneficiary certificates	8,540,074	280,462	8,540,074	280,462
Futures and options	907,578	29,805	907,578	29,805
Corporate bonds	690,175	22,666	690,175	22,666
Total	\$228,846,213	\$7,515,475	\$228,846,213	\$7,515,475

Item	2013.12.31			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$129,828,751	\$4,352,288	\$129,828,751	\$4,352,288
Overseas stocks	55,726,731	1,868,144	55,726,731	1,868,144
Repurchase bonds and notes	2,088,200	70,003	2,088,200	70,003
Cash in banks	22,994,358	770,847	22,994,358	770,847
Beneficiary certificates	18,109,871	607,103	18,109,871	607,103
Futures and options	911,776	30,566	911,776	30,566
Corporate bonds	837,194	28,065	837,194	28,065
Total	\$230,496,881	\$7,727,016	\$230,496,881	\$7,727,016

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Item	2013.03.31			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$112,766,260	\$3,782,833	\$112,766,260	\$3,782,833
Overseas stocks	32,438,001	1,088,158	32,438,001	1,088,158
Repurchase bonds and notes	2,400,000	80,510	2,400,000	80,510
Cash in banks	27,900,641	935,949	27,900,641	935,949
Beneficiary certificates	35,077,916	1,176,717	35,077,916	1,176,717
Futures and options	967,185	32,445	967,185	32,445
Corporate bonds	727,612	24,408	727,612	24,408
Total	<u>\$212,277,615</u>	<u>\$7,121,020</u>	<u>\$212,277,615</u>	<u>\$7,121,020</u>

Item	2013.01.01			
	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>

As of 31 March 2014, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,597,701) thousands, US\$1,850,000 thousands, and HK\$2,000,000 (US\$257,948) thousands. As of 31 December 2013, Cathay Life entered into discretionary account management contracts in the amounts of NT\$143,000,000 (US\$4,793,832) thousands, US\$1,990,000 thousands and HK\$2,000,000 (US\$257,935) thousands. As of 31 March 2013, Cathay Life entered into discretionary account management contracts in the amounts of NT\$140,000,000 (US\$4,696,411) thousands, US\$2,090,000 thousands and HK\$2,000,000 (US\$257,636) thousands. As of 1 January 2013, the amount is NT\$140,000,000 (US\$4,819,277) thousands, US\$2,090,000 thousands and HK\$2,000,000 (US\$258,041) thousands.

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(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 35 (business with stakeholders) for further details.

B. Integrate business activities:

By integrating the insurance, securities, banking and other various financial institutions, the Company has become a full-functioning financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strategy and provide a one-stop shopping service for its customers.

C. Cross utilization of information:

In compliance with "Financial Holding Companies Act", "Personal Data Protection Act", "Financial Holding Subsidiaries Cross-selling Activities Acts", "Self-disciplinary Rules Governing the Activities of the FHC" and other related regulations from Financial Supervisory Commission, Executive Yuan, the Company has stipulated "Cathay Financial Holding Subsidiaries Cross-selling Activities Acts" and "Non-disclosure Confidential Agreement of Cathay Financial Holding Subsidiaries Cross-utilization of Customer's Personal Data" to cross-utilize customer's personal data under a safe and secure environment and provide comprehensive and integrated financial service to the customers.

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D. Locations and business utilities:

In order to provide more comprehensive financial service and comply with the “Financial Holding Subsidiaries Cross-selling Activities Acts”, the Company has applied and obtained approval from the competent authority. From September 13, 2010, all the business units of Cathay United Bank (165 branches) may engage in cross-selling activities for insurance business and securities business (except for 3 mini-branches). On September 2, 2011, Cathay Life has been approved by the competent authorities to engage in cross-selling activities for banking, property and casualty insurance businesses in all its business and service units (184 locations). In the future, the Company and its subsidiaries will continue to apply for approval to expand its cross-selling businesses.

E. Allocation of revenues, costs, expenses, profits and losses:

Revenue, costs, expenses, profits or losses arising from integrated business activities between the subsidiaries are allocated to each subsidiary based on the related business features.

(7) Material contracts: None.

(8) Changes in accounting policy

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

Effects on the balance sheet items

	2013.12.31	2013.3.31	2013.1.1
	NT\$		
Increase in investment property-net	\$100,798,156	\$79,271,550	\$79,931,296
Increase in property and equipment -net	181,561	(112,477)	(1,173,371)
Increase in assets held for sale -net	13,471	-	-
Increase in deferred tax assets	12,441	16,923	19,610
Increase in payables-net	-	-	2,772,912
Increase in deferred tax liabilities	6,755,480	3,630,058	762,473
(Decrease) increase in retained earnings	84,242,411	75,545,938	75,242,150
Increase in other equity	10,007,738	-	-

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	2013.12.31	2013.3.31	2013.1.1
	US\$		
Increase in investment property-net	\$3,379,087	\$2,659,227	\$2,751,508
Increase in property and equipment -net	6,087	(3,773)	(40,391)
Increase in assets held for sale -net	452	-	-
Increase in deferred tax assets	417	568	675
Increase in payables-net	-	-	95,453
Increase in deferred tax liabilities	226,466	121,773	26,247
(Decrease) increase in retained earnings	2,824,084	2,534,248	2,590,091
Increase in other equity	335,492	-	-

Effects on the statements of comprehensive income items

	2014.1.1~ 2014.3.31	2013.1.1~ 2013.12.31	2013.1.1~ 2013.3.31
	NT\$		
(Decrease) increase in operating revenue	\$(17,912)	\$9,252,429	\$(11,827)
Decrease in operating expenses	-	1,575,875	412,976
Increase (decrease) in income tax benefit	3,045	(1,828,043)	(97,361)
(Decrease) increase in net income	(14,867)	9,000,261	303,788
Increase in other comprehensive income	827,609	10,007,738	-
(Decrease) increase in earnings per share	-	0.78	0.04

	2014.1.1~ 2014.3.31	2013.1.1~ 2013.12.31	2013.1.1~ 2013.3.31
	US\$		
(Decrease) increase in operating revenue	\$(588)	\$310,172	\$(397)
Decrease in operating expenses	-	52,829	13,854
Increase (decrease) in income tax benefit	100	(61,282)	(3,266)
(Decrease) increase in net income	(488)	301,718	10,191
Increase in other comprehensive income	27,179	335,492	-
(Decrease) increase in earnings per share	-	0.03	-

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(9) 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, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 to US\$48,330 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. MOEAIC authorized Cathay Life to remit US\$3,400 thousands as the registered capital again on 14 September 2013 and revised the amount of US\$32,520 thousand of unexecuted project to RMB\$200,000 thousand to avoid currency risk. 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 as legal person on 29 December 2004. Cathay Life has remitted US\$48,330 thousand to Cathay Life Insurance Ltd. (China) as of 31 December 2009, and injected another US\$29,880 thousand on 29 September 2010. As of 31 March 2014, Cathay Life's remittances to Cathay Life Insurance Ltd. (China) totaled approximately US\$78,210 thousand.
- B. On 17 October 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company 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 remittances 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 as legal person on 26 August 2008. On 28 May 2013, MOEAIC authorized Cathay Life to remit RMB \$200,000 thousand to increase the share capital. As of 31 March 2014, Cathay Life's remittances to this general insurance company totaled approximately US\$60,910 thousand.
- C. On 1 November 2011 and 11 April 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$47,000 thousand and US\$80,000 thousand, respectively, 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 as legal person on 15 August 2012. On 1 April 2013, MOEAIC authorized Cathay Life to remit RMB \$700,000 (US\$111,000) thousands to increase the share capital. As of 31 March 2014, Cathay Life's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately US\$240,810 thousand.

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- D. On 31 December 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 8 October 2007 to form a joint venture general insurance company. Cathay Century and Cathay Life Insurance subsidiary, Cathay Insurance Company Ltd. (China) has acquired a business license of an enterprise legal person on 26 August 2008. And MOEIC authorized Cathay Century to remit RMB\$200,000 thousand as the equity capital on 28 May 2013. As of 31 December 2013, Cathay Century's remittances to this company totaled approximately US\$6,031 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. According to the Investment Commission, MOEA, further approved working capital of Cathay United Bank's Qingdao Branch was RMB600 million, an equivalent of US\$94,310 thousand on 21 January 2014.
- F. On 9 January 2012 MOEAIC authorized Cathay Securities Investments Trust to remit RMB\$66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33.3% number of shares. COBS Cathay Asset Management's capital is RMB\$2 billion, and has acquired a business license of an enterprise legal person on 16 August 2013. As of 31 March 2014, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately RMB\$66,600 thousand.

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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.
- (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 monitors results of operating segments. The accounting policies are the same as the summary of significant accounting policies in Note 4.

2014.1.1~2014.3.31(NT\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$6,215,215	\$24,454,287	\$125,302	\$23,261	\$(283,783)	\$30,534,282
Net income other than interest	3,444,754	49,176,682	1,759,846	413,981	372,955	55,168,218
Total income	9,659,969	73,630,969	1,885,148	437,242	89,172	85,702,500
Bad debt expenses and Provision for premiums reserve	135,401	(125,150)	(2,576)	-	-	7,675
The net change of insurance liabilities	-	(59,932,157)	(343,914)	-	-	(60,276,071)
Operating expenses	(5,029,140)	(6,110,484)	(914,020)	(284,232)	(436,687)	(12,774,563)
Income (loss) from continuing operations before income taxes	4,766,230	7,463,178	624,638	153,010	(347,515)	12,659,541
Income taxes (expense) benefit	(774,557)	412,796	(29,951)	(16,402)	101,781	(306,333)
Consolidated net income	3,991,673	7,875,974	594,687	136,608	(245,734)	12,353,208

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2014.1.1~2014.3.31(US\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$204,112	\$803,097	\$4,115	\$764	\$(9,320)	\$1,002,768
Net income other than interest	113,128	1,614,998	57,795	13,595	12,248	1,811,764
Total income	317,240	2,418,095	61,910	14,359	2,928	2,814,532
Bad debt expenses and Provision for premiums reserve	4,447	(4,110)	(85)	-	-	252
The net change of insurance liabilities	-	(1,968,215)	(11,295)	-	-	(1,979,510)
Operating expenses	(165,161)	(200,673)	(30,017)	(9,334)	(14,341)	(419,526)
Income (loss) from continuing operations before income taxes	156,526	245,097	20,513	5,025	(11,413)	415,748
Income taxes (expense) benefit	(25,437)	13,557	(984)	(539)	3,343	(10,060)
Consolidated net income	131,089	258,654	19,529	4,486	(8,070)	405,688

2013.1.1~2013.3.31(NT\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$5,431,311	\$23,075,465	\$83,692	\$17,104	\$(263,483)	\$28,344,089
Net income other than interest	2,019,217	53,377,329	1,217,124	286,364	(847,445)	56,052,589
Total income	7,450,528	76,452,794	1,300,816	303,468	(1,110,928)	84,396,678
Bad debt expenses and Provision for premiums reserve	124,184	(213,242)	-	-	-	(89,058)
The net change of insurance liabilities	-	(63,962,651)	46,847	-	-	(63,915,804)
Operating expenses	(4,158,531)	(6,811,939)	(813,431)	(212,989)	(340,286)	(12,337,176)
Income (loss) from continuing operations before income taxes	3,416,181	5,464,962	534,232	90,479	(1,451,214)	8,054,640
Income taxes (expense) benefit	(617,146)	(265,695)	(43,535)	(7,413)	98,565	(835,224)
Consolidated net income	2,799,035	5,199,267	490,697	83,066	(1,352,649)	7,219,416

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2012.1.1~2012.3.31(US\$)

Items	Bank division	Life insurance division	Property and casualty insurance division	Securities division	Other division	Total
Interest income	\$182,198	\$774,084	\$2,808	\$574	\$(8,839)	\$950,825
Net income other than interest	67,736	1,790,585	40,829	9,606	(28,428)	1,880,328
Total income	249,934	2,564,669	43,637	10,180	(37,267)	2,831,153
Bad debt expenses and Provision for premiums reserve	4,166	(7,154)	-	-	-	(2,988)
The net change of insurance liabilities	-	(2,145,678)	1,572	-	-	(2,144,106)
Operating expenses	(139,501)	(228,512)	(27,287)	(7,145)	(11,415)	(413,860)
Income (loss) from continuing operations before income taxes	114,599	183,325	17,922	3,035	(48,682)	270,199
Income taxes (expense) benefit	(20,702)	(8,913)	(1,460)	(249)	3,306	(28,018)
Consolidated net income	93,897	174,412	16,462	2,786	(45,376)	242,181

Remarks:

- (1) No sales from a certain external customer reached more than 10% of the gross revenue of the Group.
- (2) The profit or loss from the operating segments is measured by profit and loss before tax without allocating tax expense to the reportable segments, and is regarded as the fundamental of the determination of resources allocation and assessment of performance.

44.Cathay Financial Holding Co., Ltd.'s financial statements

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Cathay Financial Holding Co., Ltd.

Unaudited balance sheet

As at 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$4,603,580	\$151,185	\$3,464,767	\$116,151	\$4,876,011	\$163,570	\$6,482,973	\$223,166
Available-for-sale financial assets -net	643,876	21,145	556,865	18,668	545,206	18,289	529,796	18,237
Securities purchased under agreements to resell	777,935	25,548	465,060	15,590	2,145,549	71,974	658,625	22,672
Receivables -net	4,025,631	132,205	3,731,473	125,091	3,353,002	112,479	2,858,180	98,388
Current income tax assets	6,055,495	198,867	5,584,675	187,217	3,610,405	121,114	3,596,184	123,793
Held-to-maturity financial assets -net	31,000,000	1,018,062	31,000,000	1,039,222	31,000,000	1,039,920	31,000,000	1,067,126
Investments accounted for using the equity method -net	399,264,755	13,112,143	384,108,972	12,876,600	336,213,818	11,278,558	328,085,643	11,293,826
Property and equipment -net	6,690	220	6,245	209	4,536	152	4,739	163
Deferred tax assets -net	1,315,792	43,211	1,265,131	42,412	1,103,667	37,023	967,668	33,310
Other assets -net	176,390	5,793	170,126	5,703	162,168	5,440	161,978	5,576
Total assets	\$447,870,144	\$14,708,379	\$430,353,314	\$14,426,863	\$383,014,362	\$12,848,519	\$374,345,786	\$12,886,257
Liabilities & Equity								
Liabilities								
Financial liabilities at fair value through profit or loss	\$-	\$-	\$-	\$-	\$1,388,318	\$46,572	\$549,745	\$18,924
Commercial paper payable -net	6,160,000	202,299	5,960,000	199,799	-	-	-	-
Payables	9,093,429	298,635	8,340,650	279,606	6,417,361	215,275	5,940,873	204,505
Current income tax liabilities	37,003	1,215	37,003	1,241	96,716	3,244	-	-
Bonds payable	40,000,000	1,313,629	40,000,000	1,340,932	47,513,541	1,593,879	47,312,376	1,628,653
Provisions	723,667	23,766	671,562	22,513	864,824	29,011	864,469	29,758
Deferred tax liabilities	-	-	1	-	3,779	127	35,202	1,212
Other liabilities	1,413,590	46,423	14,237	477	4,245	143	3,422	118
Total liabilities	57,427,689	1,885,967	55,023,453	1,844,568	56,288,784	1,888,251	54,706,087	1,883,170
Equity								
Capital stock								
Common stock	119,649,621	3,929,380	119,649,621	4,011,050	108,653,851	3,644,879	108,653,851	3,740,236
Capital surplus	89,063,184	2,924,899	89,063,184	2,985,692	78,508,148	2,633,618	78,508,148	2,702,518
Retained earnings								
Legal reserve	16,922,773	555,756	16,922,773	567,307	15,222,599	510,654	15,222,599	524,014
Special reserve	82,294,618	2,702,615	82,314,780	2,759,463	82,314,780	2,761,314	82,314,780	2,833,555
Undistributed earnings	49,593,198	1,628,676	37,287,956	1,250,015	23,380,440	784,316	16,296,275	560,973
Other equity	32,919,061	1,081,086	30,091,547	1,008,768	25,825,632	866,341	25,823,918	888,947
Treasury stock	-	-	-	-	(7,179,872)	(240,854)	(7,179,872)	(247,156)
Total equity	390,442,455	12,822,412	375,329,861	12,582,295	326,725,578	10,960,268	319,639,699	11,003,087
Total liabilities and equity	\$447,870,144	\$14,708,379	\$430,353,314	\$14,426,863	\$383,014,362	\$12,848,519	\$374,345,786	\$12,886,257

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Cathay Financial Holding Co., Ltd.

Unaudited statement of comprehensive income

For the three-month periods ended 31 March 2014 and 2013

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

	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT \$	US \$	NT \$	US \$
Income				
Gains on investment-equity method	\$12,402,862	\$407,319	\$8,127,989	\$272,660
Other operating income	234,870	7,713	279,066	9,362
	<u>12,637,732</u>	<u>415,032</u>	<u>8,407,055</u>	<u>282,022</u>
Expenses and loss				
Operating expenses	(134,836)	(4,428)	(123,169)	(4,132)
Other expenses and losses	(297,569)	(9,772)	(1,321,655)	(44,336)
	<u>(432,405)</u>	<u>(14,200)</u>	<u>(1,444,824)</u>	<u>(48,468)</u>
Profit before income tax from continuing operations	<u>12,205,327</u>	<u>400,832</u>	<u>6,962,231</u>	<u>233,554</u>
Income tax benefit (expense)	<u>79,753</u>	<u>2,619</u>	<u>121,934</u>	<u>4,090</u>
Net Income	<u>12,285,080</u>	<u>403,451</u>	<u>7,084,165</u>	<u>237,644</u>
Other comprehensive income				
Unrealized gains from available-for-sale financial assets	87,011	2,858	36,846	1,236
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	2,752,922	90,408	(28,823)	(967)
Income tax relating to the components of other comprehensive income	(12,419)	(408)	(6,309)	(212)
Other comprehensive income, net of tax	<u>2,827,514</u>	<u>92,858</u>	<u>1,714</u>	<u>57</u>
Total comprehensive income	<u>\$15,112,594</u>	<u>496,309</u>	<u>\$7,085,879</u>	<u>237,701</u>
Earnings per share (expressed in dollars)				
Basic earnings per share:				
Net income	<u>\$1.03</u>	<u>\$0.03</u>	<u>\$0.62</u>	<u>\$0.02</u>
Diluted earning per share:				
Net income	<u>\$1.03</u>	<u>\$0.03</u>	<u>\$0.62</u>	<u>\$0.02</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited statements of changes in equity

For the three-month periods ended 31 March 2014 and 2013

(Expressed in thousands of dollars)

Items	Equity attributable to owners of parent																									
	Capital stock				Retained earnings						Other equity														Total equity	
	Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Exchange differences resulting from translating the financial statements of a foreign operation		Unrealized gains from available-for-sale financial assets		Gains on cash flow hedges		Revaluation surplus		Others		Treasury stock		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\$	
Balance on 1 January 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$82,314,780	\$2,761,314	\$16,296,275	\$546,672	\$(1,082,097)	\$(36,300)	\$25,930,563	\$869,861	\$976,682	\$32,763	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$319,639,699	\$10,722,566		
Net income for the three-month periods ended 31 March 2013									7,084,165	237,644														7,084,165	237,644	
Other comprehensive income for the three-month periods ended 31 March 2013											383,869	12,877	(216,079)	(7,248)	(166,076)	(5,571)								1,714	58	
Comprehensive income for the three-month periods ended 31 March 2013									7,084,165	237,644	383,869	12,877	(216,079)	(7,248)	(166,076)	(5,571)								7,085,879	237,702	
Balance on 31 March 2013	\$108,653,851	\$3,644,879	\$78,508,148	\$2,633,618	\$15,222,599	\$510,654	\$82,314,780	\$2,761,314	\$23,380,440	\$784,316	\$(698,228)	\$(23,423)	\$25,714,484	\$862,613	\$810,606	\$27,192	\$-	\$-	\$(1,230)	\$(41)	\$(7,179,872)	\$(240,854)	\$326,725,578	\$10,960,268		
Balance on 1 January 2014	\$119,649,621	\$3,929,380	\$89,063,184	\$2,924,899	\$16,922,773	\$555,756	\$82,314,780	\$2,703,277	\$37,287,956	\$1,224,563	\$(528,034)	\$(17,341)	\$20,230,491	\$664,384	\$382,305	\$12,555	\$10,007,738	\$328,661	\$(953)	\$(31)	\$-	\$-	\$375,329,861	\$12,326,103		
Net income for the three-month periods ended 31 March 2014									12,285,080	403,451														12,285,080	403,451	
Other comprehensive income for the three-month periods ended 31 March 2014											188,424	6,188	1,874,587	61,563	(63,106)	(2,072)	827,609	27,179						2,827,514	92,858	
Comprehensive income for the three-month periods ended 31 March 2014									12,285,080	403,451	188,424	6,188	1,874,587	61,563	(63,106)	(2,072)	827,609	27,179						15,112,594	496,309	
Reversal of special reserve							(20,162)	(662)																(20,162)	(662)	
Balance on 31 March 2014	\$119,649,621	\$3,929,380	\$89,063,184	\$2,924,899	\$16,922,773	\$555,756	\$82,294,618	\$2,702,615	\$49,573,036	\$1,628,014	\$(39,610)	\$(11,153)	\$22,105,078	\$725,947	\$319,199	\$10,483	\$10,835,347	\$355,840	\$(953)	\$(31)	\$-	\$-	\$390,422,293	\$12,821,750		

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited statements of cash flows

For the three-month periods ended 31 March 2014 and 2013

(Expressed in thousands of dollars)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Profit before income tax from continuing operations	\$12,205,327	\$400,832	\$6,962,231	\$233,554
Adjustments :				
Income and other adjustments with no cash flow effects				
Depreciation	346	11	311	10
Interest expense	294,322	9,666	299,086	10,033
Interest income	(234,830)	(7,712)	(257,615)	(8,642)
Unrealized foreign exchange loss on bonds payable	-	-	185,641	6,227
Share of gain of associates and joint ventures accounted for using the equity method	(12,402,862)	(407,319)	(8,127,989)	(272,660)
Loss on disposal of property and equipment	-	-	133	4
Effects of exchange rate changes	(7)	-	(2,634)	(88)
Changes in operating assets and liabilities				
Decrease in available-for-sale financial assets	-	-	21,436	719
(Increase) decrease in accounts receivable	(65,267)	(2,143)	1,717,632	57,619
(Increase) decrease in other assets	(6,723)	(221)	320	11
Increase in financial liabilities at fair value through profit or loss	-	-	838,574	28,131
Increase (decrease) in payables	469,217	15,409	(1,790,621)	(60,068)
Increase in provisions	52,105	1,711	355	12
Increase (decrease) in other liabilities	1,399,353	45,956	(25)	(1)
Cash generated from operations				
Interest received	5,939	195	29,557	992
Interest paid	(10,760)	(353)	-	-
Income taxes (paid) received	(454,147)	(14,914)	30,698	1,030
Net cash flows from (used in) operating activities	1,252,013	41,118	(92,910)	(3,117)
Cash flows from investing activities				
Acquisition of investments accounted for using the equity method	-	-	(29,010)	(973)
Acquisition of property and equipment	(791)	(26)	(241)	(8)
Decrease (increase) in other assets	459	15	(511)	(17)
Net cash used in investing activities	(332)	(11)	(29,762)	(998)
Cash flows from financing activities				
Increase in commercial paper payable	200,000	6,568	-	-
Net cash flows from financing activities	200,000	6,568	-	-
Effects of exchange rate changes on cash and cash equivalents	7	-	2,634	88
Increase (decrease) in cash and cash equivalents	1,451,688	47,675	(120,038)	(4,027)
Cash and cash equivalents at the beginning of periods	3,929,827	129,058	7,141,598	239,571
Cash and cash equivalents at the end of periods	\$5,381,515	\$176,733	\$7,021,560	\$235,544
The components of cash and cash equivalents				
Cash and cash equivalents presented in balance sheet	\$4,603,580	\$151,185	\$4,876,011	\$163,570
Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	777,935	25,548	2,145,549	71,974
Cash and cash equivalents at the end of periods	\$5,381,515	\$176,733	\$7,021,560	\$235,544

English Translation of Financial Statements Originally Issued in Chinese

45.The major subsidiaries' condensed balance sheets and statements of income

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheet**

**As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)**

Items	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$322,093,348	\$10,577,778	\$280,220,355	\$9,393,911	\$303,068,872	\$10,166,685	\$362,775,487	\$12,487,969
Receivables	47,971,341	1,575,413	47,362,820	1,587,758	62,135,652	2,084,389	57,308,138	1,972,741
Financial asset at fair value through profit or loss	81,473,911	2,675,662	73,022,597	2,447,958	65,304,456	2,190,690	72,429,213	2,493,260
Available-for-sale financial assets	1,262,659,949	41,466,665	1,272,046,334	42,643,189	1,290,642,257	43,295,614	1,221,734,264	42,056,257
Derivative financial assets for hedging	375,333	12,326	453,713	15,210	947,259	31,777	1,142,094	39,315
Investments accounted for using the equity method	13,057,786	428,827	9,039,485	303,033	8,849,834	296,875	7,144,025	245,922
Investment in debt securities with no active market	1,049,724,669	34,473,717	1,020,141,716	34,198,516	870,461,967	29,200,334	814,453,830	28,036,276
Held-to-maturity financial assets	4,355,496	143,038	-	-	-	-	-	-
Other financial assets	37,400,000	1,228,243	40,900,000	1,371,103	25,900,000	868,836	23,500,000	808,950
Investment property	377,483,374	12,396,827	363,191,672	12,175,383	313,813,776	10,527,131	312,615,668	10,761,297
Loans	644,460,496	21,164,548	635,816,106	21,314,653	547,683,699	18,372,482	518,169,293	17,837,153
Reinsurance contract assets	278,339	9,141	327,397	10,975	6,828,878	229,080	9,162,513	315,405
Property and equipment	26,288,001	863,317	35,862,947	1,202,244	44,693,250	1,499,270	44,800,678	1,542,192
Intangible assets	100,084	3,287	102,258	3,428	138,362	4,642	147,816	5,088
Deferred tax assets	11,538,925	378,947	12,221,216	409,696	13,896,261	466,161	16,106,670	554,447
Other assets	19,716,839	647,515	17,185,550	576,116	15,333,775	514,384	15,417,746	530,731
Separate account product assets	413,603,464	13,583,037	375,890,055	12,601,075	358,990,068	12,042,605	329,200,798	11,332,213
Total assets	\$4,312,581,355	\$141,628,288	\$4,183,784,221	\$140,254,248	\$3,928,688,366	\$131,790,955	\$3,806,108,233	\$131,019,216
Liabilities								
Payables	\$26,479,340	\$869,601	\$18,300,775	\$613,502	\$42,240,511	\$1,416,991	\$37,262,033	\$1,282,686
Financial liability at fair value through profit or loss	9,754,948	320,360	16,148,024	541,335	16,375,898	549,343	2,079,457	71,582
Preferred stock liability	-	-	5,148	173	-	-	-	-
Insurance liability	30,000,000	985,222	30,000,000	1,005,699	30,000,000	1,006,374	30,000,000	1,032,702
Reserve for insurance contract	3,443,024,928	113,071,426	3,375,731,754	113,165,664	3,147,850,517	105,597,132	3,078,719,365	105,980,013
with feature of financial instruments	51,987,024	1,707,291	52,911,209	1,773,758	55,491,664	1,861,512	56,461,371	1,943,593
Foreign exchange volatility reserve	11,281,256	370,485	10,482,181	351,397	7,478,930	250,887	4,270,856	147,017
Liability reserve	3,778,428	124,086	3,919,223	131,385	3,847,392	129,064	3,812,483	131,239
Deferred tax liability	20,094,930	659,932	21,254,376	712,517	18,718,341	627,921	20,217,430	695,953
Other liabilities	23,339,331	766,480	8,576,689	287,519	10,873,139	364,748	11,301,227	389,027
Separate account product liabilities	413,603,464	13,583,037	375,890,055	12,601,075	358,990,068	12,042,605	329,200,798	11,332,213
Total liabilities	4,033,343,649	132,457,920	3,913,219,434	131,184,024	3,691,866,460	123,846,577	3,573,325,020	123,006,025
Stockholders' equity								
Capital stock	53,065,274	1,742,702	53,065,274	1,778,923	53,065,274	1,780,117	53,065,274	1,826,688
Capital surplus	13,038,791	428,203	13,038,791	437,103	13,009,649	436,419	13,009,649	447,836
Retained earnings	192,662,371	6,327,172	169,837,067	5,693,499	146,506,798	4,914,686	142,238,530	4,896,334
Others	20,471,270	672,291	34,623,655	1,160,699	24,240,185	813,156	24,469,760	842,333
Total stockholders' equity	279,237,706	9,170,368	270,564,787	9,070,224	236,821,906	7,944,378	232,783,213	8,013,191
Total liabilities and stockholders' equity	\$4,312,581,355	\$141,628,288	\$4,183,784,221	\$140,254,248	\$3,928,688,366	\$131,790,955	\$3,806,108,233	\$131,019,216

**Cathay Life Insurance Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)**

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$186,639,621	\$6,129,380	\$161,667,108	\$5,423,251
Operating costs	(177,942,369)	(5,843,756)	(154,059,778)	(5,168,057)
Operating expenses	(3,148,923)	(103,413)	(3,215,826)	(107,878)
Operating profit	5,548,329	182,211	4,391,504	147,316
Non-operating income and expenses	568,990	18,686	158,681	5,323
Profit from continuing operations before income tax	6,117,319	200,897	4,550,185	152,639
Income tax benefit (expense)	432,231	14,195	(281,917)	(9,457)
Net income	6,549,550	215,092	4,268,268	143,182
Other comprehensive income	2,123,369	69,733	(229,575)	(7,701)
Total comprehensive income	\$8,672,919	\$284,825	\$4,038,693	\$135,481
Basic earnings per share	\$1.23	\$0.04	\$0.80	\$0.03

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheet

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$7,097,862	\$233,099	\$6,998,187	\$234,602	\$5,125,142	\$171,927	\$5,025,506	\$172,995
Receivables	2,869,073	94,222	3,540,497	118,689	2,796,936	93,825	3,160,638	108,800
Financial asset at fair value through profit or loss	521,931	17,141	1,172,111	39,293	377,807	12,674	385,460	13,269
Available-for-sale financial assets	7,326,325	240,602	6,391,927	214,279	7,879,042	264,309	7,750,552	266,800
Derivative financial assets for hedging	9,136	300	10,022	336	16,284	546	17,134	590
Investments accounted for using the equity method	1,336,518	43,892	825,721	27,681	643,686	21,593	679,562	23,393
Investment in debt securities with no active market	2,011,726	66,066	1,897,332	63,605	1,799,559	60,368	1,172,459	40,360
Hold-to-maturity financial assets	1,510,678	49,612	1,668,787	55,943	2,265,404	75,995	2,512,011	86,472
Loans	420,452	13,808	422,521	14,164	523,297	17,554	522,080	17,972
Reinsurance contract assets	4,956,167	162,764	4,388,987	147,133	4,910,275	164,719	5,118,300	176,189
Property and equipment	190,635	6,261	202,393	6,785	91,287	3,062	101,738	3,502
Intangible assets	8,092	266	10,110	339	17,762	596	21,323	734
Deferred tax assets	67,464	2,215	77,223	2,589	87,957	2,951	80,750	2,780
Other assets	673,345	22,113	655,369	21,970	643,672	21,592	780,458	26,866
Total assets	\$28,999,404	\$952,361	\$28,261,187	\$947,408	\$27,178,110	\$911,711	\$27,327,971	\$940,722
Liabilities								
Payables	\$2,069,227	\$67,955	\$2,333,838	\$78,238	\$2,007,858	\$67,355	\$2,098,220	\$72,228
Financial liability at fair value through profit or loss	62,424	2,050	28,352	950	94,825	3,181	-	-
Preferred stock liability	1,000,000	32,841	1,000,000	33,523	1,000,000	33,546	1,000,000	34,423
Insurance liability	19,946,233	655,049	19,159,600	642,293	18,913,113	634,455	19,080,300	656,809
Liability reserve	235,740	7,742	236,272	7,921	248,378	8,332	247,950	8,535
Deferred tax liability	5,852	192	24,404	818	26,145	877	17,949	618
Other liabilities	313,276	10,288	317,734	10,652	148,508	4,982	366,509	12,617
Total liabilities	23,632,752	776,117	23,100,200	774,395	22,438,827	752,728	22,810,928	785,230
Stockholders' equity								
Capital stock	2,721,879	89,388	2,721,879	91,246	2,522,950	84,634	2,522,950	86,849
Capital surplus	1,929	63	1,929	65	1,929	65	1,929	66
Retained earnings	2,729,267	89,631	2,532,547	84,899	2,158,549	72,410	1,956,035	67,333
Others	(86,423)	(2,838)	(95,368)	(3,197)	55,855	1,874	36,129	1,244
Total stockholders' equity	5,366,652	176,244	5,160,987	173,013	4,739,283	158,983	4,517,043	155,492
Total liabilities and stockholders' equity	\$28,999,404	\$952,361	\$28,261,187	\$947,408	\$27,178,110	\$911,711	\$27,327,971	\$940,722

Cathay Century Insurance Co., Ltd.

Condensed Statement of Comprehensive Income

For the three-month periods ended 31 March 2014 and 2013

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

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$3,393,081	\$111,431	\$2,993,281	\$100,412
Operating costs	(2,109,883)	(69,290)	(1,750,750)	(58,730)
Operating expenses	(1,051,804)	(34,542)	(992,163)	(33,283)
Operating profit	231,394	7,599	250,368	8,399
Non-operating income and expenses	(4,723)	(155)	(4,318)	(145)
Profit from continuing operations before income tax	226,671	7,444	246,050	8,254
Income tax expense	(29,951)	(984)	(43,536)	(1,461)
Net income	196,720	6,460	202,514	6,793
Other comprehensive income	8,945	294	19,726	662
Total comprehensive income	\$205,665	\$6,754	\$222,240	\$7,455
Basic earnings per share	\$0.72	\$0.02	\$0.74	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Company (China)
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Assets								
Cash and cash equivalents	\$677,157	\$22,238	\$1,352,570	\$45,343	\$1,694,868	\$56,856	\$1,792,193	\$61,693
Receivables	293,210	9,629	264,320	8,861	473,247	15,875	399,447	13,750
Financial asset at fair value through profit or loss	759,190	24,932	870,101	29,169	652,949	21,904	370,475	12,753
Available-for-sale financial assets	3,312,125	108,773	2,442,558	81,883	3,925,841	131,695	4,652,993	160,172
Investment in debt securities with no active market	2,967,736	97,463	3,208,260	107,551	2,527,119	84,774	2,450,786	84,364
Held-to-maturity financial assets	1,773,701	58,250	1,619,138	54,279	-	-	-	-
Loans	29,114	956	36,277	1,216	25,108	842	32,347	1,114
Reinsurance contract assets	261,971	8,603	356,060	11,936	8,865	297	7,683	265
Property and equipment	122,834	4,034	131,182	4,398	124,995	4,193	128,242	4,415
Intangible assets	76,658	2,517	81,713	2,739	92,579	3,106	94,237	3,244
Other assets	1,220,727	40,090	1,226,970	41,132	1,385,646	46,483	1,195,782	41,163
Separate account product assets	338,803	11,127	362,681	12,158	385,224	12,923	356,448	12,270
Total assets	\$11,833,226	\$388,612	\$11,951,830	\$400,665	\$11,296,441	\$378,948	\$11,480,633	\$395,203
Liabilities								
Short-term debt	\$14,720	\$483	\$-	\$-	\$125,063	\$4,195	\$297,268	\$10,233
Payables	767,558	25,207	916,486	30,723	586,480	19,674	714,954	24,611
Reserve for insurance contract with feature of financial instruments	4,688,292	153,967	4,685,239	157,065	4,535,072	152,133	4,889,501	168,314
Insurance liability	4,484,853	147,286	4,467,636	149,770	3,875,772	130,016	3,634,056	125,097
Other liabilities	29,346	964	37,277	1,250	25,468	854	19,354	666
Separate account product liabilities	338,803	11,127	362,681	12,158	385,224	12,923	356,448	12,270
Total liabilities	10,323,572	339,034	10,469,319	350,966	9,533,079	319,795	9,911,581	341,191
Stockholders' equity								
Capital stock	5,134,155	168,609	5,134,155	172,114	5,134,155	172,229	5,134,155	176,735
Retained earnings	(3,983,805)	(130,831)	(3,999,590)	(134,079)	(3,781,570)	(126,856)	(3,916,879)	(134,832)
Others	359,304	11,800	347,946	11,664	410,777	13,780	351,776	12,109
Total stockholders' equity	1,509,654	49,578	1,482,511	49,699	1,763,362	59,153	1,569,052	54,012
Total liabilities and stockholders' equity	\$11,833,226	\$388,612	\$11,951,830	\$400,665	\$11,296,441	\$378,948	\$11,480,633	\$395,203

Cathay Life Insurance Company (China)
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NTS	US\$	NTS	US\$
Operating income	\$761,396	\$25,004	\$790,712	\$26,525
Operating costs	(559,100)	(18,361)	(506,707)	(16,998)
Operating expenses	(185,556)	(6,094)	(148,638)	(4,986)
Operating profit	16,740	549	135,367	4,541
Non-operating income and expenses	(955)	(31)	(58)	(2)
Profit from continuing operations before income tax	15,785	518	135,309	4,539
Income tax expenses	-	-	-	-
Net income	15,785	518	135,309	4,539
Other comprehensive income	11,358	373	59,001	1,979
Total comprehensive income	\$27,143	\$891	\$194,310	\$6,518
Basic earnings per share	Note	Note	Note	Note

Note: Cathay Life Insurance Company (China) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Company (Vietnam)
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$316,839	\$10,405	\$289,253	\$9,697	\$1,715,113	\$57,535	\$615,771	\$21,197
Receivables	162,664	5,342	202,001	6,772	104,341	3,500	79,948	2,752
Available-for-sale financial assets	3,043,038	99,936	2,863,231	95,985	1,344,278	45,095	932,943	32,115
Loans	11,863	390	11,456	384	10,686	359	9,305	320
Property and equipment	24,526	805	6,096	204	16,117	541	18,322	631
Intangible assets	103	3	119	4	3,823	128	5,742	198
Other assets	44,340	1,456	47,203	1,582	44,126	1,480	43,714	1,505
Total assets	\$3,603,373	\$118,337	\$3,419,359	\$114,628	\$3,238,484	\$108,638	\$1,705,745	\$58,718
Liabilities								
Payables	\$35,356	\$1,161	\$11,837	\$397	\$12,936	\$434	\$14,581	\$502
Insurance liability	398,288	13,080	380,516	12,756	316,847	10,629	305,830	10,528
Total liabilities	433,644	14,241	392,353	13,153	329,783	11,063	320,411	11,030
Stockholders' equity								
Capital stock	3,424,930	112,477	3,424,930	114,815	3,424,930	114,892	1,940,080	66,784
Retained earnings	62,423	2,050	38,869	1,303	(67,972)	(2,280)	(81,404)	(2,802)
Others	(317,624)	(10,431)	(436,793)	(14,643)	(448,257)	(15,037)	(473,342)	(16,294)
Total stockholders' equity	3,169,729	104,096	3,027,006	101,475	2,908,701	97,575	1,385,334	47,688
Total liabilities and stockholders' equity	\$3,603,373	\$118,337	\$3,419,359	\$114,628	\$3,238,484	\$108,638	\$1,705,745	\$58,718

Cathay Life Insurance Company (Vietnam)
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$110,615	\$3,632	\$68,030	\$2,282
Operating costs	(25,913)	(851)	(11,796)	(396)
Operating expenses	(39,246)	(1,289)	(42,761)	(1,434)
Operating profit	45,456	1,492	13,473	452
Non-operating income and expenses	(2,468)	(81)	(40)	(1)
Profit (loss) from continuing operations before income tax	42,988	1,411	13,433	451
Income tax expense	(19,435)	(638)	-	-
Net income	23,553	773	13,433	451
Other comprehensive income	119,169	3,914	25,085	841
Total comprehensive income	\$142,722	\$4,687	\$38,518	\$1,292
Basic earnings per share	Note	Note	Note	Note

Note: Cathay Life Insurance Company (Vietnam) is a limited company, there is no information about earning per share.

English Translation of Financial Statements Originally Issued in Chinese

Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$235,085	\$7,720	\$204,339	\$6,850	\$420,036	\$14,090	\$411,418	\$14,163
Investment property	6,374,388	209,339	3,011,107	100,942	-	-	-	-
Property and equipment	659,137	21,647	669,348	22,439	3,348,149	112,316	3,276,008	112,771
Total assets	\$7,268,610	\$238,706	\$3,884,794	\$130,231	\$3,768,185	\$126,406	\$3,687,426	\$126,934
Liabilities								
Current liability	\$3,209	\$105	\$5,559	\$186	\$6,775	\$227	\$5,377	\$185
Deferred tax liability	31,824	1,045	27,256	914	-	-	-	-
Other non-current liability	27,091	890	13,588	456	-	-	-	-
Total liabilities	62,124	2,040	46,403	1,556	6,775	227	5,377	185
Stockholders' equity								
Capital stock	7,223,435	237,223	3,773,774	126,509	3,773,774	126,594	3,773,774	129,906
Retained earnings	(147,827)	(4,855)	(230,819)	(7,738)	(84,897)	(2,848)	(57,489)	(1,979)
Others	130,878	4,298	295,436	9,904	72,533	2,433	(34,236)	(1,178)
Total stockholders' equity	7,206,486	236,666	3,838,391	128,675	3,761,410	126,179	3,682,049	126,749
Total liabilities and stockholders' equity	\$7,268,610	\$238,706	\$3,884,794	\$130,231	\$3,768,185	\$126,406	\$3,687,426	\$126,934

Lin Yuan (Shanghai) Real Estate Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$19,400	\$637	\$-	\$-
Operating costs	-	-	-	-
Operating expenses	(17,205)	(565)	(26,660)	(894)
Operating profit (loss)	2,195	72	(26,660)	(894)
Non-operating income and expenses	(32,864)	(1,079)	(747)	(25)
Loss from continuing operations before income tax	(30,669)	(1,007)	(27,407)	(919)
Income tax expense	(4,836)	(159)	-	-
Net loss	(35,505)	(1,166)	(27,407)	(919)
Other comprehensive (loss) income	(164,558)	(5,404)	106,769	3,581
Total comprehensive income	\$(200,063)	\$(6,570)	\$79,362	\$2,662
Basic earnings per share	Note	Note	Note	Note

Note : Lin Yuan (Shanghai) Real Estate Co., Ltd. is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Co., Ltd (China)

Condensed Balance Sheet

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$1,833,458	\$60,212	\$1,101,188	\$36,916	\$378,587	\$12,700	\$405,943	\$13,974
Receivables	177,707	5,836	141,935	4,758	140,323	4,707	141,039	4,855
Financial asset at fair value through profit or loss	85,740	2,816	139,915	4,691	111,654	3,746	51,813	1,784
Available-for-sale financial assets	774,871	25,447	842,974	28,259	715,928	24,016	653,940	22,511
Investment in debt securities with no active market	390,573	12,827	74,208	2,488	72,153	2,420	70,112	2,413
Reinsurance contract assets	455,672	14,965	493,754	16,552	314,779	10,559	308,462	10,618
Property and equipment	70,481	2,315	74,974	2,513	44,508	1,493	44,380	1,528
Intangible assets	13,044	428	18,176	609	2,856	96	6,998	241
Other assets	661,381	21,720	661,007	22,159	423,705	14,214	403,365	13,885
Total assets	\$4,462,927	\$146,566	\$3,548,131	\$118,945	\$2,204,493	\$73,951	\$2,086,052	\$71,809
Liabilities								
Payables	\$168,238	\$5,525	\$268,756	\$9,010	\$118,450	\$3,973	\$119,446	\$4,112
Insurance liability	2,480,676	81,467	2,465,042	82,636	1,459,346	48,955	1,292,161	44,480
Other liabilities	107,351	3,526	114,110	3,825	99,886	3,351	73,865	2,543
Total liabilities	2,756,265	90,518	2,847,908	95,471	1,677,682	56,279	1,485,472	51,135
Stockholders' equity								
Capital stock	3,707,999	121,773	2,717,129	91,087	1,745,942	58,569	1,745,942	60,101
Retained earnings	(2,134,901)	(70,111)	(2,158,102)	(72,346)	(1,358,852)	(45,584)	(1,265,328)	(43,557)
Others	133,564	4,386	141,196	4,733	139,721	4,687	119,966	4,130
Total stockholders' equity	1,706,662	56,048	700,223	23,474	526,811	17,672	600,580	20,674
Total liabilities and stockholders' equity	\$4,462,927	\$146,566	\$3,548,131	\$118,945	\$2,204,493	\$73,951	\$2,086,052	\$71,809

Cathay Insurance Co., Ltd (China)

Condensed Statement of Comprehensive Income

For the three-month periods ended 31 March 2014 and 2013

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

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$637,430	\$20,934	\$299,373	\$10,043
Operating costs	(404,372)	(13,280)	(233,373)	(7,829)
Operating expenses	(236,032)	(7,752)	(172,607)	(5,790)
Operating loss	(2,974)	(98)	(106,607)	(3,576)
Non-operating income and expenses	26,175	860	13,082	439
Profit (loss) from continuing operations before income	23,201	762	(93,525)	(3,137)
Income tax expenses	-	-	-	-
Net income (loss)	23,201	762	(93,525)	(3,137)
Other comprehensive (loss) income	(7,632)	(251)	19,755	663
Total comprehensive income	\$15,569	\$511	\$(73,770)	\$(2,474)
Basic earnings per share	Note	Note	Note	Note

Note : Cathay Century (China) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Insurance Co., Ltd (Vietnam)

Condensed Balance Sheet

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$33,708	\$1,107	\$95,397	\$3,198	\$331,952	\$11,136	\$245,601	\$8,454
Receivables	40,884	1,343	43,082	1,444	38,561	1,293	34,975	1,204
Investment in debt securities with no active market	139,500	4,581	82,200	2,756	-	-	80,700	2,778
Held-to-maturity financial assets	292,379	9,602	287,150	9,626	-	-	-	-
Reinsurance contract assets	169,182	5,556	174,485	5,849	32,391	1,087	42,774	1,473
Property and equipment	23,249	763	25,998	872	35,945	1,206	38,271	1,317
Intangible assets	491	16	745	25	5,465	183	7,434	256
Other assets	24,779	814	24,860	833	16,933	568	16,766	577
Total assets	\$724,172	\$23,782	\$733,917	\$24,603	\$461,247	\$15,473	\$466,521	\$16,059
Liabilities								
Payables	\$22,332	\$733	\$28,970	\$971	\$17,975	\$603	\$19,796	\$681
Liability reserve	218,238	7,167	228,948	7,675	63,240	2,122	68,138	2,346
Deferred tax liability	1	-	1	-	364	12	356	12
Other liabilities	1,239	41	1,218	41	874	29	449	16
Total liabilities	241,810	7,941	259,137	8,687	82,453	2,766	88,739	3,055
Stockholders' equity								
Capital stock	645,585	21,201	645,585	21,642	517,502	17,360	517,502	17,814
Retained earnings	(68,827)	(2,260)	(67,778)	(2,272)	(41,930)	(1,407)	(34,576)	(1,190)
Others	(94,396)	(3,100)	(103,027)	(3,454)	(96,778)	(3,246)	(105,144)	(3,620)
Total stockholders' equity	482,362	15,841	474,780	15,916	378,794	12,707	377,782	13,004
Total liabilities and stockholders' equity	\$724,172	\$23,782	\$733,917	\$24,603	\$461,247	\$15,473	\$466,521	\$16,059

Cathay Insurance Co., Ltd (Vietnam)

Condensed Statement of Comprehensive Income

For the three-month periods ended 31 March 2014 and 2013

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

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$28,455	\$934	\$17,537	\$588
Operating costs	(10,461)	(343)	(5,569)	(187)
Operating expenses	(19,069)	(626)	(19,326)	(648)
Operating loss	(1,075)	(35)	(7,358)	(247)
Non-operating income and expenses	27	1	4	-
Loss from continuing operations before income tax	(1,048)	(34)	(7,354)	(247)
Income tax expenses	-	-	-	-
Net loss	(1,048)	(34)	(7,354)	(247)
Other comprehensive income	8,631	283	8,366	281
Total comprehensive income	\$7,583	\$249	\$1,012	\$34
Basic earnings per share	Note	Note	Note	Note

Note : Cathay Century (Vietnam) is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)**

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$104,554,268	\$3,433,638	\$66,775,540	\$2,238,536	\$34,074,988	\$1,143,072	\$33,496,114	\$1,153,050
Due from the Central Bank and call loans to banks	124,360,917	4,084,102	140,479,847	4,709,348	63,264,503	2,122,258	98,844,688	3,402,571
Financial assets at fair value through profit or loss	152,849,434	5,019,686	162,997,211	5,464,204	103,324,732	3,466,110	67,796,967	2,333,803
Derivative financial assets for hedging	856,663	28,133	837,179	28,065	1,233,116	41,366	1,203,138	41,416
Securities purchased under agreements to resell	11,205,542	367,998	7,645,763	256,311	2,287,926	76,750	-	-
Receivables-net	107,425,672	3,527,937	120,044,971	4,024,303	70,552,485	2,366,739	50,728,353	1,746,243
Assets held for sale-net	-	-	81,950	2,747	-	-	-	-
Discounts and loans-net	1,066,709,324	35,031,505	1,013,723,116	33,983,343	983,497,494	32,992,200	986,516,412	33,959,257
Available-for-sale financial assets	63,571,198	2,087,724	67,046,565	2,247,622	80,614,995	2,704,294	63,186,407	2,175,091
Held-to-maturity financial assets	50,764,024	1,667,127	50,711,678	1,700,023	48,012,248	1,610,609	20,542,870	707,156
Investments accounted for using the equity method	5,979,101	196,358	5,836,126	195,646	5,196,221	174,311	5,038,973	173,459
Other financial assets-net	4,348	143	22,154	743	5,926	199	13,619	469
Investment in debt securities with no active market-net	278,907,255	9,159,516	280,272,013	9,395,642	401,487,143	13,468,203	424,043,663	14,597,028
Property and equipment-net	22,252,116	730,776	22,240,641	745,580	21,905,038	734,822	21,896,653	753,757
Investment property-net	4,431,663	145,539	4,479,508	150,168	4,439,924	148,941	4,439,924	152,837
Intangible assets-net	7,050,629	231,548	7,045,413	236,186	7,122,743	238,938	7,164,320	246,620
Deferred tax assets	1,445,890	47,484	1,456,529	48,828	1,638,959	54,980	1,550,746	53,382
Other assets-net	8,608,226	282,700	7,143,444	239,472	4,680,218	157,002	4,542,369	156,364
Total assets	\$2,010,976,270	\$66,041,914	\$1,958,839,648	\$65,666,767	\$1,833,338,659	\$61,500,794	\$1,791,005,216	\$61,652,503
Liabilities								
Due to the Central Bank and call loans from banks	\$62,887,512	\$2,065,271	\$50,630,112	\$1,697,288	\$68,625,864	\$2,302,109	\$51,891,103	\$1,786,269
Funds borrowed from the Central Bank and other banks	1,525,500	50,099	1,497,500	50,201	1,493,750	50,109	1,456,800	50,148
Financial liabilities at fair value through profit or loss	14,278,365	468,912	11,271,187	377,847	5,906,954	198,153	4,967,738	171,006
Securities sold under agreements to repurchase	62,671,918	2,058,191	58,681,600	1,967,201	34,700,066	1,164,041	20,369,249	701,179
Payables	20,839,381	684,380	14,795,810	496,004	21,260,477	713,199	21,225,349	730,649
Deposits and remittances	1,607,949,589	52,806,226	1,596,302,557	53,513,328	1,526,121,294	51,194,945	1,520,735,366	52,348,894
Financial debentures payable	52,513,375	1,724,577	52,417,213	1,757,198	42,682,909	1,431,832	42,518,631	1,463,636
Other financial liabilities	44,674,808	1,467,153	36,145,158	1,211,705	18,243,674	611,999	17,426,191	599,869
Provisions	2,125,351	69,798	2,035,564	68,239	2,009,409	67,407	2,009,384	69,170
Deferred tax liability	799,368	26,252	618,631	20,739	583,740	19,582	634,704	21,849
Other liabilities	5,041,085	165,553	4,719,433	158,211	4,421,839	148,334	4,114,007	141,618
Total liabilities	1,875,306,252	61,586,412	1,829,114,765	61,317,961	1,726,049,976	57,901,710	1,687,348,522	58,084,287
Stockholders' equity								
Capital stock	64,668,494	2,123,760	64,668,494	2,167,901	52,277,026	1,753,674	52,277,026	1,799,553
Capital surplus	23,971,498	787,242	23,971,498	803,604	15,213,292	510,342	15,213,292	523,693
Retained earnings	45,348,814	1,489,288	39,956,742	1,339,482	38,334,530	1,285,962	34,763,003	1,196,661
Others	1,681,212	55,212	1,128,149	37,819	1,463,835	49,106	1,403,373	48,309
Total stockholders' equity	135,670,018	4,455,502	129,724,883	4,348,806	107,288,683	3,599,084	103,656,694	3,568,216
Total liabilities and stockholders' equity	\$2,010,976,270	\$66,041,914	\$1,958,839,648	\$65,666,767	\$1,833,338,659	\$61,500,794	\$1,791,005,216	\$61,652,503

**Cathay United Bank Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)**

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Interest income	\$9,250,829	\$303,804	\$7,825,730	\$262,520
Interest expenses	(3,292,026)	(108,113)	(2,804,207)	(94,069)
Net interest income	5,958,803	195,691	5,021,523	168,451
Non-interest income	5,033,068	165,290	3,465,469	116,252
Net income	10,991,871	360,981	8,486,992	284,703
Bad debt expense and reserve for loss on guarantees	193,664	6,360	45,093	1,513
Operating expenses	(5,059,063)	(166,143)	(4,431,244)	(148,650)
Profit from continuing operations before income tax	6,126,472	201,198	4,100,841	137,566
Income tax expenses	(734,400)	(24,118)	(529,314)	(17,756)
Net income	5,392,072	177,080	3,571,527	119,810
Other comprehensive income	553,063	18,163	60,462	2,028
Total comprehensive income	\$5,945,135	\$195,243	\$3,631,989	\$121,838
Basic earnings per share	\$0.83	\$0.03	\$0.58	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited

Condensed Balance Sheet

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$764,944	\$25,121	\$571,307	\$19,152	\$733,464	\$24,604	\$816,727	\$28,114
Due from the Central Bank and call loans to banks	13,411,609	440,447	12,450,373	417,378	11,866,523	398,072	12,698,859	437,138
Financial assets at fair value through profit or loss	160,411	5,268	62,346	2,090	114,377	3,837	140,920	4,851
Available-for-sale financial assets	877,640	28,822	861,559	28,882	1,848,809	62,020	768,190	26,444
Receivables-net	804,027	26,405	793,781	26,610	387,680	13,005	369,539	12,721
Discounts and loans-net	16,913,939	555,466	16,301,693	546,486	15,887,649	532,964	15,808,657	544,188
Held-to-maturity financial assets	725,185	23,816	683,400	22,910	1,154,666	38,734	1,126,103	38,764
Property and equipment-net	424,509	13,941	403,407	13,524	288,774	9,687	281,343	9,685
Intangible assets-net	9,568	314	5,216	175	10,254	344	10,001	344
Deferred tax assets-net	174	6	171	6	3,402	114	15,769	543
Other assets-net	429,131	14,093	416,020	13,946	371,427	12,460	353,101	12,155
Total assets	\$34,521,137	\$1,133,699	\$32,549,273	\$1,091,159	\$32,667,025	\$1,095,841	\$32,389,209	\$1,114,947
Liabilities								
Due to the Central Bank and call loans from banks	\$7,423,919	\$243,807	\$7,570,029	\$253,772	\$7,421,299	\$248,953	\$8,116,896	\$279,411
Payables	490,727	16,116	427,360	14,326	1,001,400	33,593	1,295,180	44,584
Current income tax liabilities	84,100	2,762	43,062	1,444	123,362	4,138	26,548	914
Deposits and remittances	19,210,407	630,884	17,453,353	585,094	18,128,259	608,127	17,219,063	592,739
Financial debentures payable	-	-	-	-	-	-	-	-
Deferred tax liability	60,064	1,972	58,961	1,977	7,102	238	19,949	687
Other liabilities	124,638	4,093	118,528	3,973	48,815	1,638	75,672	2,605
Total liabilities	27,393,855	899,634	25,671,293	860,586	26,730,237	896,687	26,753,308	920,940
Stockholders' equity								
Capital stock	6,094,911	200,161	6,094,911	204,322	5,264,543	176,603	5,269,493	181,394
Retained earnings	1,261,476	41,428	1,141,007	38,250	1,073,715	36,019	932,848	32,112
Others	(229,105)	(7,524)	(357,938)	(11,999)	(401,470)	(13,468)	(566,440)	(19,499)
Total stockholders' equity	7,127,282	234,065	6,877,980	230,573	5,936,788	199,154	5,635,901	194,007
Total liabilities and stockholders' equity	\$34,521,137	\$1,133,699	\$32,549,273	\$1,091,159	\$32,667,025	\$1,095,841	\$32,389,209	\$1,114,947

Indovina Bank Limited

Condensed Statement of Comprehensive Income

For the three-month periods ended 31 March 2014 and 2013

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

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Interest income	\$501,836	\$16,481	\$721,064	\$24,189
Interest expenses	(272,356)	(8,945)	(564,443)	(18,935)
Net interest income	229,480	7,536	156,621	5,254
Non-interest income	91,072	2,991	92,561	3,105
Net income	320,552	10,527	249,182	8,359
Bad debt expense and reserve for loss on guarantees	(47,842)	(1,571)	79,091	2,653
Operating expenses	(112,084)	(3,681)	(97,791)	(3,280)
Profit from continuing operations before income tax	160,626	5,275	230,482	7,732
Income tax expenses	(40,156)	(1,319)	(94,565)	(3,172)
Net income	120,470	3,956	135,917	4,560
Other comprehensive income	128,833	4,231	164,970	5,534
Total comprehensive income	\$249,303	\$8,187	\$300,887	\$10,094
Primary earnings per share	Note	Note	Note	Note

Note : Indovina Bank is a limited company, there is no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

Singapore Banking Corporation Limited
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2013.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Cash and cash equivalents	\$719,368	\$23,625	\$909,957	\$30,505	\$904,687	\$30,348	\$678,535	\$23,357
Due from the Central Bank and call loans to banks	425,338	13,968	392,546	13,159	607,165	20,368	519,496	17,883
Available-for-sale financial assets	781	26	766	26	764	26	-	-
Receivables-net	58,960	1,936	59,212	1,985	8,242	276	52,289	1,800
Current income tax assets	484	16	-	-	-	-	-	-
Discounts and loans-net	1,346,139	44,208	1,080,512	36,222	964,676	32,361	858,125	29,540
Other financial assets-net	-	-	-	-	-	-	728	25
Property and equipment-net	136,371	4,478	136,791	4,586	139,804	4,690	136,718	4,706
Intangible assets-net	12,171	400	7,647	256	5,683	191	5,971	206
Other assets-net	126,312	4,148	121,802	4,083	32,458	1,089	27,248	938
Total assets	\$2,825,924	\$92,805	\$2,709,233	\$90,822	\$2,663,479	\$89,349	\$2,279,110	\$78,455
Liabilities								
Due to the Central Bank and call loans from banks	\$183,209	\$6,017	\$179,847	\$6,029	\$-	\$-	\$143	\$5
Payables	48,439	1,591	52,664	1,765	30,180	1,012	38,488	1,325
Current income tax liabilities	1,198	39	1,175	39	196	7	-	-
Deposits and remittances	2,226,980	73,135	2,104,552	70,552	2,207,247	74,044	1,819,637	62,638
Other liabilities	1,117	37	607	20	906	30	5,183	178
Total liabilities	2,460,943	80,819	2,338,845	78,405	2,238,529	75,093	1,863,451	64,146
Stockholders' equity								
Capital stock	494,836	16,251	494,836	16,589	494,836	16,600	495,312	17,050
Retained earnings	(146,165)	(4,800)	(133,869)	(4,488)	(80,779)	(2,710)	(79,552)	(2,738)
Others	16,310	535	9,421	316	10,893	366	(101)	(3)
Total stockholders' equity	364,981	11,986	370,388	12,417	424,950	14,256	415,659	14,309
Total liabilities and stockholders' equity	\$2,825,924	\$92,805	\$2,709,233	\$90,822	\$2,663,479	\$89,349	\$2,279,110	\$78,455

Singapore Banking Corporation Limited
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Interest income	\$26,260	\$862	\$23,185	\$778
Interest expenses	(9,956)	(327)	(7,820)	(263)
Net interest income	16,304	535	15,365	515
Non-interest income	13,369	439	10,152	341
Net income	29,673	974	25,517	856
Bad debt expense and reserve for loss on guarantees	(10,421)	(342)	-	-
Operating expenses	(31,547)	(1,036)	(31,710)	(1,064)
Loss from continuing operations before income tax	(12,295)	(404)	(6,193)	(208)
Income tax benefits	-	-	4,986	167
Net loss	(12,295)	(404)	(1,207)	(41)
Other comprehensive income	6,889	226	10,994	369
Total comprehensive income	\$(5,406)	\$(178)	\$9,787	\$328
Basic earnings per share	\$(0.61)	\$(0.02)	\$(0.30)	\$(0.01)

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Corporation
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$16,607,544	\$545,404	\$15,409,801	\$516,587	\$11,576,387	\$388,339	\$14,366,771	\$494,553
Available-for-sale financial assets	18	1	18	1	18	1	18	1
Investments accounted for using the equity method	999,019	32,808	988,147	33,126	789,601	26,488	783,254	26,962
Property and equipment	159,678	5,244	163,055	5,466	110,048	3,692	113,495	3,907
Intangible assets	41,939	1,377	27,861	934	15,324	514	12,128	418
Deferred tax assets	5,163	170	5,774	194	179,279	6,014	313,808	10,802
Other non-current assets	491,138	16,129	473,524	15,874	446,034	14,962	445,340	15,330
Total assets	\$18,304,499	\$601,133	\$17,068,180	\$572,182	\$13,116,691	\$440,010	\$16,034,814	\$551,973
Liabilities								
Current liability	\$13,080,702	\$429,580	\$12,000,481	\$402,296	\$8,204,840	\$275,238	\$11,061,728	\$380,782
Deferred tax liability	7,866	258	253	8	186,385	6,252	317,912	10,944
Other non-current liability	8,936	293	8,353	280	7,948	267	7,823	269
Total liabilities	13,097,504	430,131	12,009,087	402,584	8,399,173	281,757	11,387,463	391,995
Stockholders' equity								
Capital stock	3,982,027	130,773	3,982,027	133,491	3,866,660	129,710	3,866,660	133,104
Capital surplus	291,766	9,582	291,766	9,781	291,766	9,788	291,766	10,044
Retained earnings	720,463	23,661	587,576	19,698	555,314	18,628	479,456	16,504
Others	212,739	6,986	197,724	6,628	3,778	127	9,469	326
Total stockholders' equity	5,206,995	171,002	5,059,093	169,598	4,717,518	158,253	4,647,351	159,978
Total liabilities and stockholders' equity	\$18,304,499	\$601,133	\$17,068,180	\$572,182	\$13,116,691	\$440,010	\$16,034,814	\$551,973

Cathay Securities Corporation
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Revenues	\$469,623	\$15,423	\$323,243	\$10,844
Service fee expenses	(16,492)	(542)	(9,531)	(320)
Employee benefit expenses	(160,738)	(5,279)	(117,381)	(3,937)
Share of the profit of associates and joint ventures accounted for using the equity method	3,310	109	6,347	213
Operating expenses	(152,412)	(5,005)	(127,199)	(4,267)
Non-operating income and expenses	5,998	197	7,792	261
Profit from continuing operations before income tax	149,289	4,903	83,271	2,794
Income tax (expenses) profit	(16,402)	(539)	(7,413)	(249)
Net income	132,887	4,364	75,858	2,545
Other comprehensive income	15,015	493	(5,691)	(191)
Total comprehensive income	\$147,902	\$4,857	\$70,167	\$2,354
Basic earnings per share	\$0.33	\$0.01	\$0.19	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

Cathay Venture Inc.

Condensed Balance Sheet

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$557,628	\$18,313	\$398,984	\$13,375	\$586,643	\$19,679	\$663,149	\$22,828
Available-for-sale financial assets	2,351,484	77,224	2,370,304	79,461	1,402,984	47,064	1,207,167	41,555
Investments accounted for using the equity method	74,144	2,435	64,028	2,146	229,851	7,711	228,616	7,870
Property and equipment	402	13	479	16	253	9	306	10
Deferred tax assets	13,021	428	13,325	447	23,853	800	18,881	650
Other non-current assets	837	28	837	28	837	28	680	23
Total assets	\$2,997,516	\$98,441	\$2,847,957	\$95,473	\$2,244,421	\$75,291	\$2,118,799	\$72,936
Liabilities								
Current liability	\$1,394	\$46	\$5,331	\$179	\$2,157	\$73	\$4,874	\$168
Deferred tax liability	5,166	170	4,704	158	-	-	3,216	111
Other non-current liability	1,432	47	1,207	40	667	22	478	16
Total liabilities	7,992	263	11,242	377	2,824	95	8,568	295
Stockholders' equity								
Capital stock	2,000,000	65,681	2,000,000	67,047	2,000,000	67,091	2,000,000	68,847
Retained earnings	336,077	11,037	242,128	8,117	214,984	7,212	205,204	7,064
Others	653,447	21,460	594,587	19,932	26,613	893	(94,973)	(3,270)
Total stockholders' equity	2,989,524	98,178	2,836,715	95,096	2,241,597	75,196	2,110,231	72,641
Total liabilities and stockholders' equity	\$2,997,516	\$98,441	\$2,847,957	\$95,473	\$2,244,421	\$75,291	\$2,118,799	\$72,936

Cathay Venture Inc.

Condensed Statement of Comprehensive Income

For the three-month periods ended 31 March 2014 and 2013

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

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$101,294	\$3,327	\$16,381	\$549
Operating cost	(5,332)	(175)	(3,692)	(124)
Operating expenses	(3,827)	(126)	(1,770)	(59)
Non-operating income and expenses	2,118	69	-	-
Profit from continuing operations before income tax	94,253	3,095	10,919	366
Income tax expenses	(304)	(10)	(1,138)	(38)
Net income	93,949	3,085	9,781	328
Other comprehensive income	58,860	1,933	121,586	4,079
Total comprehensive income	\$152,809	\$5,018	\$131,367	\$4,407
Basic earnings per share	\$0.47	\$0.02	\$0.05	\$-

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.
Condensed Balance Sheet
As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013
(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets	\$1,756,003	\$57,668	\$1,681,323	\$56,363	\$1,748,022	\$58,639	\$1,677,761	\$57,754
Available-for-sale financial assets	134,419	4,414	143,232	4,802	147,852	4,960	128,032	4,407
Held-to-maturity financial assets	-	-	-	-	200,000	6,709	200,000	6,885
Investment in debt securities with no active market	2,500	82	2,500	84	5,000	167	11,250	387
Investments accounted for using the equity method	288,136	9,463	298,036	9,991	-	-	-	-
Property and equipment	16,415	539	18,466	619	17,791	597	19,952	687
Intangible assets	14,373	472	15,191	509	8,706	292	10,475	361
Deferred tax assets	10,034	330	9,614	322	9,459	317	9,406	324
Other non-current assets	261,543	8,589	277,676	9,309	240,860	8,080	244,064	8,401
Total assets	\$2,483,423	\$81,557	\$2,446,038	\$81,999	\$2,377,690	\$79,761	\$2,300,940	\$79,206
Liabilities								
Current liability	\$208,680	\$6,853	\$261,437	\$8,764	\$159,074	\$5,336	\$183,517	\$6,317
Other non-current liability	149,111	4,897	152,978	5,128	118,919	3,989	121,447	4,181
Total liabilities	357,791	11,750	414,415	13,892	277,993	9,325	304,964	10,498
Stockholders' equity								
Capital stock	1,500,000	49,261	1,500,000	50,285	1,500,000	50,319	1,500,000	51,635
Capital surplus	13,908	457	13,908	466	13,908	467	13,908	479
Retained earnings	601,069	19,739	500,730	16,786	579,131	19,427	480,079	16,526
Others	10,655	350	16,985	570	6,658	223	1,989	68
Total stockholders' equity	2,125,632	69,807	2,031,623	68,107	2,099,697	70,436	1,995,976	68,708
Total liabilities and stockholders' equity	\$2,483,423	\$81,557	\$2,446,038	\$81,999	\$2,377,690	\$79,761	\$2,300,940	\$79,206

Cathay Securities Investment Trust Co., Ltd.
Condensed Statement of Comprehensive Income
For the three-month periods ended 31 March 2014 and 2013
(Expressed in thousands of dollars, except earnings per share)

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NT\$	US\$	NT\$	US\$
Operating income	\$324,362	\$10,652	\$314,512	\$10,551
Operating expenses	(199,799)	(6,562)	(199,028)	(6,677)
Operating gross profit	124,563	4,090	115,484	3,874
Non-operating income and expenses	(2,843)	(93)	3,856	129
Profit from continuing operations before income tax	121,720	3,997	119,340	4,003
Income tax expenses	(21,381)	(702)	(20,288)	(681)
Net income	100,339	3,295	99,052	3,322
Other comprehensive income	(6,330)	(208)	4,669	157
Total comprehensive income	\$94,009	\$3,087	\$103,721	\$3,479
Basic earnings per share	\$0.67	\$0.02	\$0.66	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Cathay Futures Co., Ltd.

Condensed Balance Sheet

As of 31 March 2014, 31 December 2013, 31 March 2013 and 1 January 2013

(Expressed in thousands of dollars)

Items	2014.3.31		2013.12.31		2013.3.31		2012.1.1	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Assets								
Current assets	\$3,051,498	\$100,214	\$2,876,356	\$96,425	\$3,076,433	\$103,201	\$2,516,674	\$86,632
Available-for-sale financial assets	228,111	7,491	222,738	7,467	30,500	1,023	30,500	1,050
Property and equipment	58,811	1,932	59,267	1,987	58,376	1,958	59,026	2,032
Investment property	255,692	8,397	255,826	8,576	256,230	8,596	256,364	8,825
Intangible assets	2,042	67	2,212	74	1,787	60	1,311	45
Other non-current assets	169,675	5,572	169,110	5,669	169,814	5,697	151,316	5,209
Total assets	\$3,765,829	\$123,673	\$3,585,509	\$120,198	\$3,593,140	\$120,535	\$3,015,191	\$103,793
Liabilities								
Current liability	\$2,764,858	\$90,800	\$2,595,410	\$87,007	\$2,801,614	\$93,983	\$2,230,013	\$76,765
Deferred tax liability	412	14	412	14	412	14	412	14
Other non-current liability	1,446	47	1,447	48	1,439	48	1,439	49
Total liabilities	2,766,716	90,861	2,597,269	87,069	2,803,465	94,045	2,231,864	76,828
Stockholders' equity								
Capital stock	650,000	21,347	650,000	21,790	650,000	21,805	650,000	22,375
Retained earnings	151,339	4,970	148,028	4,962	139,675	4,685	133,327	4,590
Others	197,774	6,495	190,212	6,377	-	-	-	-
Total stockholders' equity	999,113	32,812	988,240	33,129	789,675	26,490	783,327	26,965
Total liabilities and stockholders' equity	\$3,765,829	\$123,673	\$3,585,509	\$120,198	\$3,593,140	\$120,535	\$3,015,191	\$103,793

Cathay Futures Co., Ltd.

Condensed Statement of Comprehensive Income

For the three-month periods ended 31 March 2014 and 2013

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

Items	2014.1.1~2014.3.31		2013.1.1~2013.3.31	
	NTS	US\$	NTS	US\$
Income	\$27,710	\$910	\$29,801	\$1,000
Expenses	(32,844)	(1,079)	(31,471)	(1,056)
Operating loss	(5,134)	(169)	(1,670)	(56)
Non-operating income and expenses	9,061	298	9,318	313
Profit from continuing operations before income tax	3,927	129	7,648	257
Income tax expenses	(616)	(20)	(1,300)	(44)
Net income	3,311	109	6,348	213
Other comprehensive income	7,562	248	-	-
Total comprehensive income	\$10,873	\$357	\$6,348	\$213
Basic earnings per share	\$0.05	\$-	\$0.10	\$-